

**REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**  
**Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**  
(all amounts are expressed in lei, where otherwise stated )

**REPORT OF ADMINISTRATORS**  
**SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**  
**Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**

For the financial year : **2020 ( 1<sup>st</sup> semester )**

Report date : **14.08.2020**

Name of the trading company : **S.C. PREBET AIUD S.A.**

Registered office : **Aiud , Judetul Alba, str. Arenei , nr. 10**

Telephone/fax number : **0258-861661 / 0258-861454**

Unique registration number within the Trade Registry Office : **RO1763841**

Fiscal code within the Trade Registry Office : **Alba J/01/121/1991**

LEI Code: **254900R0KBC9MDTF1V33**

Regulated market in which are traded the issued securities : **B.V.B.**

Subscribed and paid capital : **8.199.547,74 lei**

Main characteristics of the issued securities : **the company issued a number of 45.553.043 registered shares with a nominal value of 0,18 lei each, dematerialised**

**1. Shareholder Structure, Significant Events, Risks and Uncertainties, Affiliate Transactions**

**1.1 Ownership structure**

SC PREBET AIUD SA has as main object of activity : Manufacture of concrete products for construction purposes, NACE code – 2361.

Shareholding structure on 30.06.2020 is the following:

<b>Shareholder</b>	<b>No. shares</b>	<b>%</b>
<b>OTHERS</b>	18.668.455	40,9818
<b>HAGEA LIVIU</b>	14.056.588	30,8576
<b>ANODIN ASSETS CLUJ</b>	7.350.000	16,1350
<b>ACORD CONSTRUCT</b>	5.478.000	12,0255
<b>TOTAL</b>	<b>45.553.043</b>	<b>100</b>

The trading company PREBET AIUD S.A. was incorporate in 1991, by the purchase of the entire patrimony of the former Intreprinderi Prefabricate din beton Aiud (IPB) (Precast Concrete Company Aiud), founded in 1966..

The trading company PREBET AIUD S.A. was organized in the actual structure based on Law. No. 15/1990 and by the GD no. 93/04.02.1991, being registered within the Trade Registry under no. J/01/121/1991.

**1.2. Important events in the first 6 months and their impact on half-yearly accounting reports**

**Risks and uncertainties**

The fact that the company registers a substantial profit on June 30, 2020, makes us believe that there will be no big risks and uncertainties that will substantially influence the economic-financial results at the end of the

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year. However, we cannot neglect the risk caused by the covid-19 pandemic that affects our country and the world, but from the experience so far and due to the strictly avoided measures, we have minimized the potential risks of embezzlement of employees.

The following risk categories may have influences on the company's activity in the next 6 months:

**a) Market risk** is defined as the risk that the variation in market prices, such as exchange rate, interest rate and market demand mitigation, will affect the Company's revenue. Market risk - market instability for building materials, characterized by a significant drop in demand, a pre-emergent market risk and marketing policy. Risk of price volatility from electricity, methane, metals, diesel, pre-empted by finding new suppliers or renegotiating contracts with traditional suppliers

**b) Currency risk** is defined as the risk of incurring losses from international trade or other economic relations due to changes in the exchange rate of the currency between the end of the contract and its maturity. The currency risk is determined by the risk of loss or non-realization of the estimated profit due to unfavorable fluctuations in the exchange rate. Most of the Company's financial assets and liabilities are denominated in the national currency and hence the fluctuations in the exchange rate do not significantly affect the Company's activity. The result of the currency conversion does not have a significant impact on the overall result of the period. Although the Company is operating in Romania, it is exposed to the currency risk arising from the exposure to Euro currency variations, where purchases from or deliveries to partners are denominated external. The Company does not protect against foreign exchange risk related to Euro currency fluctuations through forward contracts or other financial derivatives. However, the management of the Company regularly reviews its forecasts of the LEI / EUR exchange rate and introduces the information thus obtained into the substantiation of the pricing strategy.

**c) The price risk** may arise due to price inconsistency in time, between the time of the conclusion of the contract and the moment of payment and the collection of the amount stipulated in the contract. This risk can occur especially in the case of long-term contracts. The company does not export products and there is no possibility of not achieving the expected gain or loss, due to the change in the international prices between the moment of closing and the moment of finalizing the contracts.

In order to counteract the price risk related to the supply contracts concluded with the clients on the internal market, the Company carries out analyzes and estimates regarding the evolution of the price of raw materials and materials, utilities and labor costs.

**d) Credit risk** is determined by cash and cash equivalents, deposits with credit institutions and other financial institutions, and credit-related exposures to customers for the products sold, including unpaid receivables. In the case of credit institutions and other financial institutions, only entities with good reputation and financial soundness on the financial market in Romania are accepted.

For customers, because an independent rating is not available, management assesses the client's creditworthiness, based on its financial position, previous experience, and other factors. Individual risk limits are established on the basis of internal ratings in accordance with the limits set by the Board of Directors.

The use of credit limits (ceilings) is monitored on a regular basis.

Unfavorable changes in the creditworthiness of the Company's clients may have adverse effects on the Company's ability to collect cash or cash equivalents resulting from sales, which could lead to uncertainty about the continuity of activity, as well as depreciation in financial performance indicators by recognizing impairment adjustments of these assets.

The exposure of the Company to credit risk is mainly influenced by the individual characteristics of each client.

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Prebet Aiud is characterized by its specific activity and due to the fact that the beneficiaries are companies operating in the field of construction with a high degree of banking risk is exposed to this type of risk caused by late payment of the invoices or even more serious the entry into insolvency .

**e) Liquidity risk** is the risk of loss or loss of expected profits arising from the impossibility of honoring at any time the short-term payment obligations without incurring excessive costs or losses that can not be borne by the Company . Company Leadership monitors liquidity forecasts to ensure that there is sufficient cash to meet the operational requirements. These projections take into account financing plans, compliance with contractual arrangements, and respect for the core objectives of economic and financial management indicators.

**f) The risk of taxation**

The fiscal system in Romania is subject to various interpretations and permanent changes that may sometimes be retroactive. Tax authorities may adopt a different position from the Company's position with respect to certain transactions, operations and events and as such may compute certain additional obligations, interest and tax penalties. The management of the Company believes that it has recorded fair values in the tax, tax and other debt accounts to the State. However, there is a risk that the tax authorities will have a different position from that of the Company.

**g) Risk to the economic environment**

The Romanian economy presents the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The management of the Company can not predict all the effects of the crisis that will have an impact on the financial sector in Romania, nor its potential impact on the present financial statements.

**h) The risk of amending the legislation**

Tax legislation in Romania is subject to extensive and frequent changes that could adversely affect the Company's activity. There is a risk that the Company will be exposed in the future to increased tax rates or new (additional) taxes, ie new operational or financial requirements that could not be predicted or estimated at the time of preparation of the financial statements.

**i) The risk of addiction to a small number of clients**

The company has a wide portfolio of clients, but given the economic sector in which the company operates, there is a dependence on the companies involved in major infrastructure projects initiated by the Romanian State (construction of highways, railway rehabilitation, etc.) .

**j) Operating risk** is defined as the risk of loss or loss of expected profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions , changes in the capital market, technological advances. Policies defined for operational risk management have taken into account each type of event that may generate significant risks and specific disclosure modalities to eliminate or mitigate financial losses.

Within the PREBET AIUD company during the analyzed period there were no transactions between the affiliated parties

**1.3. Transactions with affiliated parts**

Within PREBET AIUD, no transactions between related parties as defined in the International Financial Reporting Standards (IFRS) adopted in accordance with the provisions of Regulation (EC) no. 1.606 / 2002

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of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

## **2. Financial Economic Situation**

### **2.1. General evaluation elements**

SC PREBET AIUD SA: has prepared the financial statements in accordance with the International Standards of Financial Reporting adopted by the European Union (IFRS), in force at the annual reporting date and with the provisions of OPFM 2844/2016, with subsequent amendments and completions:

a) Gross profit :	3.690.477 lei
b) Net profit:	3.162.823 lei
c) Turnover:	14.673.381 lei
d) Costs (total expenses):	14.748.678 lei
e) Operating expenses:	13.824.843 lei
f) Financial expenses:	23.835 lei
g) Financial revenues:	102.312 lei
h) Operating expenses:	18.336.843 lei
i) Total revenues:	18.439.155 lei

#### **a) Profit**

At the end of the 1<sup>st</sup> semester 2020 the company registered a gross profit of 3.690.477 lei.

#### **b) Turnover**

Achieved turnover 14.673.381 lei.

#### **c) Export**

The company does not export products.

#### **d) Costs**

The total costs related to the manufacture for the total manufactured are in amount of 14.748.678 lei at the revenues of 18.439.155 lei .

#### **Market held percentage**

Due to the diversity of manufactured products and multitude of producers of precast elements on the domestic market it is difficult to establish a weighting for each element of precast concrete product.

#### **e) Liquidity**

At the end of the review period is registered a minus of treasury compared to early of - 344.547 lei

#### **Liquidity:**

- Cash and bank account at the beginning of the period: 12.766.609 lei
- Cash and deposits at the end of the period: 12.422.062 lei
- Cash Flow: - 344.547
- Current liquidity: 5.18
- Immediate liquidity: 3.70

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**2.2 Economic and financial situation**

<b>Name of indicators</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
<b>Tangible assets</b>	21.826.767	<b>22.749.889</b>
<b>Intangible assets</b>	0	0
<b>TOTAL FIXED ASSETS</b>	<b>21.826.767</b>	<b>22.749.889</b>
<b>Stocks</b>	3.714.892	<b>7.958.667</b>
<b>Receivables and other receivables</b>	9.059.265	<b>7.489.341</b>
<b>Cash and cash equivalent</b>	4.766.609	<b>2.422.062</b>
<b>Other assets ( expenses in advance )</b>	12.766.609	12.422.062
<b>TOTAL CURRENT ASSETS</b>	<b>25.540.766</b>	<b>27.870.070</b>
<b>1.TOTAL ASSETS</b>	<b>47.367.533</b>	<b>50.619.959</b>
<b>Subscribed and paid capital</b>	8.199.548	<b>8.199.548</b>
<b>Capital adjustments</b>	57.644.064	<b>57.644.064</b>
<b>Other elements of ownership equity</b>	( 647.854 )	<b>(647.854)</b>
<b>Capital premium</b>	0	<b>0</b>
<b>Reassessment reserves</b>	8.983.038	<b>8.838.945</b>
<b>Reserves</b>	17.481.148	<b>21.854.350</b>
<b>Reported result except that from the first adoption of date of IAS 29</b>	5.535.305	<b>5.679.398</b>
<b>Reported result from the adoption of the premium for IAS 29</b>	( 63.521.958 )	<b>(63.521.958)</b>
<b>Profit at the end of the reporting period</b>	5.632.491	<b>3.162.823</b>
Distribution of profit	( 311.786 )	<b>(947.503)</b>
<b>2.TOTAL OWNERSHIP EQUITY</b>	<b>38.993.996</b>	<b>41.209.316</b>
Long term loans	0	0
Debt with deferred income tax	563.553	<b>563.553</b>
<b>TOTAL DEBTS ON LONG TERM</b>	<b>563.553</b>	<b>563.553</b>
Trade payables and other debts	4.046.957	<b>5.376.107</b>
Short term loans	0	0
Current income tax liability	158.002	<b>527.654</b>
<b>TOTAL DEBTS ON LONG TERM</b>	<b>4.204.959</b>	<b>5.376.107</b>
Subsidies on investments	<b>0</b>	0
Provisions	<b>2.228.722</b>	<b>2.177.561</b>
<b>3.TOTAL LIABILITIES</b>	<b>47.367.533</b>	<b>50.619.959</b>

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**2.3 Profit and loss account**

<b>Indicator name</b>	<b>30.06.2019</b>	<b>30.06.2020</b>
<b>NET TURNOVER</b>	<b>13.859.818</b>	<b>14.673.381</b>
Changes in inventories of finished goods and production in progress	<b>2.799.604</b>	<b>3.576.902</b>
Variation in the production of tangible assets	-	-
Other revenues	86.126	<b>86.560</b>
<b>OPERATING INCOMES - TOTAL</b>	<b>16.745.548</b>	<b>18.336.843</b>
Raw materials and used consumables	7.886.456	<b>6.859.836</b>
Other external expenses (with energy and water)	702.588	<b>728.504</b>
Employee's benefits expense	4.774.053	<b>5.128.539</b>
Expenses with depreciation and amortization	597.774	<b>870.097</b>
Other expenses	- 99.934	<b>1.137.867</b>
<b>OPERATING EXPENSES - TOTAL</b>	<b>13.860.937</b>	<b>14.724.843</b>
<b>OPERATING PROFIT OR LOSS</b>	<b>2.884.611</b>	<b>3.612.000</b>
<b>FINANCIAL INCOMES</b>	<b>61.736</b>	<b>102.312</b>
<b>FINANCIAL EXPENSES</b>	<b>28.830</b>	<b>23.835</b>
<b>FINANCIAL PROFIT OR LOSS</b>	<b>32.906</b>	<b>78.477</b>
<b>TOTAL REVENUES</b>	<b>16.807.284</b>	<b>18.439.155</b>
<b>TOTAL EXPENSES</b>	<b>13.889.767</b>	<b>14.748.678</b>
<b>GROSS PROFIT</b>	<b>2.917.517</b>	<b>3.690.477</b>
<b>CORPORATE TAX</b>	<b>233.695</b>	<b>527.654</b>
<b>NET PROFIT</b>	<b>2.683.822</b>	<b>3.162.823</b>

**2.4 Cash flow**

At the end of the first semester, the company registers a cash available of 12.422.062 lei, a slight decrease by 344.547 lei compared to the beginning of the year 12.766.609

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	Share capital	Share capital adjustments	Capital assimilated elements	Reserves from reassessment	Other reserves	Current and retained earnings	Total
<b>Balance on January 1<sup>st</sup> 2020</b>	<b>8.199.548</b>	<b>57.644.064</b>	<b>(647.854)</b>	<b>8.983.038</b>	<b>17.481.148</b>	<b>(52.665.948)</b>	<b>38.993.996</b>
<i>Other changes in the global result</i>	0	0	0	0	0	0	0
Current global result	0	0	0	0	0	3.162.824	<b>3.162.824</b>
Allocations legal reserve	0	0	0	0	0	0	0
Allocations other reserves	0	0	0	0	4.373.202	( 4.373.202 )	<b>0</b>
Covering loss IFRS	0	0	0	0	0	0	0
Reserve increase from assets reassessment	0	0	0	( 144.093 )	0	144.893	<b>0</b>
Assessment reserve transfer in the reported year	0	0	0	0	0	0	<b>0</b>
Total global result for the period	0	0	0	0	( 947.504 )	0	<b>(947.504)</b>
Paid dividends	0	0	0	( 144.093 )	<b>3.425.698</b>	<b>1.066.285</b>	<b>810.856</b>
<b>Total transactions with shareholders, direct recognized in own equities</b>	0	0	0	0	0	0	0
<b>Balance on June 30, 2020</b>	<b>8.199.548</b>	<b>57.644.064</b>	<b>(647.854)</b>	<b>8.838.945</b>	<b>20.906.846</b>	<b>(53.732.233)</b>	<b>41.209.316</b>

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**STATEMENT OF TREASURY FLOWS**  
**Direct method**

	<i>30.06.2019</i>	<i>30.06.2020</i>
<b>Fluxuri de numerar din activități de exploatare</b>		
Cash receipts from operating activities, of which	18.402.237	20.468.276
Cash receipts from customers	18.310.728	20.382.979
Cash receipts from royalties, fees, commissions and other income	91.509	85.297
Cash receipts representing the residual income tax	0	0
Cash outflows related to the operating activity, of which	17.160.493	17.791.819
Payments made to suppliers of goods and service providers	11.045.672	10.826.194
Payments made to and on behalf of employees	4.752.348	5.289.977
He's paying tax on profits	133.225	321.515
Interest paid	0	0
Payments related to other taxes	1.229.247	1.354.133
<i>Net cash generated from operation</i>	<b>1.241.745</b>	<b>2.676.457</b>
<b>Cash flows from investment activities</b>		
<i>Cash receipts from the investment activity, of which</i>	12.500.000	17.000.000
Receipts from the sale of tangible and intangible assets	0	0
Receipts from the sale of equity or debt instruments of other entities and from the sale of interests in joint ventures	12.500.000	17.000.000
Receipts from investment grants	0	0
Receipts from repayment of advances and loans to other parties	0	0
Cash receipts representing dividends received	0	0
<i>Cash outflows related to the investment activity, out of which</i>	13.375.576	21.259.047
Payments for the acquisition of tangible, intangible and other fixed assets	872.024	2.254.290
Payments for the purchase of shares and other financial instruments	12.500.000	19.000.000
Payments for cash advances and loans to other parties	3.551	4.757
<i>Net cash generated by investments</i>	-875.576	- 4.259.047



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<b>Cash flows from financing activities</b>		
Cash receipts from financing activity, out of which	57.285	97.188
Receipts from the issue of shares and other equity instruments	0	0
Receipts from the issue of debt securities, loans, commercial effects, bonds, mortgages and other short or long-term loans	57.285	97.188
<i>Cash outflows related to the financing activity, out of which</i>	880.000	859.145
Payments for the redemption of own shares	0	0
Cash payments of borrowed amounts	0	0
<i>Payments related to financial leasing contracts</i>	0	0
Dividends paid to shareholders	880.000	859.145
<i>Net cash from financing</i>	<b>-822.715</b>	<b>- 761.957</b>
Increase or decrease in net cash and cash equivalents	<b>-456.546</b>	<b>- 2.344.547</b>
Cash and cash equivalents from the beginning of the financial year	9.557.716	4.766.609
Cash and cash equivalents at the end of the financial year	<b>9.101.170</b>	<b>2.422.062</b>

### **3. Analysis of the issuer's activity**

#### **3.1 Assessment of the technical level of the trading company**

Main achieved products are:

- a. Prestressed concrete traverses for railways
- b. Concrete beams for road bridges with armature reinforced or post-reinforced and various length and sections
- c. Prefabricated for railways and road culverts
- d. Prefabricated for electrification and signaling of road ways
- e. Dales for railway level crossing
- f. Prefabricated for channel with pockets for overhaul of locomotives and wagons
- g. Reinforced concrete traverses biblock type for underground and tram
- h. Various prefabricated for structures

**Description of the main products manufactured and/or services provided specifying:**

#### **a. Main outlet markets for each product or service and the distribution methods:**

Outlet market of the company's products is represented by the domestic market having as distribution modality the direct sale to the contractor or subcontractor who has contracted works to the end beneficiary of the required product.

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### **b. Share of each category of goods or services in revenues and in the total turnover of the trading company for the past three years:**

In 1<sup>st</sup> semester 2020 the total volume of prefabricated was 9.644 m<sup>3</sup> of which bulk concrete 151 m<sup>3</sup>. The products manufactured by the company are found in two broad categories of products, plus bulk concrete:

- a) reinforced and prestressed concrete sleepers
- b) other reinforced and prestressed concrete products
- c) bulk concrete

<b>Product name</b>	<b>1<sup>st</sup> semester 2019</b>	<b>1<sup>st</sup> semester 2020</b>
	<b>%</b>	<b>%</b>
Concrete sleepers for railways	21.66%	4,90%
Diverse concrete products	75.78%	93,60%
Bulk concrete	2.56%	1,50%

### **c. New products considered for which it shall be affected a substantial volume of assets in future financial year and also the stage of development of these products**

By the specific of the activity SC PREBET AIUD SA always has new products on the production line, depending on market demand structure of prefabricated products, products that run on demand, by adapting or creating new patterns, according to technical projects

As a novelty element implemented in the last part of last year and in the first semester of this year is the endowment of the company with a universal stand, which allows the casting of beams with reinforced reinforcement of lengths and high heights.

### **3.2 Assessment of the technical-material supply**

The main objectives of the supply activity were:

- Reducing acquisition costs, thus reducing the production costs
- Identifying new suppliers
  
- Providing the necessary of raw materials, spare parts, depending on store policy
- Obtaining the best conditions to supply on contracting (quality/price/payment terms)

Current stock in which is also included the safety stock ensures a good running of the production activity.

- metal plate
- cement
- concrete steel
- Moravia Steel
- SC Holcim S.A. Bucuresti
- Siderom Bucuresti
- Dacotrans Sperieteni
- Pittini Udinese
- OAM Ungaria
- D&D Drotaru Ungaria

Commercial relationships with main suppliers of raw materials, are based on compliance with the clauses included in Sale – purchase contracts concluded or prolonged after at the beginning of each year. The provider is chose, having as basic principles, the quality-price report, terms of payment and market development of that product.

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Material supply sources are both in the domestic market but also imported from the European community depending on the type of the manufactured product.

### **3.3 Assessment of selling activity**

#### **a. Description of the evolution of sequential sales on domestic and/or foreign market and the prospects of sales on medium and long term**

Sales are made only on the domestic market and somewhat have seasonal character in the winter months their volume is substantially reduced.

Sales prospects depend on the medium and long term government policy regarding the allocation of financial resources for various works which include our products.

Evolution of the turnover for the last 2 years is as follows:

<b>30.06.2019</b>	<b>30.06.2020</b>
<b>13.859.818 lei</b>	<b>14.673.381 lei</b>

#### **b. Description of the competitive situation in the field of activity of the trading company, the market share of products or services of the trading company and the main competitors**

In the 1<sup>st</sup> semester 2020 the share of sleepers product represented 4.90% of the goods production volume the difference being represented by the product category other precast concrete elements.

The company capitalized its products only on the domestic market throughout the entire country less in the area of Dobrogea and the South – East part of Romania.

The main competitors of our market are:

- Somaco Grup Prefabricate Bucuresti
- Macon Deva
- ASA Cons Turda
- Bauelemente
- METABET Pitesti
- TRAVERTEC BUZAU

#### **c. Description of each significant dependency of the trading company on one single customer or group of customers whose loss would have a negative impact on company's revenues**

Given the diversified customer portfolio, SC PREBET AIUD SA is not significantly depending on a single customer. In terms of risk management concept, and by the fact that the company has customers whose source of contracts and works is represented by the investments undertaken by entities that are directly or indirectly subordinated to the Romanian State (RNCMNR CFR), we can say that there is a company dependences in investment contracts financed by the national or local budget.

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**3.4 Assessment of aspects related with employers/personnel of the trading company**

**a. indicating the number and training level of the trading company's employees and the degree of unionization of the workforce**

On 30.06.2020 the average number of employees was 222, and the effective one is of 228 employees. In relation to Employers, the employees are represented by the Free Trade Union PREBET AIUD the unionisation degree in 2020 is of 95%. As regards the labor force, due in particular to GEO 114/2018, there is an improvement in the quality of the new employees, both the unskilled and the professionally qualified ones. During the 1<sup>st</sup> semester 2020 was constantly watched the assessment of staff's performances and fixing individual targets, with their quarterly check.

**b. Description of reports between the manager and employees and any conflictual elements that characterize these reports**

During the 1<sup>st</sup> semester 2020 there were no labor disputes between the company management and employees.

**3.5 Assessment of aspects related to the impact of the basic activity of the issuer on the environment**

We believe that the company shall not have environmental issues because the performed work is not a polluting activity, the evidence also being the existing environmental permit.

S.C. PREBET AIUD S.A. proposes to intensify the concerns to ensure and maintain an environment within a level required by the International and European Standards.

For this were established the following objectives:

1. The implementation and certification of an environmental management system. The company holds the environmental management certificate no.3695M/29.05.2014 in accordance with SR EN ISO 14001: 2005.
2. Identification and control of environmental aspects associated with all activities taking place within the company, to ensure compliance with legal requirements and prevent pollution by:
  - Minimizing the amount of generated waste and their manage in safely conditions when their occurrence can not be avoided;
  - Improving the quality of discharged water from the company;
  - Reducing emissions of pollutants into the atmosphere;
  - Reducing consumption of natural resources
3. Ensuring communication of policy by all internal and external stakeholders of the company.
4. Creating conditions for the implementation, maintenance and continuous improvement of environmental management system by providing competent human resources and material resources necessary to maintain the environmental policy and meeting objectives.

In the first semester of this year, it was followed legal requirements and compliance with those contained in the regulatory legal acts, finding this and upon inspection by authorized bodies.

**3.6 Assessment of research and development activity**

The company does not have its own research department related to new products this thing is made through our beneficiaries' projects, these projects being prepared by specialized research and design institutions.

# **REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**

## **Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**

*(all amounts are expressed in lei, where otherwise stated )*

The research activity within SC PREBET AIUD SA is conducted by the Technical Manufacture Office and own laboratory as well as collaborations with design institutes, with direct implications in increasing the quality of products and services of our company, by improving the manufacture networks and the improvement schemes in order to growth Labour productivity, namely:

- Modernization of existing production capacities, improving the microclimate of work, extension of outlet market, and the scope of business, automation of technologic processes.
- Performed investments were from own sources.

### **3.7. Perspective elements regarding the activity of the trading company**

**a.presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the liquidity of the trading company compared to the same period of the last year.**

Immediate liquidity of the company is 3.70, and the indicator of current liquidity is 5.18.

The acceptable recommended value is around 2, giving this guarantee to cover the current liabilities from the current assets.

**b. presentation and analysis of the effects for the capital expenses, actual or anticipated on the financial situation of the trading company with the same period of the last year**

In the first half of 2020, the volume of investments amounted to 1.602.861 lei, compared to 791.160 lei realized in the similar period last year.

Among the fixed assets purchased we mention four overhead cranes, metal beams, etc.

For the year 2020, an investment volume of 3,500,000 lei is proposed

**c. presentation and analysis of events, transactions, economic changes that significantly affect the revenues from the basic activity**

In the first semester of 2020 the company managed to fulfill the binnual indicators in the income and expenditure budget, existing prerequisites for achieving BVC total for the year 2020.

### **3.8 Tangible assets of the trading company**

**a) Specifying the location and characteristics of the main production facilities owned by the trading company**

All production capacities of the company are located in its premises with the title deed for the land.

The main production facilities are:

- Production hall of concrete sleepers for railways;
- Stand for beam bridges with different sections;
- Polygon of heavy products;
- Station for the production of concrete;
- Ballast sorting station;
- Prefabrication plant of poles for electrification;

**REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**  
**Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**  
*(all amounts are expressed in lei, where otherwise stated )*

**b) Description and analysis of the degree of wear of the trading company properties**

Fixed assets of the company have an average wear degree of 39,60%. The management of the company is constantly aware of this fact. The proof is also the planned volume of investments for this year.

**c) Specifying the potential problems related to ownership of tangible assets of the trading company**

The Company owns its assets and there are no disputes about the ownership right.

**3.9 Market securities issued by the trading company**

a) The securities issued by our company are traded only in Romania on the Bucharest Stock Exchange.

b) In the last 5 years the situation of dividends distribution was as follows:

- year 2015 – for the year 2015 were paid dividends in amount of – 501.083,00 lei
- year 2016 – for the year 2016 were paid dividends in amount of – 1.275.484 lei
- year 2017 no dividends were paid
- year 2018 – for the year 2018 were paid dividends in amount of – 945.681 lei
- year 2019 – for the year 2019 were paid dividends in amount of – 947.503 lei

c) Description of any activities of the trading company to purchase its own shares.  
The Company has not taken any decision to repurchase its own shares.

d) If the trading company has, branches specify the number and the nominal value of shares issued by the parent company owned by the subsidiary.

Not appropriate

e) If the trading company issued debentures and/or other debt as securities presentation of how the trading company pays its obligations to the holders of such securities.

The Company did not issue debentures or other debt securities.

**3.10 Management of the trading company**

**a) Presentation of trading Company's administrators**

No.	Surname, Name	Position	Profession
1.	Ratiu Nicolae Christopher	President BD	Economist
2.	Mathe Francisc	Member	Lawyer
3.	Demeter Ioan	Member	Economist
4.	Deceanu Liviu Daniel	Member	Economist
5.	Salagean-Mihetiu Sorin Florin	Member	Economist

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**Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**  
*(all amounts are expressed in lei, where otherwise stated )*

**a) CV (surname, name, age, qualification, professional experience, etc.)**

- 1) Surname: Ratiu  
Name: Nicolae  
Age: 72 years  
Qualification: Economist  
Professional experience: 39 years  
Seniority in the position: 0 years  
Non-Executive Member - Chairman of the Board is a graduate of New York Maritime College BSC Maritime Transport Economics.  
He has worked in several UK companies for management positions (managing director).
- 2) Surname:Mathe  
Name: Francisc  
Age: 44 years  
Qualification:Lawyer  
Professional experience: 21 years  
Seniority in the position: 1 year  
Non-executive member of the Board of Directors, is a graduate of the Faculty of Law, Babes-Bolyai University class of 1999.  
He was a member of the Board of Directors of several companies and at SC PREBET AIUD SA he was proposed as a member of the company ANODIN ASSETS Cluj-Napoca.
- 3) Surname:Demeter  
Name: Ioan  
Age: 55 years  
Qualification:Economist  
Professional experience: 10 years  
Seniority in the position: 10 years  
Non-executive member of the Board of Directors: he is a graduate of the Faculty of Management Brasov, specializing in Business Administration (2011) and holds the second term of office in the Issuer since 2014 (the first term being in the period 2004-2018). Mister. Demeter Ioan has been working for the Issuer since 1983, going through all the stages from qualified worker to Head of Shareholding Office. A relevant period of time, between 2000-2009 and 2013-2014, he held the position of President of the trade union organization within the Company in the position of electromechanic, respectively Shareholder Office Manager and Shareholder Office Manager, employed within the Issuer.
- 4) Surname: Deceanu  
Name: Liviu Daniel  
Age: 36 years  
Qualification:Economist  
Professional experience: 11 years  
Seniority in the position: 0 year  
Non-executive member of the board of directors: He graduated from the Faculty of Economics and Business Management, Babeş-Bolyai University Cluj-Napoca (section: International Economic Relations) and currently holds the position of University Lecturer (International

**REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**  
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*(all amounts are expressed in lei, where otherwise stated )*

Economic Transactions, European Economics) at Faculty of Economics and Business Management Cluj.

**5) Surname : Salagean-Mihetiu**

Name : Sorin Florin

Age : 41 years

Qualification: Economist

Professional experience: 17 years

Seniority in the position: 0 year

Non-executive member of the Board of Directors: he graduated from the University of Oil and Gas Ploiesti, Faculty of Economic Sciences, currently holds the position of General Manager of Montana Campeni SRL, a company producing wooden furniture.

**c. Any agreement, understanding or family connection between that person and another person due to whom that person was appointed administrator.**

Not appropriate

**d. Administrator's participation in the share capital of the trading company.**

On 30.06.2020 the administrators held in S.C. PREBET AIUD S.A. a number of shares, as follows:

No.	Surname and name	Number of shares	Percentage
1.	Ratiu Nicolae Christopher	139.727	0,3067%
2.	Mathe Francisc	-	-
3.	Demeter Ioan	23.732	0,0520%
4.	Deceau Liviu Daniel	1.000.000	2,1952%
5.	Salagean-Mihetiu Sorin Florin	-	-

**e. List of affiliate persons to the trading company.**

Not appropriate.

**f. List of executive members of the trading company:**

No.	Surname and name	Position	Profession
1.	Ranca Flaviu	General manager	Engineer
2.	Cimpean Ioan	Economic manager	Economist

**g. The term for which the person is part of the executive management**

Established by the Board of Directors through a mandate Agreement.

**h. Any agreement, understanding or family connection between that person and another person due to whom that person was appointed administrator.**



**REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the 1<sup>st</sup> semester 2020**  
**Half-yearly Report according to the Regulation ASF no. 5 / 2018-Annex 14**  
*(all amounts are expressed in lei, where otherwise stated )*

There is a business relationship between Mr. Hagea Liviu - significant shareholder and Mr. Ratiu Nicolae Christopher - Chairman of the Board of Directors of Prebet Aiud SA.

**i. Participation of that person in the share capital of the trading company**

On 30.06.2020 the members of executive management held in S.C. PREBET AIUD S.A. a number of shares, as follows:

No.	Surname, name	Number of shares	Percent
1.	Ranca Flaviu	-	-
2.	Cimpean Ioan	17.673	0.0388%

**j. For persons mentioned in paragraphs 4.1 and 4.2 indication of any litigation or administrative proceedings in which were involved related to their activity for the issuer.**

In the last 5 years the persons described in section 4.1 and 4.2. were not involved in litigation or administrative proceedings.

**4. Changes affecting the issuer's capital and management**

In the first semester of the current year, changes took place both in the shareholding structure and in the company's administration, as a result of the OGMS Prebet Decision of April 19.04.2020. Thus, at the request of the shareholder ANODIN ASSETS CLUJ within the OGMS, a new board of directors was elected, for a term of 4 years by the method of cumulative voting. Following the elections, following the application of the cumulative vote, Mr. Tilinca Radu Marcel and Danila Augustin lost their mandate, being revoked, in their place being elected Mr. Deceanu Liviu Daniel and Salagean-Mihetiu Sorin, Mr. Ratiu Nicolae Christopher (temporary administrator until on the OGMS) was elected administrator with full rights, and Messrs. Mathe Francisc and Demeter Ion were re-elected. Along with Mr. HAGEA LIVIU and ANODIN ASSETS CLUJ, a significant shareholder appeared, respectively ACORD CONSTRCT SRL BISTRITA. PAS PREBET '98 Aiud Association has fallen below the 10% threshold and is no longer one of the significant shareholders of the Company.

**4.1. Situations in which the issuer was unable to meet its financial obligations during the period**

Not appropriate.

**4.2. Changes in the rights of the holders of securities issued by the issuer**

Not appropriate.

**5. Significant Transactions**

During the analyzed period there were no major transactions concluded by the issuer with the persons acting in concert or in which these persons were involved during the relevant time period.

**6. Signatures**

Administrator,

General Manager  
Ing. Ranca Flaviu

Economic Manager,  
Ec. Cimpean Ioan

**S.C. PREBET AIUD S.A.***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**(All amounts are expressed in lei, where otherwise stated)*

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**S.C. PREBET AIUD S.A.**

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**SITUATION OF FINANCIAL POSITION**

<b>Name of indicators</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
Tangible assets	21.826.767	22.749.889
Intangible assets	-	-
<b>TOTAL FIXED ASSETS</b>	<b>21.826.767</b>	<b>22.749.889</b>
Stocks	3.714.892	7.958.668
Receivables and other receivables	9.059.265	7.489.341
Cash and cash equivalent	12.766.609	12.422.417
Other assets ( expenses in advance )	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>25.540.766</b>	<b>27.870.426</b>
<b>1.TOTAL ASSETS</b>	<b>47.367.533</b>	<b>50.620.315</b>
Subscribed and paid capital	8.199.548	8.199.548
Capital adjustments	57.644.064	57.644.064
Other elements of ownership equity	( 647.854 )	( 647.854 )
Capital premium	-	-
Reassessment reserves	8.983.038	8.838.945
Reserves	17.481.148	21.854.350
Reported result except that from the first adoption of date of IAS 29	5.535.305	5.679.398
Reported result from the adoption of the premium for IAS 29	( 63.521.958 )	( 63.521.950 )
Profit at the end of the reporting period	5.632.491	3.162.823
Distribution of profit	( 311.786 )	-
<b>2.TOTAL EQUITY</b>	<b>38.993.996</b>	<b>41.209.316</b>
Long term loans	-	-
Debt with deferred income tax	563.553	563.553
<b>TOTAL DEBTS ON LONG TERM</b>	<b>563.553</b>	<b>563.553</b>
Trade payables and other debts	4.046.957	5.001.608
Short term loans	-	-
Current income tax liability	158.002	364.141
<b>TOTAL DEBTS ON LONG TERM</b>	<b>4.204.959</b>	<b>5.375.749</b>
Subsidies on investments	1.376.302	1.293.422
Provisions	2.228.723	2.177.561
<b>3. TOTAL PASIVE</b>	<b>47.367.553</b>	<b>50.620.315</b>

The explanatory notes to the financial statements from 1 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and were signed by:

General manager

Ing. Ranca Flaviu

Economic manager,

Ec. Cimpean Ioan

**S.C. PREBET AIUD S.A.***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**(All amounts are expressed in lei, where otherwise stated)***SITUATION ON PROFIT OR LOSS AND OTHER ELEMENTS OF COMPREHENSIVE INCOME  
For the 1<sup>st</sup> semester ended on 30.06.2020**

<b>Indicator name</b>	<b>30.06.2019</b>	<b>30.06.2020</b>
<b>NET TURNOVER</b>	<b>13.859.818</b>	<b>14.673.381</b>
Changes in inventories of finished goods and production in progress	<b>2.799.604</b>	<b>3.577.775</b>
Variation in the production of tangible assets	-	-
Other revenues	86.126	85.687
<b>OPERATING INCOMES - TOTAL</b>	<b>16.745.548</b>	<b>18.336.843</b>
Raw materials and used consumables	7.886.456	6.859.836
Other external expenses (with energy and water)	702.588	728.504
Employee's benefits expense	4.774.053	5.128.539
Expenses with depreciation and amortization	597.774	870.097
Other expenses	- 99.934	1.137.867
<b>OPERATING EXPENSES - TOTAL</b>	<b>13.860.937</b>	<b>14.724.843</b>
<b>OPERATING PROFIT OR LOSS</b>	<b>2.884.611</b>	<b>3.612.000</b>
<b>FINANCIAL INCOMES</b>	<b>61.736</b>	<b>102.312</b>
<b>FINANCIAL EXPENSES</b>	<b>28.830</b>	<b>23.835</b>
<b>FINANCIAL PROFIT OR LOSS</b>	<b>32.906</b>	<b>78.477</b>
<b>TOTAL REVENUES</b>	<b>16.807.284</b>	<b>18.439.155</b>
<b>TOTAL EXPENSES</b>	<b>13.889.767</b>	<b>14.748.678</b>
<b>GROSS PROFIT</b>	<b>2.917.517</b>	<b>3.690.477</b>
<b>CORPORATE TAX</b>	<b>233.695</b>	<b>527.654</b>
<b>NET PROFIT</b>	<b>2.683.822</b>	<b>3.162.823</b>

The explanatory notes to the financial statements from 1 to 28 are an integral part of these financial statements.  
The financial statements were approved by the Board of Directors and were signed by:

General manager,

Ing. Ranca Flaviu

Economic manager,

Ec.Cimpean Ioan

**S.C. PREBET AIUD S.A.***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**(All amounts are expressed in lei, where otherwise stated)***STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share capital adjustments	Capital assimilated elements	Reserves from reassessment	Other reserves	Current and retained earnings	Total
<b>Balance on January 1<sup>st</sup> 2020</b>	<b>8.199.548</b>	<b>57.644.064</b>	<b>(647.854)</b>	<b>8.983.038</b>	<b>17.481.148</b>	<b>(52.665.948)</b>	<b>38.993.996</b>
<i>Other changes in the global result</i>	0	0	0	0	0	0	0
Current global result	0	0	0	0	0	3.162.824	<b>3.162.824</b>
Allocations legal reserve	0	0	0	0	0	0	0
Allocations other reserves	0	0	0	0	4.373.202	( 4.373.202 )	<b>0</b>
Covering loss IFRS	0	0	0	0	0	0	0
Reserve increase from assets reassessment	0	0	0	( 144.093 )	0	144.893	<b>0</b>
Assessment reserve transfer in the reported year	0	0	0	0	0	0	<b>0</b>
Total global result for the period	0	0	0	0	( 947.504 )	0	<b>(947.504)</b>
Paid dividends	0	0	0	( 144.093 )	<b>3.425.698</b>	<b>1.066.285</b>	<b>810.856</b>
<b>Total transactions with shareholders, direct recognized in own equities</b>	0	0	0	0	0	0	0
<b>Balance on June 30, 2020</b>	<b>8.199.548</b>	<b>57.644.064</b>	<b>(647.854)</b>	<b>8.838.945</b>	<b>20.906.846</b>	<b>(53.732.233)</b>	<b>41.209.316</b>

The explanatory notes to the financial statements from 1 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and were signed by:

General manager,

Ing. Ranca Flaviu

Economic manager,

Ec. Cimpean Ioan

**S.C. PREBET AIUD S.A.**

*Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020*

*(All amounts are expressed in lei, where otherwise stated)*

**STATEMENT OF TREASURY FLOWS**  
**Direct method**

	<b>30.06.2019</b>	<b>30.06.2020</b>
<b>Fluxuri de numerar din activități de exploatare</b>		
Cash receipts from operating activities, of which	18.402.237	20.468.276
Cash receipts from customers	18.310.728	20.382.979
Cash receipts from royalties, fees, commissions and other income	91.509	85.297
Cash receipts representing the residual income tax	0	0
Cash outflows related to the operating activity, of which	17.160.493	17.791.819
Payments made to suppliers of goods and service providers	11.045.672	10.826.194
Payments made to and on behalf of employees	4.752.348	5.289.977
He's paying tax on profits	133.225	321.515
Interest paid	0	0
Payments related to other taxes	1.229.247	1.354.133
<i>Net cash generated from operation</i>	<b>1.241.745</b>	<b>2.676.457</b>
<b>Cash flows from investment activities</b>		
<i>Cash receipts from the investment activity, of which</i>	12.500.000	17.000.000
Receipts from the sale of tangible and intangible assets	0	0
Receipts from the sale of equity or debt instruments of other entities and from the sale of interests in joint ventures	12.500.000	17.000.000
Receipts from investment grants	0	0
Receipts from repayment of advances and loans to other parties	0	0
Cash receipts representing dividends received	0	0
<i>Cash outflows related to the investment activity, out of which</i>	13.375.576	21.259.047
Payments for the acquisition of tangible, intangible and other fixed assets	872.024	2.254.290
Payments for the purchase of shares and other financial instruments	12.500.000	19.000.000
Payments for cash advances and loans to other parties	3.551	4.757
<i>Net cash generated by investments</i>	<b>-875.576</b>	<b>- 4.259.047</b>
<b>Cash flows from financing activities</b>		
Cash receipts from financing activity, out of which	57.285	97.188

**S.C. PREBET AIUD S.A.***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**(All amounts are expressed in lei, where otherwise stated)*

Receipts from the issue of shares and other equity instruments	0	0
Receipts from the issue of debt securities, loans, commercial effects, bonds, mortgages and other short or long-term loans	57.285	97.188
<i>Cash outflows related to the financing activity, out of which</i>	880.000	859.145
Payments for the redemption of own shares	0	0
Cash payments of borrowed amounts	0	0
<i>Payments related to financial leasing contracts</i>	0	0
Dividends paid to shareholders	880.000	859.145
<i>Net cash from financing</i>	<b>-822.715</b>	<b>- 761.957</b>
Increase or decrease in net cash and cash equivalents	<b>-456.546</b>	<b>- 2.344.547</b>
Cash and cash equivalents from the beginning of the financial year	9.557.716	4.766.609
Cash and cash equivalents at the end of the financial year	<b>9.101.170</b>	<b>2.422.062</b>

The explanatory notes to the financial statements from 1 to 28 are an integral part of these financial statements.  
The financial statements were approved by the Board of Directors and were signed by:

General manager,

Ing. Ranca Flaviu

Economic manager,

Ec. Cimpean Ioan



## S.C. PREBET AIUD S.A.

*Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020*

*(All amounts are expressed in lei, where otherwise stated)*

### EXPLANATORY NOTES TO THE FINANCIAL SITUATIONS For the 1<sup>st</sup> semester concluded on June 30, 2020

#### 1. Information about the company

S.C. PREBET AIUD S.A. is a joint stock company which operates in accordance with the provisions of Law No.31/1990 on the trading companies, republished with subsequent amendments and completions, established under GD No. 93/04.02.1991.

The company is registered at the Trade Register under no. J01/121/1991 has the unique registration code RO 1763841.

S.C. PREBET AIUD S.A. is a company that produces precast of reinforced concrete and prestressed concrete for railway and road communication ways, the successor of the former company of precast concrete (IPB) founded in 1966.

Subscribed and paid up share capital on 30.06.2020 is of **8.199.547,74** lei, divided into **45,553.043 shares** at a nominal value of 0.18 lei/share.

During the 1<sup>st</sup> semester 2020, the share capital of SC PREBET AIUD S.A. has not undergone changes.

The shares of S.C. PREBET AIUD S.A. are traded on the Bucharest Stock Exchange, Standard category starting on 24/09/2015.

The trading price of the shares of Prebet Aiud, in the last 52 weeks ranged in a maximum of 0.9700 lei and a minimum of 0.3900 lei, currently the value being around 0.8000 lei per share

The activities specific of independent registry for S.C.PREBET AIUD SA were conducted by the Central Depository.

#### Shareholding structure on 30.06.2020 was as follows:

Shareholder	No. shares	%
OTHER SHAREHOLDERS	18.668.455	40,9818 %
HAGEA LIVIU	14.056.588	30,8576 %
ANODIN ASSETS S.A. loc. CLUJ-NAPOCA jud. CLUJ	7.350.000	16,1350 %
ACORD CONSTRUCT ALT SRL loc. BISTRITA jud.	5.478.000	12,0255 %
<b>TOTAL</b>	<b>45.553.043</b>	<b>100</b>

#### 2. BASES OF PREPARATION

##### 2.1. Conformity declaration

The Company's financial statements are prepared in accordance with the recognition and measurement principles required by the International Financial Reporting Standards, as adopted by the European Union (, IFRS ") effective on the semestrial reporting date of the Company, June 30, 2020 and in accordance with the OMPF 2844/2016, as amended and supplemented, being available at company's headquarters in Aiud, str. Arena, no.10.

The financial statements contain the position of the financial statement, the profit or loss situation and of other elements of comprehensive income, the situation of changes in equity, the situation of treasury flows and the explanatory notes.

The registration date at IFRS is 24/09/2015 based on the ASF decision no. 2339. The year 2015 is the first year in which the financial statements have been prepared in accordance with IFRS.

In accordance with the provisions of OMPF 2844/2016 on the application by the trading companies whose values are admitted to be traded on a regulated market of International Financial Reporting Standards and the Order of the Minister of Public Finance No.1286/2012 for the approval of the Accounting regulations compliant with the International Standards of financial reporting, applicable to the trading companies whose securities are admitted to be traded on a movable regulated market, the trading companies whose securities are admitted to be traded on a regulated market are required, starting with the fiscal year 2012 to apply the International Standards of Financial Reporting (IFRS) in preparing the financial annual statements. Because SC Prebet Aiud adopts IFRS as the new basis of accounting for the year 2015, the company applied inclusively the provisions of IFRS 1 "Adoption for the first-time of the International Standards of Financial Reporting ". IFRS 1 applies in all situations in which an entity adopts IFRS for the first time, by an explicit and unreserved statement of compliance with IFRS.

SC Prebet Aiud applies all IFRS effective at the reporting date for IFRS financial statements.

##### 2.2. Assessment basis

The financial statements are presented in RON ("Romanian Lei") have been prepared on the historical cost basis, except the revaluation of certain fixed assets and financial instruments that are measured at fair value and

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the elements of social capital, legal reserves and other reserves from the net profit, which were adjusted according to International Accounting Standard ("IAS") 29 "The financial reporting in hyperinflationary economies", until December 31, 2003.

The financial statements ended on 30.06.2020 have been prepared using the principles for business continuity.

#### **2.3. Functional and presentation currency**

Items included in the financial statements of the Company are assessed using the currency of the economic environment in which the entity operates ("the functional currency"), meaning "lei". The financial statements are presented in lei, which is the functional currency and of presentation of the Company.

According to the Order of the Minister of Public Finance No.1286/2012 for the approval of the Regulations in accordance with the International Standards of Financial Reporting applicable to trading companies whose securities are admitted to be traded on a regulated market, Chapter I pt. 4 "Accounting is held in Romanian language and in the national currency. The accounting of the transactions made in currency must be kept both in national currency and in foreign currency. By currency means a currency other than the "lei". The Individual annual financial statements are prepared in Romanian language and in the national currency. "

The operations denominated in foreign currency are recorded in lei at the official exchange rate ruling at the transaction settlement. The monetary liabilities registered in estimates at the date of drawing up the financial position are expressed in lei at the respective day. Profits or losses from their settlement and from the conversion of the monetary liabilities denominated in foreign currency using the exchange rate at the end of the financial year are recognized in the result of monetary year. Monetary liabilities which are valued at a historical cost in a foreign currency are recorded in lei the exchange rate of the transaction date.

For evaluation at the end of each reporting period, of foreign currency items, is used the exchange rate of the currency market, announced by the National Bank of Romania in the last banking day of the month in question.

The exchange rates of main currencies were the following:

<b>Currency</b>	<b>Exchange rate 31 Dec 2019</b>	<b>Exchange rate 30 Iun 2020</b>
<b>EUR</b>	4.7351	4.8423
<b>USD</b>	4.1587	4.3233

#### **2.4. Use of estimates and professional judgment**

Preparation of financial statements in accordance with IFRS as adopted by the European Union requires for the management to use estimates and assumptions that affect the application of accounting policies and also the reported amounts of assets, liabilities, incomes and expenses. The estimates and judgments associated with them are based on historical data and other factors thought to be eloquent in the given circumstances, and the result of these factors form the basis for judgments used in determining the accounting values of assets and liabilities for which do not exist other sources available of evaluation. Actual results could be different from the estimate values.

The estimates and judgments are periodically reviewed. Revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or the current periods and the future periods, if the revision affects both the current period and the future periods. The effect of the change for the current period is recognized as income or expense in the current period. If any, effect on future periods is recognized as income or expense in those future periods.

Management believes that any deviations from these estimates will not have a material impact on the financial statements in the near future.

Estimates and assumptions are used primarily for impairment of fixed assets, of held securities and valued at cost, estimating the useful life of a depreciable asset, for the allowance for impairment of receivables, provisioning; for recognition assets regarding the deferred income.

In accordance with IAS 36, tangible assets are analyzed to identify if present indications of impairment at the balance sheet date.

An impairment loss is recognized to reduce the net accounting amount of the asset namely for the recoverable amount. If the reasons for recognizing an impairment loss disappear in the subsequent periods, the net asset value is increased to the net asset value that have been determined if no impairment loss had been recognized.

Evaluation for doubtful debts is made individually and is based on management's best estimate of the present value of cash flows that are expected to be received. The company reviews its trade receivables and of other resources every time of the financial position, to assess if is need to record in the profit and loss account a value depreciation. In particular the professional judgment of the management it is necessary for estimating the value and to coordinate the future cash flows when determining the impairment loss .These estimates are based on assumptions about several factors and the actual results

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may differ, resulting in future changes of adjustments .

Deferred tax assets are recognized for tax losses, to the extent that it is probable that shall exist a taxable profit that might be cover the losses. Este need to exercise the professional judgment to determine the amount of deferred income tax assets that can be recognized, based on probability in terms of time and the level of the future taxable profit and the future tax planning strategies.

### **3. PRINCIPLES, POLICIES AND ACCOUNTING STATEMENTS.**

According to the International Accounting Standard IFRS 8 Accounting Policies, Changes in Accounting Estimates and Errors" *the accounting policies* represent principles, bases, conventions, rules and specific practices applied by this entity in preparing and presenting the financial statements.

The company has consistently selected and applied the accounting policies for similar transactions, other events and similar conditions, unless a standard or an interpretation specifically requires or allows the categorization of items for which it may be appropriate the application of different accounting policies. If a standard or an interpretation requires or allows such categorization, must be selected and consistently applied to each category, an appropriate accounting policy.

The company modifies an accounting policy only if the change:

- Is required by a standard or an interpretation; or
- Results in the financial statements providing reliable and more relevant information about the effects of the transactions, other events or conditions on the financial position, financial performance or cash flows of the entity.

We present a summary of significant accounting policies that have been consistently applied for all periods presented in the financial statements

#### ***3.1. Tangible assets, property investments***

***3.1.1. Tangible assets*** they are initially recognized at the cost of acquisition or construction and are net stated by the accumulated amortization and the loss in the accumulated impairment.

The cost of purchased tangible assets is represented by the value of consideration given to acquire those assets and the value of other costs directly attributable to bringing the asset to the location and necessary condition for them to work in the proper manner intended by management. The cost of self-constructed assets includes the cost with wages, the material costs, indirect production costs and other costs directly attributable to bringing the asset to the location and current conditions.

The company chose to use for the assessment after the initial recognition of the tangible assets, the revaluation model. Under the revaluation model, an item of tangible asset whose fair value can be reliably measure shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations should be made with sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using the fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based on market evidence, by an assessment carried out by professionally qualified valuers.

The fair value of tangible assets elements is usually their market value determined by assessment.

The frequency of revaluations depends on changes in fair value of revaluated tangible assets. If the fair value of an asset significantly differs from the book value, is required a new revaluation.

When an item tangible asset is reassessed, any accumulated depreciation at the date of reassessment is treated by the company as follows: is proportionately restated with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation, to be equal with its revalued amount.

Therefore, the frequency of revaluations depends on changes in the fair value of tangible assets. If the fair value of a revalued tangible asset on the balance date differs significantly from its carrying amount, a new revaluation is required. If the fair values are volatile, as can be for land and buildings, frequent revaluations may be required. If the fair values are stable over a long period of time, as may be the case of plants and equipment, the assessments may be needed less often. IAS 16 suggests that annual reassessments may be needed if there are significant and volatile changes in values.

The company opted for revaluation of land and buildings at least once every three years.

If an item of tangible assets is revalued then the entire class of tangible assets from which that asset belongs should be revalued.

The last revaluation was performed on December 31, 2019 in accordance with regulations in force at the time in question, in order to determine their fair values, taking into account inflation, utility of goods, their condition and the market value. The results were registered on the Technical expertise assessment report prepared by an authorized valuation company.

Land and buildings are separable assets and are accounted separately even when they are acquired together.

Owned lands are not depreciated.

If the cost of the land includes costs of disassembly, removal, restoration, these costs are depreciated over the period in which are obtained benefits as a result of carrying out these costs.

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The used depreciation method reflects the expected pattern of consumption of future economic benefits of the asset by the company.

SC PREBET AIUD SA has opted to use the straight-line method of depreciation for all categories of fixed assets.

The useful life of tangible assets at the date of these financial statements fits within the limits stipulated in the GD 2139/2004 and are estimated by management to be correct.

The calculated depreciation has the following useful lives in different categories of assets:

<b>Tangible assets</b>	<b>Duration (years)</b>
Buildings	8-60
Technologic equipment	3-24
Systems and equipment for measuring, control and adjustment	4-24
Means of transport	4-18
Furniture, office equip., protection equip. human and material values	3-18

### ***Depreciation policy applied by the company***

In accordance with IAS 36 "Depreciation of Assets", the intangible assets are investigated to identify any indications of depreciation on the balance date. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognizing an impairment loss disappear in the subsequent periods, the carrying value of the asset is increased to the net carrying amount that would have been determined no impairment loss had been recognized. The difference is shown as other operating incomes.

The carrying amount of an item of tangible assets is derecognised on disposal or when no future benefits are expected from its use or disposal. The revaluation surplus included in equity in respect of an item of tangible assets are directly transferred in the reported result when the asset is derecognised on disposal or cassation. Gains or losses resulting from derecognition of an item of tangible asset should be included in profit or loss when the item is derecognised.

#### ***3.1.2. Investment property***

According to IAS 40 "Investment Property", an investment property is held to earn rental income or for capital appreciation or both. Therefore, an investment property generates treasury flows that are largely independent from other assets held by the company. Thus, investment properties differ from the properties used by the owner. Production of goods or provision of services (or the use of property for administrative purposes) generates cash flows that can not be attributable only to investment property, but also to other assets used in the production or supply of goods or services.

Evaluation of real estate investments at the initial recognition is made at cost. The cost of real estate investment consists of the purchase price plus any directly attributable expenditure (professional fees for legal services, property transfer taxes, etc.). Investment properties are subsequently presented in the financial statements at the fair value.

After the initial recognition the entity chooses the fair value model and evaluates all of its investment property at the fair value, unless this can not be reliably determined. A gain or loss generated by a change in the fair value of the investment property is recognized in the profit or loss in the period in which it appears.

The entity determines the fair value without deducting the transaction costs that it may incur on sale or other type of disposal.

#### ***3.2. Leasing***

Tangible assets may include assets held under a Financial Leasing Agreement. As the company enjoys the benefits associated with ownership, the assets should be capitalized, at the lowest value of the updated value of minimum lease payments and their fair value, and subsequently amortized over the useful life or the lease term, if it is less than the useful life. Simultaneously is recognized a liability equal to the capitalized amount and future lease payments are divided into expenses for financing the lease and the principal (reducing the outstanding debt).

All lease agreements that are not classified as finance leases are treated as operating leases and related payments are included in expenses of the period.

On 30.06.2020 the company has no ongoing Leasing Agreements.

#### ***3.3. Interests for loans***

Borrowing interests that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized until the asset is ready for be used or sold. All other costs related to borrowing are considered expenses in the loss and profit account for the period in which appear.

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#### **3.4. Government subsidies**

In accordance with IAS 20, government subsidies are only recognized when there is sufficient certainty that all attached conditions to grant these subsidies shall be met and that the subsidies shall be received. Subsidies that meet these criteria are presented as other liabilities and are systematically recognized in the loss and profit account over the useful life of the asset to which it relates.

#### **3.5 Stocks**

In accordance with IAS 2 "Stocks", these are assets that are:

- held for resale in the ordinary course of business
- in course of production for such a sale or
- as materials and other supplies that will be used in the production process or for provision of services

Stocks are stated at the lower value of cost and net realizable value. Net realizable value is estimated on the selling price in the normal business, less estimated costs of completion and selling. For damaged or slow moving stocks are constituted provisions based on management estimates. Assessment for impairment of stocks is performed at individual level and is based on management's best estimate of the present value of the cash flows that are expected to be received.

To estimate these flows, the management makes certain estimates on the utility value of the stocks, taking into account the expiration date, the possibility of use in the current activity of the Company and other factors specific to each category of stock.

Constitution and resume of adjustments for costs depreciation are made on account of profit and loss.

The company uses to determine the cost of supplied materials the method to the first-in, the first-out (FIFO).

#### **3.6. Receivables and other similar assets**

With the exception of derivative financial instruments that are recognized at the fair value and items denominated in a foreign currency, that are translated at the closing rates, receivables and other similar assets are carried at amortized cost. This value can be considered a reasonable estimate of the fair value, given that in most cases the maturity is less than one year.

In order to present the annual financial statements, receivables are assessed at the probable charged value.

When it is estimated that a claim shall not be fully collected, in accounting are registered adjustments for depreciations, in the amount that can not be recovered. The objective evidence indicating that financial assets are impaired may include: failure to meet the payment obligations by a debtor, restructuring of an amount due to the company according to terms that the company in other circumstances would not accept, indications that a debtor shall enter into bankruptcy, the disappearance of active markets for an instrument. All receivables that are individually significant are assessed for impairment at each activity. Losses are recognized in the profit and loss account and are reflected in an allowance account for receivables. Loss from impairment losses recognized in prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed if there are no changes in the estimates used to determine the recoverable amounts. An impairment loss is reversed only to the extent the carrying amount of the asset not exceed the carrying amount of the asset that would have determined if no impairment had been recognized.

Deregistration of receivables occurs as a result of cashing them or ceding them to a third party.

Current receivables can be deducted from records and by the mutual compensation between third parties of receivables and liabilities, under the law.

The decrease in receivables whose terms to be collected are prescribed is done after the company obtains documents showing that all legal steps have been taken for their settlement with the approval of the Board of Directors.

#### **3.7. Cash and cash equivalents**

In terms of the Statement of Treasury Flows, it is considered that cash is the cash in hand and from the current bank accounts. Cash equivalents represent deposits and investments with high degree of liquidity, with maturities less than three months.

#### **3.8. Debts**

A liability is a present obligation of the Company arising from past events and through its settlement is expected to result an outflow of resources embodying economic benefits.

A liability is recognized in accounting and presented in the financial statements when it is probable that an outflow of resources embodying economic benefits shall result from the liquidation of a present obligation (probability) and when the value that shall be achieved this settlement can be reliably measured (credibility).

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Distinction must be made between short-term debts and long term debts.

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

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

- a) is expected to be settled during the normal operating cycle of the trading companies; or
- b) held primarily for trading;
- c) is due within 12 months after the balance sheet date;
- d) the company has no unconditional right to defer the payment of the liability for at least 12 months after the balance sheet date.

All other liabilities should be classified long term liabilities, even in situations where they must be settled within 12 months after the balance sheet date if:

- The original term was for a period longer than 12 months;
- The company intends to refinance the obligation on long term and the intention is supported by an agreement to refinance or reschedule the payments, which is completed before the financial statements are approved for publication.

The Company derecognizes a liability when the contractual obligations are discharged or canceled or expire.

If the goods and services provided in connection with the current activities have not yet been invoiced, but if the delivery was made and their value is available, that obligation is recorded as a liability (rather than as provisions).

The amounts representing dividends are payable in the reporting result following that, after approval by the General meeting of shareholders of the destination, to be reflected in the account 457 "Payable dividends".

### ***3.9. Corporate tax including deferred tax***

Tax on profit for the period comprises the current tax and the deferred tax.

Profit tax is recognized in the statement of comprehensive income or in other elements of the comprehensive income if the tax relates to items recognized in tax equity.

#### ***3.9.1. Current tax corporate***

Current payable charge is based on taxable profit of the year. Taxable profit differs from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that shall never become taxable or deductible. The debt of the company related with the current corporate tax is calculated using tax rates that have been provided by the law or in a draft bill at the end of the year. Currently the tax rate is of 16%.

#### ***3.9.2. Deferred tax***

Deferred tax is provided using the balance sheet on temporary differences of assets and liabilities (the differences between the carrying amounts shown in the balance sheet of the Company and its tax base). The reporting tax loss is included into the calculation of the debt on deferred corporate tax. The debt regarding the deferred tax is recognized only to the extent that it is probable to be obtained taxable profit in the future, after the compensation with the tax loss of previous years and with the corporate tax that has to be recovered.

Assets and liabilities regarding the corporate tax are compensated when there exists this right and when are relate to corporate taxes perceived by the same taxation authority. If the probability to achieve the asset of deferred corporate tax is greater than 50%, then the asset is considered. Otherwise is recorded a valuation allowance for deferred tax asset.

### ***3.10. Revenue recognition***

Revenues are measured at the fair value of the consideration received or that has to be received. Revenues are reduced appropriately with the estimated of goods returned to customer, or refused to be paid for god reasons.

#### ***Sale of goods***

Revenues from the sale of goods are recognized when all the following conditions are met:

- The company has transferred to the buyers the significant risks and advantages of ownership of the goods;
- The company no longer manages the goods sold at the level it should be done in case of holding them and no longer have effective control over them;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- transaction costs can be reliably measured.

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A very important element in accounting revenues is determining the moment when such income should be recognized. Income from ordinary activities is recognized when it is probable that the company to lie in future economic benefits and when these benefits can be reliably measured.

The amount of revenues arising from a transaction is usually determined by agreement between the entity and the buyer or user of the asset. The revenues are measured at the fair value of consideration received or that has to be received, taking into account the amount of any trade discounts and granted volume rebates.

#### ***Provision of services***

When the outcome of a transaction involving the provision of services can be reliably estimated, the revenue associated with the transaction must be recognized according to the stage of completion of the transaction on the closing date of the reporting period.

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

- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction shall be generated for the entity;
- Stage of completion of the transaction at the balance sheet date can be reliably assessed; and
- Costs incurred for the transaction and the costs to complete the transaction can be reliably measured.

Revenue recognition depending on the stage of completion of the transaction is the "percentage of completion method". Under this method, revenues are recognized in the accounting periods in which the services are provided. Recognition of revenues on this basis provides useful information on the extent of the proportions of the activity for the provision of services and its results during a period.

Revenues are recognized only when it is probable that the economic benefits associated with the transaction shall flow for the entity. When appears an uncertainty about the collectability of an amount already included in revenues, the amount that can not be collected or the amount whose collection has ceased to be probable is recognized as an expense rather than as an adjustment to the amount of revenue originally recognized.

When the outcome of a transaction involving the rendering of services can not be reliably estimated, the revenue should be recognized only to the extent of the expenses recognized that are recoverable.

***Rental incomes*** from investment property are recognized in the linearly loss and profit account, for the term of the Lease Agreement.

#### ***Dividends and interest***

Dividend incomes are recognized when is established the shareholder's right to receive the payment.

Dividend incomes are recorded at the gross value that includes tax on dividends, which is recognized as a current corporate tax expense.

Interest income are recognized on accrual accounting, by reference to the outstanding principal and the effective interest rate, that rate that exactly updates the future estimated flows of the received cash.

### ***3.11. Provisions - IAS 37 Provisions, contingent liabilities and contingent assets”***

Provision is made for current obligations to third parties where it is probable that those obligations to be settled and the necessary amount for the settlement of the obligation can be reliably estimated. Provisions for individual obligations are constituted at an amount equal to the best estimate of the amount required to settle the obligation.

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision must be recognized if:

- a) the company has a present obligation (legal or constructive) as a result of a past event;
- b) it is likely that for to settlement of the obligation to be required an outflow of resources embodying economic benefits;
- c) Can be made an estimate of the value of the obligation.

If these conditions are not met, a provision must not be recognized.

Provisions are grouped into categories and are constituted for:

- a) litigation;
- b) guarantees to customers;
- c) disposal of tangible assets and other similar actions related thereto;
- d) restructuring;
- e) employees' benefits;
- f) other provisions

***Provisions for guarantees granted to customers*** are constituted within the level established in the commercial contracts

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concluded with the beneficiaries and especially include performance guarantees.

#### ***Provisions for restructuring***

The implicit obligation to restructure arises where a company:

- Has a detailed formal plan for restructuring in which to be highlighted: the activity or part of the activity to which it relates, main affected locations, the location, function and approximate number of employees that shall receive compensation for termination of their activity, involved expenses, the date on which shall be implemented the restructuring plan

- Has generated a justified expectation of those affected that the restructuring shall be accomplished by starting to implement that restructuring plan or by communicating its main features of it to those who shall be affected by the restructuring process

The restructuring provision includes only direct expenses related to restructuring.

#### ***Provisions for employees' benefits***

For the annual leave that was not performed, for other long-term benefits granted to employees (if they are stipulated in the employment contract) and those granted upon termination of the employment agreement, are recorded provisions in the financial year. When their recognition as liabilities towards employees, the value of the provision shall be reversed through the related income accounts.

#### ***Other provisions***

In the situation in which are identified liabilities with uncertain timing or amount that qualify for the recognition of provisions under IAS 37 but are not found in any of the categories identified above record other provisions.

At the end of each reporting period the provision is analyzed again and is adjusted to reflect the current best estimate. When it is found from the analysis that there is likely to be necessary outflows of resources embodying economic benefits to settle the obligation, the provision must be annulled.

The Company did not recognize a provision for operating losses. Predicting operating losses indicate that certain operating assets may be impaired in this situation we test these assets in accordance with IAS 36 Depreciation of Assets.

### ***3.12. Employees' benefits – IAS 19 "Employees' benefits"***

#### ***Short term benefits***

Obligations with short-term benefits granted to employees are not updated and are recognized in comprehensive income to the extent that the service is provided.

Short-term benefits granted to employees include salaries, insurance premiums and contributions to social security. Short - term benefices are recognized as expense when the services are provided. It is recognized a provision for the amounts expected to be paid as premiums on short-term or staff participation scheme to profit under the condition in which the company currently has a legal or constructive obligation to pay those amounts as a result of past service rendered by employees and whether that obligation can be reliably estimated.

#### ***Benefices after the conclusion of the employment agreement***

Both the company, and its employees have the legal obligation to contribute to social security established to the National Pension Fund administered by the National House of Pensions (contribution plan founded on the principle of "pay on the way").

Therefore a company has no further legal or constructive obligation to pay further contributions. Its only obligation is to pay contributions when they are due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, one will have any liability to pay the benefits earned by its own employees in the previous years. Company's contributions to the Plan of contributions are reported as expense in the year to which it relates.

#### ***Defined contribution plans***

The Company makes payments on behalf of their employees to the Romanian state pensions system, health insurances and unemployment benefits in the normal course of the business.

All company employees are members and have the obligation to contribute to the pension system of the Romanian state. All related contributions are recognized in the income statement in the period when are performed. The company is not engaged in any other system benefits post-employment. The company has no obligation to provide further services to current or former employees.

The Company does not currently grant benefits as employee's participation to profit, but can granted with the



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approval of the General Shareholders Meeting.

The company can provide benefits in the form of an entity's own shares, with the approval of the General Shareholders Meeting.

#### **3.13. Year result**

In accounting, the profit and loss are determined cumulatively at the beginning of the financial year. The result for the year is calculated as the difference between the incomes and expenditure of the year.

The final result of the financial year is determined when this is ended and represents the final balance of profit and loss account.

Profit distribution is carried out in accordance with the legal provisions in force. The amounts representing reserves from the profit of the current financial year, on the basis of legal provisions, for example legal reserve established under the provisions of Law 31/1990 is recorded at the end of the current exercise. Accounting profit remaining after this allocation is taken at the beginning of the following financial year for which the annual financial statements are prepared in the account 1171 "The reported resulted representing the undistributed profit or uncovered losses "from which are distributed to other destinations decided by the General meeting of Shareholders, with the observance of the legal provisions. Highlighting in accounting of the profit destinations is made after the General Meeting of shareholders has approved the distribution of profit by recording the amounts of dividends due to shareholders, reserves and other destinations, according to the law.

#### **3.14. Earnings for action. Diluted earnings.**

This indicator provides a way to give the users information about the profitability of investments in the company. The indicator explores the relationship between a company's profits during the year and the number of existing shares in that year.

The company shows the earnings per basic share ("CPA") for its ordinary shares. CPA basis is calculated by dividing the attributable earnings or loss holders of ordinary shares of the Company at the number of shares highlighted in the share capital of the company.

#### **3.15 Dividends**

The share of profits that is paid according to the law, to each shareholder represents dividend. Dividends distributed to shareholders, proposed or declared after the balance sheet date, and other similar distributions made of profit, are not recognized as a liability at the balance sheet date, but when it is established the right of shareholders to collect them.

Accounting profit remaining after the distribution of the reserve share legally achieved, up to 20% of the share capital is taken within the reporting earnings at the beginning of the financial year following that for which are prepared the annual financial statements, where shall be assigned to other legal destinations legal to AGA decision.

Highlighting in accounting of the destinations of accounting profit is made in the following year after the General Meeting of Shareholders that approved the distribution of profit, by recording the amounts representing dividends due to shareholders or associates, reserves and other destinations, according to the law. On the recordings made on the distribution of profits can not returned.

When accounting the dividends are considered the provisions of IAS 10.

#### **3.16. Capital and reserves.**

Capital and reserves (equity) represents the right of shareholders in the assets of an entity after deducting all liabilities. Own equity include: provision of capital, capital premium, reserves, retained earnings, the result of the financial year.

*The share capital* composed of common shares is recorded at the value established on the basis of the documents of incorporation. In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29

"Financial reporting in hyperinflationary economies" for the contributions of the shareholders obtained before 01.01.2004, namely they have been adjusted with the appropriate inflation index.

Own shares repurchased under the law, are presented in the balance sheet as an equity correction.

Profit or losses related to the issuance, redemption, sale, transfer free of charge or cancellation of the equity instruments of the entity (stocks, shares) are directly recognized in equity in lines "Profits/ or losses related to equity instruments".

The company recognizes changes in the share capital in accordance with the legislation in force only after their approval in the General Meeting of Shareholders and their registration in the Trade Registry Office.

## **S.C. PREBET AIUD S.A.**

### ***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020***

*(All amounts are expressed in lei, where otherwise stated)*

#### ***Reevaluation reserves***

After recognition as an asset, an item of tangible assets whose fair value can be reliably measured shall be carried at a revalued amount, being its fair value at the date of the revaluation less any accumulated amortization and any subsequent accumulated impairment losses. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not materially differ from that which would be determined using the fair value at the balance sheet date.

If the carrying amount of an asset is increased as a result of a revaluation, this increase should be recorded directly in equity in the line item "revaluation reserves". However, the increase shall be recognized in the profit or loss to the extent that it compensates a decrease in the reevaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be debited directly to equity in the line item "revaluation reserves" to the extent that there is a credit balance in the revaluation surplus for that asset.

The revaluation surplus included in equity related to an item of tangible assets should be transferred directly to the retained earnings when the asset is derecognised.

Starting May 1, 2009 revaluation reserves of fixed assets, including lands, performed after January 1, 2004, which are deducted from taxable income through tax depreciation or expenditures on ceased and/or withdrawn assets, is taxed simultaneously with the deduction of the tax depreciation respectively at the outflow of these fixed assets, as appropriate and in accordance with the Tax Code.

Reserves from the revaluation of fixed assets, including land, performed until December 31, 2003 plus the portion of revaluation performed after January 1, 2004 related to the period until April 30, 2009 shall not be taxed when transferred to the reporting result (ct 1175) but when the destination is changed.

Fixed assets revaluation reserves are transferred to the reporting result at the moment of the inventory outflow of revalued fixed assets.

The reserves made are taxable in the future, in the situation of changing the destination of reserves in any form, in case of liquidation, merger of the Company including its use to cover accountancy losses, except for transfer, after May 1, 2009, of reserves made for assessments after January 1, 2004.

#### ***Legal provisions***

According to the legislation in Romania, the companies must assign a value equal to at least 5% of profit before taxation, in legal reserves until it reaches 20% of the share capital. When this level has been reached, the company may make additional allocations only of net profits. The legal reserve is deductible under the limit of 5% applied to the accounting profit before the determination of the profit tax.

The entity was established under Law No.31/1990 on trading companies.

In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29- "Financial Reporting in savings hyperinflations economies" correcting the historical cost of share capital, legal reserves and other reserves, with the effect of inflation until December 31, 2003. These adjustments were recorded in separate analytical accounts.

#### **4. TANGIBLE ASSETS**

The company opted in accordance with the provisions of IFRS 1 "First-time application of IFRS" to use the exemption on the involved cost. Under this optional waivers, an entity that adopts IFRS for the first time IFRS may choose to use a revaluation under the general accountancy principles previously accepted of an item of tangible asset to or before the date of transition to IFRS as deemed cost, if the revaluation was on date of the revaluation broadly comparable to the fair value, the cost or the amortized cost under IFRS, adjusted to reflect, for example, changes in a general or specific price.

On 31.12.2019 the entity has revalued, with independent authorized experts in the field of buildings, lands and equipment existing in the heritage at the time. Depreciation was restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals with its revalued amount.

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**Notes to the individual financial statements for the financial year ended June 30, 2020**

**2020**

	<b>Lands</b>	<b>Buildings</b>	<b>Technical facilities and machinery</b>	<b>Other facilities, equipment</b>	<b>Other fixed assets</b>	<b>TOTAL</b>
<i>Net asset value on January 01, 2019</i>						
Cost and assessment	2.796.493	7.774.278	22.265.892	414.979	460.319	33.711.961
Cumulated depreciation	0	0	<b>11.498.780</b>	386.414	0	11.885.194
<b>Net asset value</b>	<b>2.796.493</b>	<b>7.774.278</b>	<b>10.767.112</b>	<b>28.565</b>	<b>460.319</b>	<b>21.826.767</b>
<i>Year ended on December 31, 2019</i>						
<b>Open net asset value</b>	<b>2.796493</b>	<b>7.774.278</b>	<b>10.767.112</b>	<b>28.565</b>	<b>460.319</b>	<b>21.826.767</b>
Revaluation effect increases in equity	0	0	0	0	0	0
Revaluation effect decreases in equity	0	0	0	0	0	0
Decreases revaluation effect in the income statement	0	0	0	0	0	0
Incomings	0	530.858	1.132.103	0	661.553	2.324.514
Transfers	0	0	0	0	0	0
Outgoings	0	0	60.101	0	530.858	590.959
Amortization expense	0	197.508	610.330	2.595	0	810.433
<b>End net asset value on June 30, 2020</b>	<b>2.796.493</b>	<b>8.107.628</b>	<b>11.228.784</b>	<b>25.970</b>	<b>591.014</b>	<b>22.749.889</b>
Cost and assessment	2.796.493	8.628.240	23.336.655	93.144	591.014	35.445.516
Cumulated depreciation	0	520.612	12.107.871	67.144	0	12.695.627
<b>Net asset value sem I 2020</b>	<b>2.796.493</b>	<b>8.107.628</b>	<b>11.228.784</b>	<b>25.970</b>	<b>591.014</b>	<b>22.749.889</b>

**4.1 Tangible assets entered and put into operation**

In the first half of 2020, investments totaling 1,662,961 lei were put into operation.

The largest share in the acquisitions was the purchase of four pieces of portal cranes and the completion of the investment in the crossbeam hall - sections (investment in progress) worth 530,858 lei.

**4.2 Outgoing tangible assets**

During the analyzed period, the company carried out scrapping of fixed assets in the amount of 60,101 lei, respectively the overhead cranes that were replaced.

**4.3 Pledge tangible assets**

To guarantee the agreement of guarantee to the Loan agreement signed with the bank BRD GROUPE SOCIETE GENERALE, the company mortgaged in favor of the bank the plot of land (company headquarters) with the destination yards and building in surface of 146.306 m<sup>2</sup> situated in Aiud, str. Arenei, nr. 10, jud. Alba together with all buildings (prefabricated beams hall, administrative pavilion, sorting station, etc.)

**4.4 Assets in progress**

On June 30, 2020, the Company has no balance on the current assets account, in June registered objectives being put into operation in the account turnover.

**5. Receivables in other assets**

The receivables are recorded at the nominal value and are recognized in the analytic accounting, on each natural or legal person.

**S.C. PREBET AIUD S.A.**

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*(All amounts are expressed in lei, where otherwise stated)*

**a) Trade receivables are presented below**

	<b>Receivables</b>	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
1	Trade receivables – third parties	11.753.129	9.631.109
2	Adjustments for impairment of trade receivables	2.722.109	2.153.701
3	Trade receivables, net	9.031.020	7.477.408

At the end of the first semester of 2020, the total volume of receivables was 9,643,042 lei, of which commercial receivables 9,631,109 lei, other receivables 11,933 lei.

The main clients of our company were Diferit SRL, Strabag SRL, FCC Astaldi Conversa Association, Gerger Transilvania, C.N. CFR, Arcada Company.

From the volume of receivables of 7,477,408 lei, the amount of 1,426,159 lei represents a guarantee of good execution granted to the beneficiaries and which was provisioned.

Uncertain or litigating clients had on 30.06.2020 had a gross value of 2,153,701 lei, decreasing compared to the beginning of the year due mainly to the collection of the debt from the AKTOR S.A. Association. Romania - Euroconstruct

**b) Adjustments of depreciation for trade receivables and other receivables**

The evolution of adjustments for impairment is as follows:

	<b>December 31, 2019</b>	<b>June 30, 2020</b>
<b>At the beginning of the period</b>	<b>4.188.065</b>	<b>2.722.109</b>
Increases/ (resumption)	15.147	17.933
Diminution	1.481.103	586.342
<b>At the end of the period</b>	<b>2.722.109</b>	<b>2.153.700</b>

**6. STOCKS**

<b>June 30, 2020</b>	<b>Cost</b>	<b>Adjustments</b>	<b>Net value</b>
1. Raw materials and consumables	1.936.313	-	1.936.313
2. Advances material purchases	193.902	-	193.902
3. Finished goods and merchandise	5.946.162	117.709	5.828.453
<b>Total</b>	<b>8.076.377</b>	<b>117.709</b>	<b>7.958.668</b>

<b>December 31, 2019</b>	<b>Cost</b>	<b>Ajustari</b>	<b>Valoarea neta</b>
1. Raw materials and consumables	1.421.691	-	1.421.691
2. advances material purchases	41.650	-	41.650
3. Finished goods	2.369.260	117.709	2.251.551
<b>Total</b>	<b>3.832.601</b>	<b>117.709</b>	<b>3.714.892</b>

The main categories of stocks are raw materials, consumables and products.

The cost of stocks includes all costs of purchase and other costs incurred to bring the stocks in the form and place where they are found.

The cost of finished goods comprises direct costs associated with production, namely: direct materials, consumed energy for technological purposes, direct labor and other direct production costs and indirect costs of production

## S.C. PREBET AIUD S.A.

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and also the quota of indirect expenses of production rationally allocated rationally as related to their manufacture.

On inventory outflow the stocks are assessed based on the management price set in the commercial agreements concluded with suppliers namely the beneficiaries.

On 30.06.2020 the company recorded adjustments for impairment of inventories of finished goods amounting to 117.709 lei.

## 7. CASH AND CASH EQUIVALENTS

On 30.06.2020 the cash and cash equivalents are worth of 12.422.062 lei, reduced in comparison with the values recorded on 31.12.2019, namely 12.766.609 lei.

	Balance on December 31, 2019	Balance on June 30, 2020
Cash in hand	298	1.533
Deposits and bank available	12.766.311	12.420.529
<b>TOTAL</b>	<b>12.766.609</b>	<b>12.422.062</b>

Out of the total cash availability in the amount of 10,000,000 lei, it was placed in a bank deposit. The value of the bank guarantee letters for the good execution guarantee granted to the beneficiaries and the advance return guarantee on 30.06.2020 was 4,011,179.70 lei.

## 8. EQUITY

Subscribed and paid up share capital is worth OF 8,199,547.74 lei, consisting of 45.553,043 shares with nominal value of 0,18lei/share.

Shareholders' structure on 30.06.2020 is:

Shareholder	No. shares	%
OTHER SHAREHOLDERS	18.668.455	40,9818 %
HAGEA LIVIU	14.056.588	30,8576 %
ANODIN ASSETS S.A. loc. CLUJ-NAPOCA jud. CLUJ	7.350.000	16,1350 %
ACORD CONSTRUCT ALT SRL loc. BISTRITA jud. BISTRITA-	5.478.000	12,0255 %
<b>TOTAL</b>	<b>45.553.043</b>	<b>100</b>

The members of the Board of Directors on 30.06.2020 held shares of the company on the market (as independent shareholders) as follows:

No.	Surname and name	Number of shares	Percentage
1.	Ratiu Nicolae Christopher	139.727	0,3067%
2.	Mathe Francisc	-	-
3.	Demeter Ioan	23.732	0,0520%
4.	Deceau Liviu Daniel	1.000.000	2,1952%
5.	Salagean-Mihetiu Sorin Florin	-	-

## S.C. PREBET AIUD S.A.

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Nominative shares are issued in dematerialized form, each having a nominal value of 0.18 lei share. In the first semester of 2020 the nominal value of share has not changed. We mention that the shares of S.C. Prebet Aiud S.A are traded on the Bucharest Stock Exchange, Class I, starting on 24/09/2015. The prices of the company's shares have an oscillating tendency, manifested in terms of the number of traded shares, the trend due mainly to lack of liquidity and also general reductions of transactions on BSE.

The last trading price of the Company's shares SC PREBET AIUD SA valid on 06.08.2020 was of 0.8220 lei/share double the price in the same period last year.

Lately, the trend of increasing the price per share has been obvious.

The specific activities of the independent registry for S.C. PREBET AIUD SA were conducted by the *Central Depository*.

## 9. RESERVES

Reserves include the following components

	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
Legal reserves	1.602.724	1.602.724
Other reserves	15.878.424	20.251.627
Reserves of revaluation	8.983.038	8.838.945
<b>Total</b>	<b>26.464.186</b>	<b>30.693.296</b>

The company's total reserves grew up from the beginning of the year with the amount of 4.229.110 lei.

Legal reserves were maintained at the same level as the beginning of the year.

Revaluation reserves were decreased by the amount of 144.093 lei.

The following describes the nature and purpose of each reserve within the equity:

<b>Reserve</b>	<b>Description and purpose</b>
Legal reserves	According to Law 31/1990 every year is taken at least 5% of profit for the formation of the reserve fund, until it reaches at least one fifth of the share capital.
Other reserves	Other reserves include on June 30, 2020 reserves established with the distribution of the net profit.
Reserves revaluation fixed assets	If the carrying value of tangible assets is increased as a result of revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity, by way of revaluation surplus. Revaluation reserves can not be distributed and can not be used to increase the share capital.

## 10. REPORTING RESULT

The reporting result includes the following components:

	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
Reporting result, except the reporting result, resulted from the adaptation of the first time of IAS 29 (ct 117)	5.535.305	5.679.398
Reporting result resulted from the adaptation of the first time IAS 29 (ct 118)	- 63.521.958	- 63.521.958
<b>Total</b>	<b>- 57.986.653</b>	<b>- 57.842.560</b>

## S.C. PREBET AIUD S.A.

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*(All amounts are expressed in lei, where otherwise stated)*

### 11. PROVISIONS

S.C. PREBET AIUD S.A. at the 2<sup>nd</sup> semester 2020 constituted the following types of provisions:

- provisions for guarantees granted to customers – 1.426.159
- provisions for rest leave related to 2019 and not made until the end year 301,402 lei and the amount of 450,000 representing provisions for employee benefits.

Total of provisions for risks and expenses is of 2.177.561 lei.

### 12. LOANS AND OTHER DEBTS

Liabilities are recorded at the nominal value and are recognized in the analytical accounting, on each individual or natural person. Currency liabilities were evaluated based on the exchange rate in force at the end of the year, and foreign exchange differences are recognized as incomes or expenses in the period.

Debt situation is as follows:

<b>Debts</b>	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
Amounts due to credit institutions	0	0
Advances collected in the order account	1.229.591	2.087.838
Trading receivables – third parties suppliers	1.879.269	1.731.580
Other debts including fiscal debts and debts regarding health insurance	1.096.099	1.553.332
Deferred tax	563.553	563.553
<b>Total debts</b>	<b>4.768.512</b>	<b>5.939.303</b>

  

<b>Maturity analysis</b>	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
Under one year	4.204.959	5.375.749
Over one year	563.553	563.553
<b>Total</b>	<b>4.768.512</b>	<b>5.939.302</b>

### 13. OTHER LIABILITIES

Their structure is basically the following:

<b>Other liabilities</b>	<b>Balance on December 31, 2019</b>	<b>Balance on June 30, 2020</b>
Liabilities for staff and assimilate	322.390	384.194
Liabilities for social security budget	376.256	188.150
Liabilities in for state budget	276.422	778.012
Liabilities for shareholders	116.518	205.906
Other liabilities	4.513	70
<b>Total liabilities</b>	<b>1.096.099</b>	<b>1.556.332</b>

### 14. DEFERRED TAX

Variation of deferred tax liabilities is presented in the following table:

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Description	December 31, 2019	June 30, 2020
Initial balance	563.553	563.553
Deferred tax revaluation differences	-	-
<b>Final balance</b>	<b>563.553</b>	<b>563.553</b>

**15. SUBSIDIES FOR INVESTMENTS**

On 30.06.2020, the company does not have to collect subsidies.

**16. OPERATING REVENUES**

Revenues	June 30, 2019	June 30, 2020	Difference (2020-2019)
Sold production	13.863.733	14.662.614	798.881
Incomes related to costs of product stocks	2.799.604	3.576.902	777.298
Revenues from the production of assets and property investments	0	0	0
Revenues from selling of goods	10.166	12.417	2.251
Granted trade discounts	- 14.081	1.650	12.431
Other operating incomes	86.126	86.560	434
<b>Total</b>	<b>16.745.548</b>	<b>18.336.843</b>	<b>1.591.295</b>

Revenues from sold production are structured in the following product categories:

Product name	1 <sup>st</sup> semester 2018 %	1 <sup>st</sup> semester 2019 %	1 <sup>st</sup> semester 2020 %
Concrete sleepers for railways	24,12%	21,66%	6,32%
Various concrete products	74,49%	75,78%	93,35%
Concrete commodity	1,39%	2,56%	0,33%

**17. OPERATING EXPENSES**

Expenses	June 30, 2019	June 30, 2020	Difference ( 2020 -2019 )
Expenses with raw materials and materials	7.886.456	6.859.836	- 1.026.620
Expenses with energy and water	702.588	728.504	25.916
Other production expenses	- 3.030	- 6.116	- 3.086
<b>Total cost materials</b>	<b>8.586.014</b>	<b>7.582.224</b>	<b>- 1.003.790</b>
Wages and compensation	4.593.889	4.909.965	316.076



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Expenses with insurances and social protection	180.164	218.574	38.410
<b>Total staff expenses</b>	<b>4.774.053</b>	<b>5.128.539</b>	<b>354.486</b>
Amortization	597.774	870.097	272.323
Adjustments for depreciation	- 222.692	- 346.265	- 123.573
Adjustments for depreciation of finite products	- -		-
<b>Total amortization and depreciation</b>	<b>375.082</b>	<b>523.832</b>	<b>148.750</b>
Expenditure on external supply	1.068.892	1.229.968	161.076
Expenses with other taxes, duties and similar expenses	220.535	252.754	32.219
Other expenses	- 1.163.639	7.526	1.171.165
<b>Total other operating expenses</b>	<b>125.788</b>	<b>1.490.248</b>	<b>1.364.460</b>
<b>Total</b>	<b>13.860.937</b>	<b>14.724.843</b>	<b>863.906</b>

Prices of supplied raw material and materials were generally consistent with the trend of growth in the first part of the interval.

In general the sources of supply are safe, aiming to maintain a minimum of two suppliers/assortment.

**18. FINANCIAL REVENUES**

<b>Revenues</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>Difference (2020-2019)</b>
Income from currency differences	4.451	5.124	673
Interest income	57.285	97.188	39.903
Other financial incomes	-	-	-
<b>Total</b>	<b>61.736</b>	<b>102.312</b>	<b>40.576</b>

**19. Financial expenses**

<b>Expenses</b>	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>Difference (2020-201)</b>
Expenses on liabilities	0	0	0
Expense exchange rate difference	28.830	23.835	- 4.995
<b>Total</b>	<b>28.830</b>	<b>23.835</b>	<b>- 4.995</b>

Financial expenses increased from the previous year due to exchange rate differences.

As shown the interest bank expense bank was 0, the company did not needed to use the credit line.

**S.C. PREBET AIUD S.A.***Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**(All amounts are expressed in lei, where otherwise stated)***20. TAX CORPORATE**

Information about the tax corporate (according to the declaration 101):

<b>Indicators</b>	<b>Amounts 30.06.2019</b>	<b>Amounts 30.06.2020</b>
Operating revenues	16.745.548	18.336.843
Operating expenses	13.860.937	14.724.843
<b>Operating result</b>	<b>2.884.611</b>	<b>3.612.000</b>
Financial revenues	61.736	102.312
Financial expenses	28.830	23.835
Financial result	- 32.906	78.477
<b>Gross result</b>	<b>2.917.517</b>	<b>3.690.477</b>

**21. BASIC EARNINGS PER SHARE. DILUTED EARNINGS.**

	<b>30.06.2019</b>	<b>30.06.2020</b>
<b>Basic earnings per share</b>	<b>0.0590</b>	<b>0.081</b>
<b>Diluted earnings</b>	<b>0.0590</b>	<b>0.081</b>

**22. AVERAGE NUMBER OF EMPLOYEES**

a ) Average number of employees evolved as follows:

	<b>Financial year concluded on June 30, 2019</b>	<b>Financial year concluded on June 30, 2020</b>
Staff management	6	7
Administrative staff	27	30
Production staff	181	185
<b>TOTAL</b>	<b>214</b>	<b>222</b>

b) Evolution of employees structure after the training level is shown below:

<b>Year</b>	<b>30.06.2019</b>	<b>30.06.2020</b>
Higher education staff	11%	14%
Secondary education staff	34%	33%
Staff with professional and qualification studies	40%	40%
Unskilled staff	15%	13%

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*(All amounts are expressed in lei, where otherwise stated)*

**c) Expenses with wages and related taxes recorded during the 1<sup>st</sup> semester 2019 and 2020 are as follows:**

	June 30, 2019	June 30, 2020
Wages expenses	4.593.889	4.909.965
Expenses with insurances and social protection	180.164	218.574
<b>Total</b>	<b>4.774.053</b>	<b>5.128.539</b>

**23. TRANZACTII CU PARTI AFILIATE**

The company is managed in a single system, by a Board of Directors composed of 5 directors, temporary and revocable, elected by the General Meeting of Shareholders, the majority of the Board members are non-executive directors, elected for a period of 4 years.

The current structure of the Board of Directors of the Company is as follows:

No,	Surname and name	Position	Profession
1.	Ratiu Nicolae Christopher	President BD	Economist
2.	Mathe Francisc	Member	Lawyer
3.	Demeter Ioan	Member	Economist
4.	Deceau Liviu Daniel	Member	Economist
5.	Salagean-Mihetiu Sorin Florin	Member	Economist

On 30.06.2020 the members of the Board of Directors held shares from the share capital of SC PREBET AIUD S.A. as follows :

No.	Surname and name	Number of shares	Percentage
1.	Ratiu Nicolae Christopher	139.727	0,3067%
2.	Mathe Francisc	-	-
3.	Demeter Ioan	23.732	0,0520%
4.	Deceau Liviu Daniel	1.000.000	2,1952%
5.	Salagean-Mihetiu Sorin Florin	-	-

Executive management on 30.06.2020 is formed:

No.	Surname and name	Position	Profession
1.	Ranca Flaviu	General Manager	Engineer
2.	Cimpean Ioan	Economic Manager	Economist
3.	Sandru Alexandru	Production Manager	Engineer
4.	Groza Titus	Development Manager	Engineer

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### Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020

(All amounts are expressed in lei, where otherwise stated)

On 30.06.2020 the member of executive management held shares in the share capital of S.C. PREBET AIUD S.A. as follows:

No.	Surname and name	Number of shares	Percentage
1.	Ranca Flaviu	0	0
2.	Cimpean Ioan	17.673	0.0388%
3.	Sandru Alexandru	0	0
4.	Groza Titus	0	0

Gross allowance of the Board members during the 1<sup>st</sup> semester 2020 was of 168.768 lei.

Gross allowance of the executive management during the 1<sup>st</sup> semester 2020 was of 212.419 lei.

The Company has no contractual obligations to former managers and directors and did not grant advances or loans for current managers and administrators.

The Company has no further obligations assumed by the nature of guarantees on behalf of the administrators.

## 24. CONTINGENTS AND LIABILITIES

Court actions

The company has no litigation before the courts except in cases where some of our partners are in insolvency proceedings.

## 25. RISK MANAGEMENT

**a) Market risk** is defined as the risk that the variation in market prices, such as exchange rate, interest rate and market demand mitigation, will affect the Company's revenue. Market risk - market instability for building materials, characterized by a significant drop in demand, a pre-emergent market risk and marketing policy. Risk of price volatility from electricity, methane, metals, diesel, pre-empted by finding new suppliers or renegotiating contracts with traditional suppliers

**b) Currency risk** is defined as the risk of incurring losses from international trade or other economic relations due to changes in the exchange rate of the currency between the end of the contract and its maturity. The currency risk is determined by the risk of loss or non-realization of the estimated profit due to unfavorable fluctuations in the exchange rate. Most of the Company's financial assets and liabilities are denominated in the national currency and hence the fluctuations in the exchange rate do not significantly affect the Company's activity. The result of the currency conversion does not have a significant impact on the overall result of the period. Although the Company is operating in Romania, it is exposed to the currency risk arising from the exposure to Euro currency variations, where purchases from or deliveries to partners are denominated external. The Company does not protect against foreign exchange risk related to Euro currency fluctuations through forward contracts or other financial derivatives. However, the management of the Company regularly reviews its forecasts of the LEI / EUR exchange rate and introduces the information thus obtained into the substantiation of the pricing strategy.

**c) The price risk** may arise due to price inconsistency in time, between the time of the conclusion of the contract and the moment of payment and the collection of the amount stipulated in the contract. This risk can occur especially in the case of long-term contracts. The company does not export products and there is no possibility of not achieving the expected gain or loss, due to the change in the international prices between the moment of closing and the moment of finalizing the contracts.

In order to counteract the price risk related to the supply contracts concluded with the clients on the internal market, the Company carries out analyzes and estimates regarding the evolution of the price of raw materials and materials, utilities and labor costs.

**d) Credit risk** is determined by cash and cash equivalents, deposits with credit institutions and other financial institutions, and credit-related exposures to customers for the products sold, including unpaid receivables. In the case of credit institutions and other financial institutions, only entities with good reputation and financial soundness on the financial market in Romania are accepted.

For customers, because an independent rating is not available, management assesses the client's creditworthiness, based on its financial position, previous experience, and other factors. Individual risk limits are established on the basis of internal

## S.C. PREBET AIUD S.A.

### *Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020*

*(All amounts are expressed in lei, where otherwise stated)*

ratings in accordance with the limits set by the Board of Directors. The use of credit limits (ceilings) is monitored on a regular basis.

Unfavorable changes in the creditworthiness of the Company's clients may have adverse effects on the Company's ability to collect cash or cash equivalents resulting from sales, which could lead to uncertainty about the continuity of activity, as well as depreciation in financial performance indicators by recognizing impairment adjustments of these assets.

The exposure of the Company to credit risk is mainly influenced by the individual characteristics of each client.

Prebet Aiud is characterized by its specific activity and due to the fact that the beneficiaries are companies operating in the field of construction with a high degree of banking risk is exposed to this type of risk caused by late payment of the invoices or even more serious the entry into insolvency .

**e) Liquidity risk** is the risk of loss or loss of expected profits arising from the impossibility of honoring at any time the short-term payment obligations without incurring excessive costs or losses that can not be borne by the Company . Company Leadership monitors liquidity forecasts to ensure that there is sufficient cash to meet the operational requirements. These projections take into account financing plans, compliance with contractual arrangements, and respect for the core objectives of economic and financial management indicators.

#### **f) The risk of taxation**

The fiscal system in Romania is subject to various interpretations and permanent changes that may sometimes be retroactive. Tax authorities may adopt a different position from the Company's position with respect to certain transactions, operations and events and as such may compute certain additional obligations, interest and tax penalties. The management of the Company believes that it has recorded fair values in the tax, tax and other debt accounts to the State. However, there is a risk that the tax authorities will have a different position from that of the Company.

#### **g) Risk to the economic environment**

The Romanian economy presents the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The management of the Company can not predict all the effects of the crisis that will have an impact on the financial sector in Romania, nor its potential impact on the present financial statements.

#### **h) The risk of amending the legislation**

Tax legislation in Romania is subject to extensive and frequent changes that could adversely affect the Company's activity. There is a risk that the Company will be exposed in the future to increased tax rates or new (additional) taxes, ie new operational or financial requirements that could not be predicted or estimated at the time of preparation of the financial statements.

#### **i) The risk of addiction to a small number of clients**

The company has a wide portfolio of clients, but given the economic sector in which the company operates, there is a dependence on the companies involved in major infrastructure projects initiated by the Romanian State (construction of highways, railway rehabilitation, etc.) .

**j) Operating risk** is defined as the risk of loss or loss of expected profits due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as economic conditions , changes in the capital market, technological advances. Policies defined for operational risk management have taken into account each type of event that may generate significant risks and specific disclosure modalities to eliminate or mitigate financial losses.

#### **k) Risk to the economic environment**

The Romanian economy presents the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future. The economic outlook is currently threatened by the negative consequences associated with the COVID-19 pandemic, which can significantly affect including downstream or upstream sectors in relation to the commercial position of the Company. The management of the Company can not predict all the effects of the crisis that shall have an impact on the Romanian financial sector and their potential impact on the present financial statements.

Within the PREBET AIUD company during the analyzed period there were no transactions between the affiliated parties.

## **26. Analysis of main economic – financial indicators**

	<b>31.12.2019</b>	<b>30.06.2020</b>
<b>1. Liquidity indicator</b>		
Current liquidity indicator	4.90	5.18
Immediate liquidity indicator	3.32	3.70

**S.C. PREBET AIUD S.A.****Individual financial statements prepared in accordance with the International Financial Reporting Standards - for 1<sup>st</sup> semester 2020**

(All amounts are expressed in lei, where otherwise stated)

**2. Risk indicators**

Degree of indebtedness indicator	0	0
Indicator for loss covering	(no credits)	(no credits)

**3. Activity indicators**

Stock turnover	1,74 or	1.84 or
Number of storage days	103 days	983 days
Turnover speed, for client debit items	69 days	865 days
Days payable outstanding	23 days	213 days
Tangible assets turnover	0.93 or	0.64 or
Total tangible assets turnover	0.35 or	0.29 or

**4. Profitability indicators**

Return on capital employed	9.5%	8.96 %
Sales gross marge	21%	25.15 %

**5. Indicators regarding the result per share**

Rresult per share	0,059	0.081
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**27. OTHER INFORMATION**

For the 1<sup>st</sup> semester 2020 the financial statements were reviewed by AMNIS AUDITEVAL SRL.

The company has held internal audit by service outsourcing and its contracting with SC RDR Contaudit SRL

**28. SUBSEQUENT EVENTS TO THE REPORTING DATE**

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

The explanatory notes to the financial statements from 1 to 28 are an integral part of these financial statements.  
The financial statements were approved by the Board of Directors and were signed by:

General manager,

Ing. Ranca Flaviu

Economic manager,

Ec.Cimpean Ioan



## Statement of S.C. PREBET AIUD S.A. Board of Administration

S.C. PREBET AIUD S.A. Board of Administration states hereby that it is liable for the financial statements issued on June 30, 2020.

Subject to the financial statements issued on June 30, 2020, S.C. PREBET AIUD S.A. Board of Administration confirms the followings :

- a) The financial statements at June 30, 2020 are issued according to the International Financial Reporting Standards as they were adopted for European Union.
- b) The accounting policies used to issuing the financial statement at June 30, 2020 according to the applicable accounting regulations.
- c) The financial statement issued on June 30, 2020 offer an accurate image about financial position , financial performance and other information subject to the activity performed.
- d) The compant perform it's activity under continuity conditions.
- e) We mention that the Financial Statements as at June 30, 2020 have been revised by AMNIS AUDITEVAL SRL - independent auditor

This statement is in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016.

Administrator,

Name and surname : RANCA FLAVIU  
Position : General Manager

Signature

Company stamp

Prepared by,

Name and surname : CIMPEAN IOAN  
Position : Economic Manager

Signature





## **REVIEW REPORT OF INTERIM FINANCIAL INFORMATION**

To the Board of Directors of:

### **S.C. PREBET AIUD S.A.**

#### *Introduction*

We reviewed the condition of assets, liabilities and equity, income statement and expenditures issued by the company PREBET AIUD S.A. on June 30, 2020. The management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, as subsequently amended and supplemented. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Review scope*

We conducted our review in accordance with the International Standard on Review Missions 2410, *Review of Interim Financial Information performed by an Independent Auditor of the entity*. A review of interim financial information consists of making inquiries, especially of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially lower than the scope of an audit conducted in accordance with the International Standards on Auditing and consequently, we are not allowed to obtain assurance that we would have noticed all significant aspects that could be identified in an audit. Therefore, we do not express an audit opinion.



*Conclusion*

Based on our review, we have not become aware of anything that would make us believe that the interim financial information attached does not give a true and fair view of the position and financial performance of the entity on June 30, 2020, for the six months ended at that date in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards.

**In numele AMNIS AUDITEVAL SRL**  
**cu sediul social în Valea Viilor, nr. 336, județul Sibiu**  
înregistrată în Registrul Public Electronic cu nr. FA1334,

*Auditor Financiar Nistor Aurel*  
înregistrat în Registrul Public Electronic cu nr. AF4919

**AIUD**  
**14.08.2020**