ANNUAL REPORT 2023

AQUILA PART PROD COM (BVB: AQ)

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Malu Roşu 105A, Ploieşti

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INFORMATION ABOUT THIS REPORT

Type of report	Annual Report
For the financial year	01.01.2023 – 31.12.2023
Publication date	29.03.2024
According to	Annex 15 ASF Regulation 5/2018

ISSUER INFORMATION

Name	AQUILA Part Prod Com S.A. ("AQUILA")
Cod fiscal	6484554
Registration number of the Trade Register	J29/2790/1994
Registered office	Strada Malu Roşu, nr. 105A, Ploieşti, Prahova, România

INFORMATION ON FINANCIAL INSTRUMENTS

Subscribed and paid-up capital	RON 180,000,360
The market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Number of shares	1,200,002,400
Symbol	AQ

CONTACT DETAILS FOR INVESTORS

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Dear shareholders and partners,

Two years after listing on the Bucharest Stock Exchange, we are the second player at national level in a fragmented distribution market, in a year with historic results for our company. We continued organic growth and prepared new acquisitions to expand the business. The concentration of activity on the distribution channels with a higher growth rate, the diversification of the product portfolio and the development of own brands contributed to the financial results recorded in 2023.

Regarding the mergers and acquisitions (M&A) component, we completed the transaction with Romtec Europe, in February 2024, and for the acquisition of the Parmafood companies, we received the shareholders' approval in February 2024. These two steps meet our objectives and the strategy to complete our portfolio with complementary domestic products, as we announced from the time of listing. In addition to the distribution activity of new products, we are expanding with production facilities, contributing to the development of Romanian industry. We approached the field of mergers and acquisitions from a broad, market and profitability perspective of the target company, as well as the synergies we can create with the current business. Our development strategy through mergers and acquisitions of companies that have their own brands in their portfolio or are distributors of well-known brands firmly points us towards doubling EBITDA by 2026, with reference to 2021.

We have a solid presence in the consumer goods market in Romania and the Republic of Moldova for over three decades, over 72,000 outlets covered and a portfolio of over 10,000 products, from established brands in various categories to own brands such as Gradena, LaMasa and Yachtis. Regarding the consolidation of own brands, we increased the presence and market share in the segment of frozen vegetables and fruits, including through the integrated campaign dedicated to our own brand, Gradena.

The financial performance of 2023 translates into a net profit of 97 million lei, 14% over 2022, the highest since the company was founded. The result obtained comes in the context of the company's revenue increase by 14%, up to 2.5 billion lei, supported mainly by the distribution segment, which represents approximately 94% of the company's turnover. In the revenue structure, the distribution and logistics business segments recorded increases of 14% and 11%, respectively, while the transportation segment recorded a 4% decline. The revenues related to the own brands, Gradena, La Masă and Yachtis, had an advance of 31% in 2023, up to 88 million lei. Merchandise gross margin was flat at approximately 21%, driven by product mix and focus on top performing channels. EBITDA registered an increase of 5%, up to 155 million lei.

Of the total 2023 investments of 9million euros, over 7 million euros were allocated to the purchase of transport vehicles. In line with our sustainability strategy, out of this investment an amount of 3.6 million euros were allocated to fleet renewal with low CO_2 emissions trucks, vans and cars , the rest representing investments in suprastructure boxes and trailers.

With a fleet of over 1,600 vehicles, we are ready to handle goods in all temperature categories (ambient, refrigerated, frozen).

During 2023, we also focused our investments in technology and operational efficiency, and the partnership with Hama, the European leader in IT and Communications accessories, brought us new business opportunities.

Environmental, Social and Governance (ESG) principles are a priority for AQUILA, with targets we have assumed in the Sustainability Strategy published in 2022. According to our previous commitment, we intend to continue applying measures to achieve decarbonisation targets set for 2026: a 20% reduction in the carbon footprint of our vehicle fleet and a 3% reduction in warehouse emissions.

In terms of the capital market, we are in the top 5 growth from the Bucharest Stock Exchange (BVB) in 2023, with a share price advance of about 65%, compared to the 32% increase of the BET index. This evolution reflects the trust that investors have given us and strengthens the position of AQUILA shares in the stock market benchmarks. At the same time, we consider it important to have a diversified shareholder base and our Investor Relations strategy is developed in this direction, with dedicated tools to attract the interest of all categories of investors for the AQUILA action.

With two Market Making service providers, we aimed to bring greater market depth to our stocks with the implicit objective of better market liquidity. We are also happy that the AQUILA share has a higher coverage with financial analysis, from Raiffeisen Bank, Wood & Co. analysts. and Swiss Capital.

We are a "Made in Romania" business and we took the step to the Bucharest Stock Exchange for the partnership with new shareholders, for the development of a national champion. AQUILA's success is the result of the efforts of the entire team, made up of approximately 2,750 dedicated employees, and the shareholders who have joined the company.

We invite you to continue reading the detailed report of the financial results for the year 2023.

Sincerely,

President

Alin Adrian Dociu

Vice President, Executive Director

Cătălin Vasile

THE CONSOLIDATED AND SEPARATE REPORT OF THE ADMINISTRATORS FOR THE YEAR 2023

SHAREHOLDING AND ISSUED CAPITAL

The share capital of AQUILA as of 31 December 2023 is RON 180,000,360 divided into 1,200,002,400 ordinary shares with a nominal value of RON 0.15 per share.

The shareholders of AQUILA Part Prod Com as of 31 December 2023 were as follows:

Shareholder	Shares	Percentage of Shares
Vasile Constantin - Cătălin	400,000,800	33.3 %
Dociu Alin-Adrian	400,000,800	33.3 %
Other shareholders	400,000,800	33.4 %
TOTAL	**1,200,002,400**	**100.0%**

Subsequent events. In January 2024, Dociu Alin-Adrian has reduced his ownership in Aquila from 33.33% to 25%, the new shareholding structure being the following:

Shareholder	Shares	Percentage of Shares
Vasile Constantin - Cătălin	400,000,800	33.3 %
Dociu Alin-Adrian	300,000,600	25.0 %
Other shareholders	500,001,000	41.67%
TOTAL	**1,200,002,400**	**100.0%**

GROUP MANAGEMENT

MANAGEMENT BOARD

The company is managed by a Board of Directors whose members are appointed for a 4-year term, with the possibility of re-election for subsequent terms of 4 years, except for the first members of the Board of Directors, whose term of office is 2 years. The company has concluded professional indemnity insurance contracts for each member of the Board of Directors.

The structure of the Board of Directors as of 31 December 2023 was as follows:

Name	Date of appointment	Function	Role
Alin-Adrian Dociu	7 April 2021	Ca President	Executive
Constantin-Cătălin Vasile	7 April 2021	Vice President CA	Executive
Ion-Lucian Mihalache	7 April 2021	CA member	Independent, non-executive

Daniela Mândru - Petrovici	23 February 2022	CA member	Independent, non-executive
Vlad Alexandru Deliu	23 February 2022	CA member	Independent, non-executive

Subsequent events. At the convening of the Board of Directors on February 22nd, 2024, in accordance with Article 3.3 of the Board Regulation, a resolution was passed to extend the tenure of the board members, namely Daniela Mândru-Petrovici and Vlad Alexandru Deliu, until the forthcoming Annual General Shareholders Meeting for the appointment of new members.

Alin-Adrian Dociu

Alin-Adrian Dociu, one of the two Founders, currently also holds the position of Deputy General Manager.

Mr. Dociu conducted his higher education at the University of Ploiesti - Faculty of Well Drilling and Deposit Exploitation, where he obtained the engineer diploma in the Oil profile, specializing in Well Drilling and Exploitation of Oil and Gas Deposits.

Constantin-Cătălin Vasile

Constantin-Cătălin Vasile, one of the two Founders, currently holds the position of General Manager. Mr. Vasile is a graduate of the Faculty of Machinery and Equipment for Constructions within the Institute of Constructions Bucharest and holds the diploma of engineer in the Mechanical profile, specialization Technological Equipment, Directorate of Specialization Technological Equipment for Constructions.

Ion-Lucian Mihalache

Ion-Lucian Mihalache is an independent administrator within the Company. Mr. Mihalache is a graduate of the University of Oil and Gas Ploiesti, Faculty of Letters and Sciences, where he obtained his economist's degree. He was actively involved in the entrepreneurial environment, having an experience of over 20 years in various business fields and has been successfully active on the capital market since 1996.

Daniela Mândru - Petrovici

Daniela Mândru - Petrovici is an independent administrator within the Company starting with February 23, 2022. Mrs. Mândru graduated from Alexandru Ioan Cuza University of Iasi, Faculty of Sociology and Political Science and has an MBA degree awarded by the Romanian Canadian MBA Program of ASE's Graduate School of Management Bucharest accredited by the MBA Association. Mrs. Mândru has over 14 years of experience in evaluating businesses and identifying potential trends to provide advice to institutional investors at the Bucharest Stock Exchange, with advisory track record for transactions worth over EUR 1 billion (IPOs, SPO's and ABB's).

Vlad Alexandru Deliu

Vlad Alexandru Deliu is an independent administrator within the Company starting with February 23, 2022. Mr. Deliu holds the title of Chartered Financial Analyst (CFA) awarded by CFA Institute, is PRM certified by the Professional Risk Manager's Association and has graduated from the University of Economic Studies (ASE). Mr. Deliu started his career in the investment business by analyzing business models, financial statements and management plans. Years of interaction with top executives and board members of the EEC gave him Mr. Deliu experience in improving organizational processes, optimizing costs and configuring products.

ADVISORY COMMITTEES

On March 22, 2022, the Board of Directors approved the establishment of the Audit Committee and the establishment of the Nomination and Remuneration Committee.

The members of the Audit Committee are:

- Vlad Alexandru Deliu – President;
- Daniela Mândru – Petrovici – Member.

The members of the Nomination and Remuneration Committee are:

- Daniela Mândru – Petrovici – President;
- Vlad Alexandru Deliu – Member;

EXECUTIVE MANAGEMENT

The Board of Directors delegates the management of the Company to managers who fulfil their functions based on mandate contracts.

At the date of this report, Mr. Constantin-Cătălin Vasile is the General Director and Mr. Alin-Adrian Dociu is the Deputy General Manager appointed by the Board of Directors based on a mandate contract.

Also, Mr. Daniel Băluș performs the position of Commercial Director, Mr. Sorin Bașcău performs the position of Financial Director, Mr. Petre Bogdan - the position of Operational Director and Mr. George Dragomir - the position of Transport Director, and here one of these persons does not have delegated management attributions (i.e. are not directors within the meaning of the Companies Law).

The place of activity carried out by the General Director, the Deputy General Manager, and by the other directors is at the Headquarters of the Company.

Name	Date of designation	Mandate/contract period work	Function
Constantin-Cătălin Vasile	18 August 2021	7 April 2023	General Manager, mandate contract
Alin-Adrian Dociu	22 March 2022	7 April 2023	Deputy General Manager, mandate contract
Daniel Băluș	2019	Indefinite	Commercial Director, employment contract
Sorin Aureliu Bășcău	2020	Indefinite	Financial Director, employment contract
Petre Bogdan	2015	Indefinite	Operational Director, employment contract
George Dragomir	2015	Indefinite	Transport Director, employment contract
Iosif Ienei	2001	Indefinite	General Manager Trigor AVD, employment contract

The Company's management persons, without powers delegated by the Board of Directors, who carry out their activity under employment contracts for an indefinite period are:

Daniel Băluș

Daniel Băluș is the Commercial Director of the Company since 2019, after joining the AQUILA team in 1998. Until now, he has held various management positions in the commercial department of AQUILA. Mr. Băluș has extensive experience in managing the portfolio of suppliers and customers, in various food and non-food markets and has covered all distribution channels.

Sorin Aureliu Bășcău

Sorin Aureliu Bășcău joined the Company in 2001, initially as a financial analyst and later became manager of the controlling department. Starting with 2020, Mr. Bășcău holds the position of Financial Director of the AQUILA. Over the years, Mr. Bășcău has been involved in improving financial and operational analysis and reporting systems, in the development and implementation of processes and procedures, as well as in supporting the completion of financing and M&A transactions. Mr. Bășcău is a graduate of the Academy of Economic Studies.

Petre Bogdan

Petre Bogdan is the Company's Operations Director since 2015. He joined the team in 1998 and has spent most of his career in operational activities trying to achieve best operational practices in systems, processes and technology, continuous improvement, supply chain, automation and delivery. These tasks include leadership skills used in the development of long-term operational strategies, working closely with senior management to meet the Company's objectives. Mr. Bogdan graduated from the Faculty of Engineering and Management of the Bio Terra University of Bucharest.

George Dragomir

George Dragomir has been the Transport and Heritage Director of AQUILA since 2019 and joined the team in 2003. He has a vast experience in fleet management and transport activity, adding value to the activities of the International, Domestic and Logistics Transport Group. Mr. Dragomir is also developing the team for the heritage department, a non-focus in the evolution of the Group's long-term vision. Mr. Dragomir is a mechanical engineer and graduated from the University of Transport in Bucharest in 1998. Between 2007 and 2008, Mr. Dragomir obtained the professional certificate in management issued by the Open University Business School UK.

Iosif Ienei

Iosif Ienei holds the position of General Director of Trigor AVD, which operates in the Republic of Moldova. Mr. Ienei started his career at AQUILA in 1997 having several positions in the commercial department and from 2001 until now he has developed Trigor AVD, being a basic pillar in the construction and development of the Group in the Republic of Moldova. Mr. Ienei graduated from the Technical University of Petroșani in 1994, and between 2003-2006 he obtained the professional certificate in management and the diploma in management issued by the Open University Business School UK.

ACTIVITY PRESENTATION

AQUILA is one of the main distributors of fast-moving consumer goods in Romania and Republic of Moldova, with more than 29 years of experience in this area, having a distribution network that covers 72,000 sales points, out of which 62,000 sales points in the Traditional Retail channel, more than 5,600 sales points in the Organized Retail channel and 4,400 sales point in the HORECA channel. The distribution activity performed by AQUILA covers approximately 90% of the Traditional Retail and Organized Retail market, the company having the capacity to distribute products of all temperature classes.

The company is present in the Republic of Moldova through Trigor AVD, a company whose main activity is the distribution, storage, and national and international transport of consumer goods. The company's main suppliers are Unilever, Kimberly Clark, Tchibo and Ferrero. On December 31, 2023, Trigor AVD had a portfolio of over 3,000 clients.

The company's activity is carried out on three lines of business: distribution, logistics and transport.

DISTRIBUTION ACTIVITY

The strategic partnerships of over two decades with Ferrero, Mars and Unilever ensure AQUILA's presence on all three channels: traditional retail, modern retail and HoReCa channels.

The Traditional Retail channel includes the following types of customers: En-Gross, Sub-distributors, Local Trade Channels, Pharmacies and Pharmacy Channels. The main clients on this channel are: Pet Prodexim SRL, Unicarm SRL, Zozo Cafe Distribution SRL, Top Royal Brands SRL, Annabella SRL, Paco Prod Serv SRL.

The distribution system for this channel is dual, both in the van sell system (i.e. the sales agents have in their own management the stock of goods and can issue on the spot the fiscal documents necessary for the delivery to the customer), oriented towards the numerical distribution of impulse products, as well as in the pre-selling system (i.e. the sales agents take only the customers' orders with the help of the automated mobile systems, and the orders are subsequently delivered by the logistics department), for the other categories of products.

The Modern Channel comprises over 4,000 sales points, the main customers being the hypermarket chains, supermakets, discounters, as well as over

The Gas Station channel comprises over 1,200 gas stations.

The Travel Retail channel includes presence in the airport and customs, Lagardere locations, respectively Tabac Express, with a number of 400 point of sales.

HoReCa Channel, with Gastro portfolio, addresses customers in this industry, covering all sales channels, among which are: Profi Rom Food SRL, Unicarm SRL, Narida SRL, Eurest Rom SRL, Phoenicia Express SRL, General Agro Com Service SRL. As of December 31, 2023, AQUILA had a portfolio of over 4,400 sales points and products of approximately 1, 800 storage units (SKUs).

The HoReCa division was created in 2016. The consolidation of the division was achieved in 2019, through the acquisition and then the merger with Agrirom, the Group becoming an importer and distributor of ambient, chilled, and frozen food products, having in its portfolio of products even several own brands, including: Gradena, Frisco, LaMasă and Yachtis.

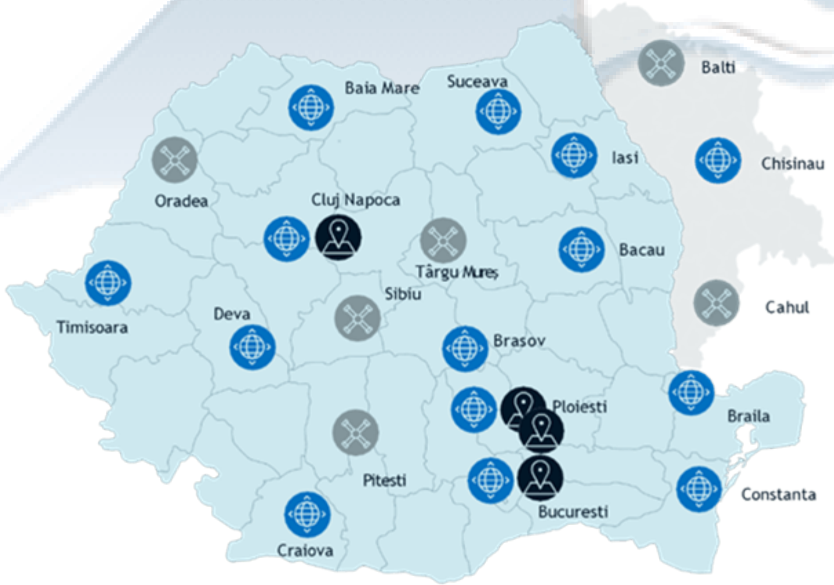
Gradena is a brand of frozen and canned vegetables, Frisco is a specialized brand of frozen meat, LaMasa is a specialized brand of semi-prepared products also from palm oil and other vegetable fats, and Yachtis is a brand specialized in fish products, frozen and canned.

LOGISTICS ACTIVITY

Complementary to the distribution of consumer goods, the Group provides logistics services, through storage, (re)packing and internal transport operations in different temperature segments: ambient, refrigerated and frozen.

Logistics services performed by AQUILA specialists lead to time and cost savings by increasing efficiency and safety. AQUILA provides complete logistics services, consisting of: national transport, warehousing, handling, collection, secondary transport, reverse logistics, inventory, pallet management, labelling, packaging and co-packing.

Over the years, the Company has developed an extensive logistics network of 4 logistics centers, 14 distribution centers (one located in the Republic of Moldova) and 6 cross-docking points (two located in the Republic of Moldova). AQUILA has a storage capacity of over 123,000 pallets, of which 77% are in the ambient environment, approximately 7% in the refrigerated environment and 16% in the frozen environment.



AQUILA uses a sustainable logistics model developed in collaboration with CHEP, for the reuse by rental of pallets, thus saving 117 m3 of wood, saving more than 110,000 trees from cutting, reducing CO2 emissions by more than 135 tons and waste generated by more than 10 tons. We use warehouse management systems to reduce waste from storage services, we develop projects for more efficient use of packaging from the perspective of recycling options and environmental protection measures. We apply systems to make warehouses' electricity consumption more efficient, using renewable energy and LED electrical installations.

AQUILA uses several inventory management systems, which allow their continuous evaluation and updating, including through environmental initiatives such as:

• Electrical cargo handling equipment with Li-Ion batteries;

• Goods preparation systems (picking): pick by light;

• Warehouse management software: WMS – LV Mantis. This software manages warehouse activity through Radio Frequency terminals and provides complete traceability (from the partners' factory to the end customer);

• Mobile shelving systems to optimize storage capacity in the frozen product warehouse;

• Optimization of storage spaces, by using VNA (very narrow aisle) systems that increase the storage capacity per square meter;

• Automation of the repackaging process and the use of semi-automatic pallet wrappers;

• The interfacing of internal systems - WMS (warehouse management system) - TMS (transport management system) - ERP (resource planning system), ensures an optimal flow of data.

As part of the logistics activity, AQUILA offers national transport services through a fleet of vehicles capable of transporting goods in different temperature conditions, among which:

• 86 heavy trucks (40 tonnes);

• 883 cars for the sales force;

• 573 vehicles for distribution and internal transport (with a capacity of less than 40 tonnes).

AQUILA uses the ORTEC system to optimize transport and streamline logistics operations. The ORTEC solution plans delivery routes and ensures the best use of fleet and personnel. In addition to these, the solution also provides an interface to the client, to track the status of deliveries and download documents related to the respective route (proof of delivery = POD). Another strong point of this system is the management portal of the loading and unloading slots related to each warehouse, so that the warehouse activity can be carried out in an optimal regime.

Transport activity is organized through a TMS (Transport Management System) and the team is qualified to use both its own TMS systems and partners' digital platforms.

The heavy-duty trucks are equipped with state-of-the-art telemetry systems, which allow constant monitoring of the equipment both on the move and while stationary. In addition, each vehicle benefits from a customized online operation tracking system, GPS tracking systems, and for high-risk transportation projects, AQUILA has installed monitoring and security systems on semi-trailers, including a panic push button, at the request of customers.

In April 2023, Aquila forged a long-term partnership with Hama, a European frontrunner in IT and communications accessories. This collaboration will see Aquila develop logistics solution for Hama Romania encompassing 1,500 pick-by - light locations. The solution will be operational at Aquila's Dragomiresti Vale logistics facility, within a warehouse accommodating over 8,000 pallets. The partnership is set to manage an array of over 4,000 SKUs for Hama Romania, marking a noteworthy expansion in Aquila's logistical capabilities. The digitalization level of the logistics services was a key factor in forming this partnership, aiming to enhance the supply chain efficiency and create new business opportunities for Aquila.

INTERNATIONAL TRANSPORT

AQUILA offers international transport services in 15 countries with a fleet of 112 heavy trucks capable of transporting goods in different temperature conditions.

In recent years, in its international transport activity, AQUILA has focused on secure transport, investing in complex road train monitoring solutions and systems, according to the requirements of important customers in this field, being authorized according to TAPA TSR standards (TAPA Requirements regarding the security of the transport of goods by truck), as well as according to the V1 security standard, a standard developed to ensure the protection of transported goods and to improve the safety of drivers and vehicles. This activity involves more than 40 trucks, a number that is aimed to be increased as this niche will require a higher volume of transport. Also, the international transport of goods that require controlled temperature is an important segment of activity that the management wants to develop in the coming years through long-term strategic partnerships.

The route planning and optimization activity is coordinated using a transport management system (TMS) and the monitoring activity is carried out using a telemetry system at the highest standards in terms of monitoring and reporting. The optimization of routes, the organization of the drivers' activity, as well as the record of driving times and truck numbers are managed by the team of dispatchers and driver activity coordinators through the communication platforms of the telemetry system. A dedicated department monitors fuel consumption using telemetry systems, planning platforms, fuel supplier platforms, internal procedures, etc. The fleet maintenance activity is ensured through contracts with external and internal partners, as well as through its own car repair workshop authorized by the Romanian Auto Registry to perform this type of service.

In 2023 the company paid particular attention to the environmental impact and aims to bring the fleet to the Euro 6 standard by 2026. At the end of 2023, 75% of the AQUILA fleet was equipped with Euro 6 engines.

CONSOLIDATED FINANCIAL RESULTS

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ('IFRS-EU'), in accordance with the requirements of the Order of the Ministry of Public Finance no. 2844/2016, with subsequent amendments for the approval of accounting regulations in accordance with standards International Financial Reporting adopted by the EU.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(RON)	31-Dec-23	31-Dec-22	Y/Y
Property, plant and equipment	238,647,508	176,907,989	35%
Investment property	13,804,884	13,717,978	1%
Intangible assets	832,125	1,204,593	(31)%
Goodwill	5,011,706	5,011,706	0%
Loans to related parties	17,155,649	33,633,554	(49)%
Deferred tax assets	5,655,698	3,817,873	48%
Other non-current assets	542,696	585,416	(7)%
Total non-current assets	**281,650,266**	**234,879,109**	**20%**
Inventories	170,979,496	158,430,373	8%
Trade receivables	286,415,011	247,816,687	16%
Short-term portion of loans to related parties	2,934,588	3,591,648	(18)%
Other receivables	9,323,661	1,398,818	567%
Prepayments	46,492,274	28,902,646	61%
Short-term deposits	185,000,000	160,000,000	16%
Cash and cash equivalents	20,366,734	18,863,042	8%
Total current assets	**721,511,764**	**619,003,214**	**17%**
Total assets	**1,003,162,030**	**853,882,323**	**17%**
Share capital	180,590,088	180,590,088	0%
Share premium	195,699,121	195,699,121	0%
Own shares	(991,972)	(991,972)	0%
Legal reserves	14,782,375	9,397,735	57%
Translation reserve	657,836	(11,315)	N/M
Retained earnings	141,360,955	98,707,569	43%
Total equity attributable to the Group owners	**532,098,403**	**483,391,226**	**10%**
Non-controlling interests	437,486	430,291	2%
Total equity	**532,535,889**	**483,821,517**	**10%**
Non-current portion of lease liabilities	148,817,148	90,131,640	65%
Trade payables	17,063	59,667	(71)%
Contract liability	585,094	247,519	136%
Deferred tax liabilities	1,497,471	1,036,563	44%
Total non-current liabilities	**150,916,776**	**91,475,389**	**65%**
Current portion of long-term bank borrowings	-	2,050,922	N/M
Short-term bank borrowings	9,883,898	-	N/M
Current portion of lease liabilities	32,927,398	32,949,238	0%
Trade payables	229,509,059	193,879,745	18%
Employee benefits	30,310,697	26,558,415	14%
Current tax liabilities	4,076,828	5,022,422	(19)%
Contract liabilities	52,838	52,140	1%
Provisions	-	132,113	N/M
Other payables	12,948,647	17,940,422	(28)%
Total current liabilities	**319,709,365**	**278,585,417**	**15%**
Total liabilities	**470,626,141**	**370,060,806**	**17%**
Total equity and liabilities	**1,003,162,030**	**853,882,323**	**17%**

Non-current assets

Non-current assets increased by 20% Y/Y, up to RON 282 million mainly due to the extension of leasing contracts related to the right-of-use assets.

Property, plant and equipment, which increased by 35% Y/Y to RON 239 million, includes right-of-use assets with a net carrying value of RON 51 million as at 31 December 2023 (31 December 2022: RON 32 million) related to leased equipment and of RON 133 million as at 31 December 2023 (31 December 2022: RON 99 million) related to leased properties that do not meet the definition of investment property.

Investment property comprises land and buildings of AQUILA PART PROD COM SA and PRINTEX SA that are leased to third parties. Periodically, the Group performs valuations to determine if the fair values of investment properties are materially different versus the cost less accumulated depreciation and any impairment losses whenever conditions could imply a significant change in values. Investment property is valued at cost in the financial statements. As of 31 December 2023, a valuation was performed by an external specialist, and the fair value of investment property is RON 21,478,787.

Following the acquisition of AGRIROM, the Group recognized goodwill amounting to RON 5 million along with other intangible assets in the form of brands, valued at RON 3 million as of the acquisition date. Noteworthy, AGRIROM's brands for food products encompass Gradena, Yachtis, LaMasa, and Frisco. The significant decrease of 31% Y/Y in intangible assets to RON 0.4 million as of December 31, 2023, is predominantly attributed to the amortization of brands.

The Group has loans to related parties (Novadex, Aquila Agricola, Best Coffee Solutions and Nordexim) and holds long-term receivables from entities classified as purchased or originated credit-impairment financial assets ("POCI"). If a financial asset is purchased or originated credit-impaired then at the reporting date only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. The expected future credit losses are assessed using the effective interest rate. For the year ended 31 December 2023, Nordexim's financial evolution and related results were assessed as not in line with prior expectations. Considering the significant decrease in equity value, which was computed considering a WACC of 13.6% and a growth rate of 1% for the terminal value, a loan review was performed. The Expected Credit Loss (ECL) calculation indicated additional cash shortfalls discounted at the original credit adjusted effective interest rate of RON 15 million which led to the full impairment of the loan balance and mainly explains the 49% Y/Y decline of the long-term portion of loans to related parties to RON 17 million as of 2023-end.

Current assets

Current asset grew by 17% Y/Y to RON 722 million mainly reflecting the increase in prices and commercial activity with inventories and trade receivables up by 8% Y/Y to RON 171 million and 16% Y/Y, respectively to RON 286 million.

Other receivables surged 6.7x compared to 2022-end to RON 9 million as receivables from medical leaves and other receivables related to personnel increased to RON 3 million from

RON 1 million in 2022. Besides, In November 2023, the Company signed a sale purchase pre-agreement for 100% of the shares of Romtec Europa. Based on this pre-agreement, the Company paid an advance of RON 2.5 million.

As of 31 December 2023, the prepayments in amount of RON 46 million (31 December 2022: RON 29 million) mainly include: advances to suppliers for inventory acquisitions in amount of RON 36 million (31 December 2022: RON 19 million), advances to suppliers for services to be rendered in amount of RON 2 million (31 December 2022: RON 2 million), prepayments for vehicles' insurance of RON 3 million (31 December 2022: RON 3 million), prepayments for rent of RON 2 million (31 December 2022: RON 2 million).

Short-term deposits and cash equivalents reached RON 205 million representing a 15% Y/Y increase. The balance of short-term deposits reported as of 31 December 2023, amounting to RON 185 million, relates to part of the IPO proceeds that were allocated to short-term deposits placements. These placements vary in duration, with RON 40 million allocated for a 12-month term, RON 10 million for a 9-month term, RON 80 million for a 6-month term, RON 45 million for a 3-month term, and RON 10 million for a 1-month term. The interest rates received on these deposits range from 5.7% to 6.65%.

Non-current liabilities

Non-current liabilities increased by 65% Y/Y to RON 151 million mainly due to non-current portion of lease liabilities that grew by 65% Y/Y to RON 149 million as the term of several rent contracts classified as leasing under IFRS 16 was extended (and/or rented surface was changed), resulting in recognition of additional right-of-use assets.

As of the end of 2023, the Group disclosed no long-term bank borrowings.

Current liabilities

Current liabilities grew by 15% Y/Y to RON 320 million mainly due to an 18% Y/Y increase in trade payables that reached RON 230 million reflecting heightened commercial activity.

As of 2023-end, AQUILA's overdraft balance amounted to RON 10 million (2022: nil), while the current-portion of long-term borrowings' balance was nil (2022: RON 2 million).

Adjusted Net debt

The Group is using standard *net debt* ratio for monitoring and evaluation of the financial leverage and ability to repay debts. For the Net debt computation, please refer to "KEY FINANCIAL INDICATORS". In addition, the Group is computing Adjusted net debt, considering cash and bank deposits. It is considered more relevant than standard net debt as it provides a comprehensive view of the company's liquidity and ability to cover debt. While standard net debt only subtracts readily available cash from total debt, adjusted net debt subtracts cash along with bank deposits, in case the Group decides to change their intended investing purpose and convert them into cash.

On 31 December 2023, AQUILA reported an adjusted net debt position of RON 14 million, 74% below previous year's level of RON 54 million as non-current portion of lease liabilities increased by 65% Y/Y to RON 149 million.

(RON)	31-Dec-2023	31-Dec-2022
Short term bank borrowings	9,883,898	-
Current portion of long-term bank borrowings	-	2,050,922
Current portion of lease liabilities	32,927,398	32,949,238
Long-term bank borrowings	-	-
Non-current portion of lease liabilities	148,817,148	90,131,640
Total borrowings and lease liabilities	**191,628,444**	**125,131,800**
Less: Cash and bank equivalents	20,366,734	18,863,042
Less: Short-term deposits	185,000,000	160,000,000
Adjusted Net debt	**(13,738,290)**	**(53,731,242)**

Equity

As of 31 December 2023, AQUILA reported total equity attributable to shareholders of RON 532 million marking a 10% Y/Y increase.

On 31 December 2023, the Group's share capital amounted to RON 181 million, a value corresponding to a number of 1,200,002,400 shares with a nominal value of RON 0.15 per share.

The balance of nearly RON 1 million refers to 1,080,000 shares, out of which: 180,000 own purchased shares and 900,000 premium shares issued in 2022.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(RON)	2023	2022	Y/Y
Revenues	**2,510,015,417**	**2,210,325,473**	**14%**
Distribution of goods	2,353,534,038	2,059,666,658	14%
Logistics services	87,603,416	78,868,663	11%
Transport services	65,206,995	68,252,073	(4)%
Rental income	3,670,968	3,538,080	4%
Other income	9,972,308	8,334,406	20%
Cost of goods sold	(1,865,729,621)	(1,623,973,263)	15%
Cost of fuel and transport services	(73,337,419)	(76,972,277)	(5)%
Salaries and other employee benefits	(258,519,989)	(225,237,381)	15%
Repairs, maintenance and materials cost	(24,202,986)	(24,060,430)	1%
Depreciation and amortization	(47,895,792)	(50,098,657)	(4)%
Charge of expected credit losses	(25,567,898)	(19,782,564)	29%
Other operating expenses	(118,076,223)	(101,705,650)	16%
Operating profit	**106,657,797**	**96,829,657**	**10%**
Finance income	17,463,317	7,570,113	131%
Finance costs	(7,826,253)	(3,836,199)	104%
Financial result	**9,637,064**	**3,733,914**	**158%**
Profit before tax	**116,294,861**	**100,563,571**	**16%**
Income tax expense	(19,369,574)	(15,331,547)	26%

Profit for the year		**96,925,287**	**85,232,024**	**14%**
Profit for the year attributable to:				
-	owners of the Group	96,918,092	85,222,554	14%
-	non-controlling interests	7,195	9,470	(24)%

Net turnover

In 2023, Aquila charted a relatively robust 14% Y/Y growth in net turnover, cresting at RON 2,510 million and outpacing the period's inflation of 10.4%.

This upswing was chiefly propelled by a 14% Y/Y escalation in distribution sales, peaking at RON 2,354 million. The distribution arm's performance was underscored by gains across multiple channels, with traditional trade sales surging by 24% Y/Y to RON 998 million. HoReCa and gas stations, along with convenience stores channel sales, also registered solid growth rates of 15% Y/Y to RON 283 million and 16% Y/Y to RON 421 million, respectively. Conversely, the modern trade sales channel (excluding convenience stores) witnessed an 1% Y/Y dip to RON 540 million, while Moldova's distribution sales, although decelerating relative to the 2022 full-year growth rate, still augmented by 13% Y/Y to RON 112 million.

AQUILA's proprietary brands' revenue – Gradena, La Masa, and Yachtis – marked a 31% Y/Y leap, accruing RON 88 million and elevating their share of total distribution sales to 4%, up from 2022's level of 3%.

La Masa brand, encompassing 14 ready meal varieties, transitioned to new packaging from July 2022 and penetrated modern trade outlets in Q4 2022, expanding beyond its initial HoReCa-only distribution. Last year, La Masa brand' sales marked a 18% Y/Y increase to RON 55 million.

2023 saw AQUILA's Gradena brand diversify with 19 new frozen fruit and vegetable offerings, complemented by a Q4 TV campaign to boost visibility, and fortify the brand. Gradena posted sales of RON 30 million in 2023, 45% higher compared to 2022.

The nascent Yachtis brand, debuting in 2023 with 15 frozen fish and seafood products, cumulated sales of over RON 3 million in 2023.

Revenues from logistics services increased by 11% compared to 2022, owing to tariff indexing and the rise in volumes from existing clients, in addition to acquiring new clients such as Hama.

Revenues from transportation services saw a 4% decline compared to 2022, attributable to a reduction in the distances travelled.

Gross result

Gross result, calculated by deducting cost of goods sold from revenue related to distribution of goods, is RON 488 million (2022: RON 436 million).

The company's gross result increased by 12% Y/Y while the respective margin registered a slight contraction of 0.4 ppt to 20.7% in 2023 from 21.1% in 2022.

Cost of fuel and transport services

According to the European Commission (https://ec.europa.eu/energy/data-analysis/weekly-oil-bulletin_en), the average domestic automotive diesel price decreased by 13% Y/Y to RON

7.16 per liter in 2023 from 8.25 per liter in 2022. The decline in fuel prices and shorter travel distances, partially offset by increased transport services costs, led to a 5% Y/Y reduction in fuel and transportation costs to RON 73 million.

Salaries and other employee benefits

Mirroring Romania's average gross monthly salary increase, AQUILA's salaries and employee benefits grew by 15% Y/Y to RON 259 million. According to the National Institute of Statistics, the domestic monthly average gross salary per employee increased by 15% Y/Y in 2023 (Earnings - since 1991, monthly series | National Institute of Statistics (insse.ro).

In 2023, AQUILA reported an average employee count of 2,741 at the consolidated level, compared to 2,752in 2022.

Expected credit losses

The expected credit losses in the amount of nearly RON 26 million include impairments of trade receivables amounting to RON 10 million and of loans to related parties totaling RON 15 million. Out of the RON 10 million trade receivables impairment recognized during the year, over RON 4 million refers to Nordexim, related party.

Other operating expenses

In 2023, the other operating expenses increased by 16% compared to 2022, reaching RON 118 million. To this increase, the largest contribution came for utilities expenses that added 19% Y/Y to RON 15 million, general consulting that increased by 22% Y/Y to RON 13 million and marketing and publicity that grew by 76% Y/Y to RON 9 million in the context of heightened allocations aimed at bolstering the visibility of the company's own brands through online and television campaigns.

In 2023, the expenses related to compensation, fines, and penalties experienced a substantial escalation, surging to nearly 5.2 times the figure recorded in 2022 and approaching RON 3 million. This increase ensued from an inspection conducted by fiscal authorities, which resulted in the imposition of revised taxes and associated penalties.

Other operating expenses amounting RON 12 million include taxes, duties and similar payments due to the budget of the State or other public bodies, various expenses such as small services within warehouses, HR application fees, services related to archiving and digitalization of documents, disinfection services, marketing, utilities, road taxes, logistics services, environmental fees, etc.

Operating profit

In 2023, AQUILA's operating profit increased by 10% Y/Y to nearly RON 107 million. The growth lagged that of revenues mainly as a result of the recorded credit loss charges of RON 26 million that increased by 29% Y/Y. This increase in charges was largely attributable to the booking of an expected credit loss of RON 15 million following a review of the Nordexim loan, which led to the full impairment of the respective loan balance.

The operating profit margin declined by 0.1 ppt to 4.2% in 2023, down from 4.4% in 2022.

EBITDA

For 2023, AQUILA reported a consolidated EBITDA of RON 155 million, 5% higher compared to 2022. The EBITDA margin declined by 0.4 ppt to 6.2% from 6.6% in 2022.

Financial result

Financial result grew by 2.6 times to nearly RON 10 million, up from approximately RON 4 million in 2022 helped by increased short-term deposits and interest rates. The interest income reported for 2023, amounting to nearly RON 17 million, includes interest from bank deposits totaling RON 15 million (RON 6 million in 2022) and interest received from related parties' loans of approximately RON 2 million (RON 1 million in 2022)

Income tax expense

The income tax expense grew by 26% Y/Y to over RON 19 million, due to a combination of a 16% Y/Y increase in profit before tax and a rise in the effective income tax rate.

In 2023, the effective income tax increased to 17% from 15% in 2022 mainly due to the tax effect of non-deductible expenses which mainly refer to RON 25 million ECL and receivable allowances (2022: RON 19 million).

Net profit

In 2023, AQUILA reported a consolidated net profit of RON 97 million, marking a 14% increase compared to 2022, while the respective margin remained stable at 3.9%.

KEY FINANCIAL INDICATORS (IFRS consolidated)

(RON)	2023	2022
ASSET MANAGEMENT		
Days of Trade receivables	**42**	**41**
Trade receivables	286,415,011	247,816,687
Sales	2,510,015,417	2,210,325,473
Days of Inventory	**33**	**36**
Inventory	170,979,496	158,430,373
Cost of goods sold	1,865,729,621	1,623,973,263
Days of Trade payables	**45**	**44**
Trade payables	229,509,059	193,879,745
Cost of goods sold	1,865,729,621	1,623,973,263
Cash conversion cycle	**30**	**33**
Liquidity		
Current ratio	**2.3**	**2.2**
Current assets	721,511,764	619,003,214
Current liabilities	319,709,365	278,585,417
Quick ratio	**1.6**	**1.5**
Current assets less Inventory & Prepayments	504,039,994	431,670,195

Current liabilities	319,709,365	278,585,417
Debt to Capital ratio	**0.3**	**0.2**
Interest-bearing debt and leases	191,628,444	125,131,800
Equity + Interest bearing debt and leases	724,164,333	608,053,317
Gearing ratio	**0.32**	**0.22**
Net debt	171,261,710	106,268,758
Equity attributable to the owners of Co	532,098,403	483,391,226
Gearing ratio adjusted	**(0.03)**	**(0.11)**
Adjusted Net debt	(13,738,290)	(53,731,242)
Equity attributable to the owners of Co	532,098,403	483,391,226
Leverage ratio	**0.9**	**0.8**
Total liabilities	470,626,141	370,060,806
Equity attributable to the owners of Co	532,098,403	483,391,226
Profitability		
Return on Assets (ROA)	**9.7%**	**10.0%**
Net profit	96,925,287	85,232,024
Total assets	1,003,162,030	853,882,323
Return on Equity (ROE)	**18.2%**	**17.6%**
Net profit	96,925,287	85,232,024
Equity attributable to the owners of Co	532,098,403	483,391,226
Return on Invested Working Capital (ROIWC)	**36.5%**	**41.5%**
NOPAT (Net Operating Profit after tax)**	87,288,223	81,498,110
Working Capital	239,246,961	196,554,915
Return on Invested Capital (ROIC*)	**16.8%**	**18.9%**
NOPAT (Net Operating Profit after tax)**	87,288,223	81,498,110
Invested Capital	520,897,227	431,434,024

* ROIC = Operating profit after 16% tax / (Total assets – Cash and equivalents - Total short-term non-interest-bearing liabilities)

** NOPAT = Operating Profit-Income Tax

SEPARATE FINANCIAL STATEMENTS

The separate financial statements are drawn up in accordance with the requirements of the Order of the Minister of Public Finance no. 2844/2016, with subsequent amendments, for the approval of the accounting regulations in accordance with the International Financial Reporting Standards adopted by the EU.

Minister of Finance no. 2844/2016 as subsequently amended, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, with the exception of IAS 21 with the "Effects of the variation of exchange rates with respect to the functional currency", the provisions of IAS 20 "Accounting for government subsidies ”regarding the recognition of revenues from green certificates, with the exception of IFRS 15 “Revenues from contracts with customers” regarding revenues from connection fees to the distribution network.

SEPARATE STATEMENT OF THE FINANCIAL POSITION

(RON)	31-Dec-23	31-Dec-22	Y/Y
Property, plant and equipment	233,075,814	171,198,718	36%
Investment property	11,092,139	10,810,594	3%
Intangible assets	771,123	1,156,683	(33)%
Goodwill	5,011,706	5,011,706	0%
Investments in subsidiaries	25,923,057	25,923,057	0%
Loans to related parties	17,155,649	33,633,553	(49)%
Deferred tax assets	5,585,761	3,723,416	50%
Other non-current assets	542,696	585,416	(7)%
Total non-current assets	**299,157,945**	**252,043,143**	**19%**
Inventories	161,683,297	152,481,745	6%
Trade receivables	268,210,267	234,620,704	14%
Short-term portion of loans to related parties	2,934,588	3,591,648	(18)%
Other receivables	14,014,301	1,237,377	1033%
Prepayments	53,974,805	28,507,578	89%
Short-term deposits	185,000,000	160,000,000	16%
Cash and cash equivalents	14,327,643	15,683,671	(9)%
Total current assets	**700,144,901**	**596,122,723**	**17%**
Total assets	**999,302,846**	**848,165,866**	**18%**
Share capital	180,590,088	180,590,088	0%
Share premium	199,356,416	199,356,416	0%
Own shares	(991,972)	(991,972)	0%
Legal reserves	14,745,076	9,360,436	58%
Retained earnings	134,124,265	97,813,748	37%
Total equity attributable to the owners of the Company	**527,823,873**	**486,128,717**	**9%**
Non-controlling interests	-	-	
Total equity	**527,823,873**	**486,128,717**	**9%**
Non-current portion of lease liabilities	149,416,023	90,578,567	65%
Trade payables	17,063	59,666	(71)%
Contract liability	585,092	247,517	136%
Deferred tax liabilities	497,103	382,626	30%
Total non-current liabilities	**150,515,281**	**91,268,376**	**65%**
Current portion of long-term bank borrowings		2,050,921	N/M
Short-term bank borrowings	9,883,898		N/M
Current portion of lease liabilities	32,710,581	32,612,024	0%
Trade payables	235,433,501	194,754,754	21%
Employee benefits	28,845,020	25,284,030	14%
Current tax liabilities	3,542,733	5,019,861	(29)%
Other payables	10,547,958	11,047,184	(5)%
Total current liabilities	**320,963,691**	**270,768,774**	**19%**
Total liabilities	**471,478,972**	**362,037,150**	**30%**
Total equity and liabilities	**999,302,845**	**848,165,867**	**18%**

Non-current assets

Non-current assets increased by 19% Y/Y, up to RON 299 million mainly due to the extension of leasing contracts related to the right-of-use assets.

Property, plant and equipment, which increased by 36% Y/Y to RON 233 million, includes right-of-use assets with a net carrying value of RON 49 million as at 31 December 2023 (31 December 2022: RON 28 million) related to leased equipment and of RON 135 million as at 31 December 2023 (31 December 2022: RON 101 million) related to leased properties that do not meet the definition of investment property.

Investment property comprises land and buildings of AQUILA PART PROD COM which are rented to third parties. Periodically, the company performs valuations to determine the fair value of the investment property for disclosure purposes in the financial statements. Investment property is valued at cost in the financial statements. As of 31 December 2023, a valuation was performed by an external specialist, and the fair value of investment property is RON 21,478,787.

AQUILA has loans to related parties (Novadex, Aquila Agricola, Best Coffee Solutions and Nordexim) and holds long-term receivables from entities classified as purchased or originated credit-impairment financial assets ("POCI"). If a financial asset is purchased or originated credit-impaired then at the reporting date only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. The expected future credit losses are assessed using the effective interest rate. For the year ended 31 December 2023, Nordexim's financial evolution and related results were assessed as not in line with prior expectations. Considering the significant decrease in equity value, which was computed considering a WACC of 13.6% and a growth rate of 1% for the terminal value, a loan review was performed. The Expected Credit Loss (ECL) calculation indicated additional cash shortfalls discounted at the original credit adjusted effective interest rate of RON 15 million which led to the full impairment of the loan balance and mainly explains the 49% Y/Y decline of the long-term portion of loans to related parties to RON 17 million as of 2023-end.

Current assets

Current asset grew by 17% Y/Y to RON 700 million mainly reflecting the increase in prices and commercial activity with inventories and trade receivables up by 6% Y/Y to RON 162 million and 14% Y/Y, respectively to RON 268 million

Other receivables surged by 11.3 times compared to 2022-end to RON 14 million as receivables from medical leaves and other receivables related to personnel increased to RON 3 million from RON 1 million in 2022 and other receivables grew to RON 3 million from RON 0.3 million in 2022 after including the accrual for interest income to be received from banks in amount of nearly RON 3 million.

Besides, In November 2023, the Company signed a sale purchase pre-agreement for for 100% of the shares of Romtec Europa. Based on this pre-agreement, the Company paid an advance of RON 2.5 million.

As of 31 December 2023, the prepayments in amount of RON 54 million (31 December 2022: RON 29 million) mainly include advances to suppliers for inventory acquisitions in amount of RON 44 million (31 December 2022: RON 19 million) advances to suppliers for services to be rendered in amount of RON 2 million (31 December 2022: RON 2 million), prepayments for vehicles' insurance of RON 3 million (31 December 2022: RON 3 million), prepayments for rent of RON 2 million (31 December 2022: RON 2 million).

Short-term deposits and cash equivalents reached RON 199 million representing a 13% Y/Y increase. The balance of short-term deposits reported as of 31 December 2023, amounting to RON 185 million, relates to part of the IPO proceeds that were allocated to short-term deposits placements. These placements vary in duration, with RON 40 million allocated for a 12-month term, RON 10 million for a 9-month term, RON 80 million for a 6-month term, RON 45 million for a 3-month term, and RON 10 million for a 1-month term. The interest rates received on these deposits range from 5.7% to 6.65%.

Non-current liabilities

Non-current liabilities increased by 65% Y/Y to RON 151 million mainly due to non-current portion of lease liabilities that grew by 65% Y/Y to RON 149 million as the term of several rent contracts classified as leasing under IFRS 16 was extended (and/or rented surface was changed), resulting in recognition of additional right of use assets.

As of the end of 2023, the Company reported no long-term bank borrowings.

Current liabilities

Current liabilities grew by 19% Y/Y to RON 321 million mainly due to a 21% Y/Y increase in trade payables that reached RON 235 million reflecting heightened commercial activity.

As of 2023-end, AQUILA's overdraft balance amounted to RON 10 million (2022: nil), while the current-portion of long-term borrowings' balance was nil (2022: RON 2 million).

Adjusted Net debt

The Company is using standard net debt ratio for monitoring and evaluation of the financial leverage and ability to repay debts. For the Net debt computation, please refer to "KEY FINANCIAL INDICATORS". In addition, the Company is computing Adjusted net debt, considering cash and bank deposits. It is considered more relevant than standard net debt as it provides a comprehensive view of the company's liquidity and ability to cover debt. While standard net debt only subtracts readily available cash from total debt, adjusted net debt subtracts cash along with bank deposits, in case Company decides to change their intended investing purpose and convert them into cash.

On 31 December 2023, AQUILA reported an adjusted net debt position of RON 7 million, 85% below previous year's level of RON 50 million as non-current portion of lease liabilities increased by 65% Y/Y to RON 149 million.

(RON)	31-Dec-2023	31-Dec-2022
Short term bank borrowings	9,883,898	-
Current portion of long-term bank borrowings	-	2,050,921
Current portion of lease liabilities	32,710,581	32,612,024
Long-term bank borrowings	-	-
Non-current portion of lease liabilities	149,416,023	90,578,567
Total borrowings and lease liabilities	**192,010,502**	**125,241,512**
Less: Cash and bank equivalents	14,327,643	15,683,671
Less: Short-term deposits	185,000,000	160,000,000
Net debt	**(7,317,141)**	**(50,442,159)**

Equity

As of 31 December 2023, AQUILA reported total equity attributable to shareholders of RON 528 million marking a 9% Y/Y increase.

On 31 December 2023, AQUILA's share capital amounted to RON 181 million, a value corresponding to a number of 1,200,002,400 shares with a nominal value of RON 0.15 per share.

The balance of nearly RON 1 million refers to 1,080,000 shares, out of which: 180,000 own purchased shares and 900,000 premium shares issued in 2022.

Legal reserves are set up as 5% of the gross profit for the year as per statutory separate financial statements of the Romanian companies, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable. As of 31 December 2023, in line with net profits achieved, the Company increased legal reserve with 5% out of the profit before tax representing RON 5 million which increased the legal reserves balance by 58% Y/Y to RON 15 million.

SEPARATE STATEMENT OF PROFIT AND LOSS

(RON)	2023	2022	Y/Y
Revenues	**2,398,019,785**	**2,111,797,827**	**14%**
Distribution of goods	2,241,755,432	1,960,946,481	14%
Logistics services	87,603,416	78,868,663	11%
Transport services	65,206,995	68,252,073	(4)%
Rental income	3,453,942	3,730,610	-7%
Other income	8,439,674	7,366,889	15%
Cost of goods sold	(1,793,584,714)	(1,561,314,618)	15%
Cost of fuel and transport services	(71,992,062)	(76,530,176)	(6)%
Salaries and other employee benefits	(239,984,708)	(208,946,623)	15%
Repairs, maintenance and materials cost	(23,335,755)	(22,017,777)	6%
Depreciation and amortization	(47,101,762)	(47,431,084)	(1)%

Charge of expected credit losses	(25,783,616)	(19,807,565)	30%
Other operating expenses	(111,617,409)	(94,999,574)	17%
Operating profit	**93,059,434**	**88,117,299**	**6%**
Finance income	17,200,323	7,570,116	127%
Finance income - other	4,759,819		N/M
Finance costs	(7,243,199)	(3,420,603)	112%
Financial result	**14,716,943**	**4,149,513**	**255%**
Profit before tax	**107,776,377**	**92,266,812**	**17%**
Income tax expense	(17,201,153)	(14,263,449)	21%
Profit for the year	**90,575,224**	**78,003,363**	**16%**

Net turnover

In 2023, Aquila charted a relatively robust 14% Y/Y growth in net turnover to RON 2,398 million and outpacing the period's inflation of 10.4%.

The distribution segment, accounting for 93% of net turnover, reported revenues of RON 2,242 million, a 14% increase from the 2022 level. The growth was particularly driven by sales through traditional channels, the HoReCa channel, and proximity channels (including gas stations and convenience stores), as well as by the performance of own brands.

Revenues from logistics services increased by 11% compared to 2022, owing to tariff indexing and the rise in volumes from existing clients, in addition to acquiring new clients such as Hama. In April 2023, Aquila forged a long-term partnership with Hama, a European frontrunner in IT and communications accessories. This collaboration will see Aquila develop logistics solution for Hama Romania encompassing 1,500 pick-by - light locations. The solution will be operational at Aquila's Dragomiresti Vale logistics facility, within a warehouse accommodating over 8,000 pallet locations. The partnership is set to manage an array of over 4,000 SKUs for Hama Romania, marking a noteworthy expansion in Aquila's logistical capabilities. The digitalisation level of the logistics services was a key factor in forming this partnership, aiming to enhance the supply chain efficiency and create new business opportunities for Aquila.

Transportation service revenues decreased by 4% compared to 2022 due to a decrease in the travelled distances.

Gross result

Gross result, calculated by deducting cost of goods sold from revenue related to distribution of goods, is RON 448 million (2022: RON 400 million).

The company's gross result increased by 12% Y/Y while the respective margin registered a slight contraction of 0.4 ppt to 20 % in 2023 from 20.4% in 2022.

Cost of fuel and transport services

According to the European Commission (https://ec.europa.eu/energy/data-analysis/weekly-oil-bulletin_en), the average domestic automotive diesel price decreased by 13% Y/Y to RON 7.16 per liter in 2023 from 8.25 per liter in 2022. The decline in fuel prices and shorter travel distances, partially offset by increased transport services costs, led to a 6% Y/Y reduction in fuel and transportation costs to RON 72 million.

Salaries and other employee benefits

Mirroring Romania's average gross monthly salary increase, AQUILA's salaries and employee benefits grew by 15% Y/Y to RON 240 million. According to the National Institute of Statistics, the domestic monthly average gross salary per employee increased by 15 Y/Y in 2023 (Earnings - since 1991, monthly series | National Institute of Statistics (insse.ro)).

In 2023, AQUILA reported an average employee count of 2,527 at the separate level, compared to 2,519 in 2022.

Expected credit losses

The expected credit losses in amount of nearly RON 26 million include impairments of trade receivables amounting to RON 10 million and of loans to related parties totaling RON 15 million. Out of the RON 10 million trade receivables impairment recognized during the year, over RON 4 million refers to Nordexim, related party.

Other operating expenses

In 2023, the other operating expenses increased by 17% compared to 2022, reaching RON 112 million. To this increase, the largest contribution came for utilities expenses that added 17% Y/Y to RON 14 million, general consulting that increased by 22% Y/Y to RON 13 million and marketing and publicity that grew by 2.8-fold to RON 6 million in the context of heightened allocations aimed at bolstering the visibility of the company's own brands through online and television campaigns. In 2023, the expenses related to compensation, fines, and penalties experienced a substantial escalation, surging to 5.2 times the figure recorded in 2022 and approaching RON 3 million. This increase ensued from an inspection conducted by fiscal authorities, which resulted in the imposition of revised taxes and associated penalties.

Other operating expenses amounting 10 million include taxes, duties and similar payments due to the budget of the State or other public bodies, various expenses such as small services within warehouses, HR application fees, services related to archiving and digitalization of documents, disinfection services, marketing, utilities, road taxes, logistics services, environmental fees, etc.

Operating profit

In 2023, AQUILA's operating profit increased by 6% Y/Y to RON 93 million. The growth lagged that of revenues mainly as a result of the recorded credit loss charges of RON 26 million that increased by 30% Y/Y. This increase in charges was largely attributable to the booking of an expected credit loss of RON 15 million following a review of the Nordexim loan which led to the full impairment of the respective loan balance.

The operating profit margin declined by 0.3 ppt to 3.9% in 2023, down from 4.2% in 2022.

EBITDA

For 2023, at the IFRS separate level, AQUILA reported an EBITDA of RON 140 million, 3% higher compared to 2022. The EBITDA margin declined by 0.6 ppt to 5.8% from 6.4% in 2022.

Net financial result

The net financial result grew by 3.6 times to nearly RON 15 million, up from RON 4 million in 2022 helped by increased short-term deposits and interest rates. The interest income reported for 2023, amounting to nearly RON 17 million, includes interest from bank deposits totaling RON 15 million (RON 6 million in 2022) and interest received from related parties' loans of over RON 2 million (RON 1 million in 2022). As well, in 2023, AQUILA booked on other financial income of nearly RON 5 million related to dividends from subsidiaries.

Income tax expense

The income tax expense increased by 21% Y/Y to over RON 17 million, due to a combination of a 17% Y/Y increase in profit before tax and a rise in the effective income tax rate.

In 2023, the effective income tax increased to 16% from 15% in 2022 mainly due to the tax effect of non-deductible expenses which mainly refer to the expected credit losses and receivable allowances.

Net profit

In 2023, at the IFRS separate level, AQUILA reported a net profit of RON 91 million, marking a 16% increase compared to 2022, while the respective margin inched up to 3.8% from 3.7% in 2022.

Dividends

The company distributes dividends from statutory earnings only, as per separate financial statements prepared in accordance with statutory accounting regulations.

In 2023, AQUILA' shareholders approved the distribution of dividends amounting to RON 49 million.

KEY FACTORS WHICH MAY AFFECT THE GROUP'S RESULTS

The results of the Group's operations have been and may be affected in the future by several key factors.

Geopolitical conflict. The war in Ukraine continues to create increased geopolitical risks and we expect new challenges for global supply chains, which will have an impact on the economic situation. In the upcoming months, we anticipate the difficult conditions at the global level will persist, but at this stage, the leadership is not expecting that a possible future economic development will have a significant negative impact on the Group's operations and on the recoverable value of the Group's long-term assets.

The entity does not have a significant direct exposure to Ukraine, Russia, or Belarus.

The general economic situation in the markets. The Group's results may be directly affected by economic conditions, in particular the level of employment, inflation, disposable income, consumption levels, consumer confidence, applicable taxes, and the willingness of consumers to spend money in the markets and geographical areas in which the Group operates. In an unfavorable economic environment, with a decrease in disposable income, the Group's customers can reduce the frequency with which they purchase consumer goods or choose cheaper options. This risk remains high as inflationary pressure has continued (in the context of supply shocks) and the build-up of geopolitical tensions in Eastern Europe (the situation in Ukraine). A decrease in disposable income can affect customer traffic, the frequency, average value of the goods, as well as the Group's ability to pass on the increase in costs to its customers.

Although the last year was characterized by the above challenges, considering the investment trend of digitalization, combined with improved market conditions and portfolio increase, the Group has achieved and is aiming for future higher earnings and net profits. The Group's key actions, aligned with the budget, are related to margins' optimization by focusing on products with higher margins, including own brands, expansion of automation solutions in distribution and logistics, development of the B2B platform to reduce order time and increase agent productivity.

In terms of fuel cost inflation, the Group has taken the following measures to mitigate this impact by:

- triggering indexation clauses related to the cost of fuel in contracts with customers;
- renegotiation of contracts where possible;
- triggering the indexation of list prices related to the cost of distributed products;
- route optimization and consolidation of commands using TMS software.

The industry in which the Group operates is characterized by increased competition. AQUILA operates in a competitive market and, according to estimates, competition will intensify in the coming years also due to the current market fragmentation. If it fails to compete successfully with other distributors, the Group could lose market share, so financial and operational results could be negatively impacted. Some of the Group's direct competitors may have more aggressive or efficient expansion plans, superior financial strength, or access to a wider range of products and services than those of the Group. The Group's ability to compete effectively in the markets in which it operates will largely depend on its ability to adapt to new market and industry trends. New players may also appear in the market for distribution and complementary logistics services for consumer goods, and it is possible that the new business models proposed by such entities will be preferred by customers, which would lead to a decrease in the Group's market share. In addition, the high level of competition increases the pressure on margins negotiated with the Group's partners, and the negative impact can be reflected in the Group's operating and financial results.

Well-positioned to capture growth opportunities both organically and through acquisitions, Aquila is a leading player in the distribution market.

Consumers can change their consumption habits in an accelerated way. Changes in consumption habits can lead to a decrease in the Group's sales, which must identify quick solutions to replace the products in the portfolio in order to cover the new consumer requirements. Also, in addition to their consumption habits in terms of the types of products purchased, consumers could change their preference in terms of purchasing channels, for example, by preferring online channels to traditional ones. At the same time, consumers have become more attentive to the sustainability of the supply chain of the products purchased, with a particular focus on the measures taken by the entities in the chain to protect the environment. Some manufacturers provide consumers with detailed traceability information for products, including the amount of carbon dioxide and other substances harmful to the environment and public health generated from the manufacture and marketing of their products. So manufacturers could turn to distribution and logistics companies with a smaller carbon footprint to meet this consumer need. For example, the producers or suppliers with which the Group currently collaborates could turn to distributors who use rail transport, to the detriment of road transport, in the distribution activity. Thus, any change in consumer consumption habits or any consumer pressure on the sustainability of the supply chain could have a negative impact on the Group's operations and profit margins.

The Group's management is constantly up to date with the latest research regarding consumer consumption habits, 2 major current actions being: exposure to a high addressable market (FMCG and HoReCa markets grew by 61.2%, expecting to grow in the next 5 years at a cumulative average rate of 5%) and increasing the number of new products (160 new products in 2023) updated according to consumer requests.

The Group's operations could be affected by adverse events specific to the distribution and marketing industry. The Group distributes and markets, among other things, third-party food products. On the production, supply and/or distribution chain, incidents may occur which are outside the Group's control which may lead to contamination or alteration of the products distributed or sold by the Group. Although the Group imposes through the contractual condition's minimum quality requirements for the products received for distribution and/or sale, the risk of various incidents occurring in the chain cannot be excluded. Another type of incident that may occur on the supply chain is the failure to deliver the products on time or the delivery of the products in smaller quantities by the Group's suppliers, which may lead to non-compliance with orders from the Group's customers and the Group's exposure to contractual liability in relation to customers. Customer confidence in the quality and safety of the products sold by the Group is essential for the Group's activity and the implementation of the growth strategy. Although the Group maintains high standards of product quality and devotes substantial resources to ensuring that these standards are met, the occurrence of incidents such as those described above or other incidents (such as food spoilages as a result of interruptions in the supply of electricity to warehouses operated by the Group or during transport) could affect the health and safety of consumers of such products, if such incidents are not identified in time, the Group's reputation as a distributor/manufacturer of such products and could generate significant costs to remedy these problems.

As stated above, the Group devotes substantial resources to ensure the quality standards are met by constantly investing in quality equipment and in staff training to mitigate the risks mentioned above and at the same time to maintain the customer confidence in the quality and safety of the products sold by the Group.

The Group's operations depend to a large extent on the quality of the road infrastructure in Romania. The development of the road infrastructure in Romania is on the list of priority investments. However, due to problems arising mainly at the level of public administration, such as inefficiency, excessive formalism and, to some extent, corruption, Romania has difficulties in accessing the European funds available for the development of the road infrastructure or attracting other external investments in this sector. Through the National Recovery and Resilience Plan ("NRRP"), which is based on European funds to mitigate the effects of the COVID-19 pandemic on member states' economies, significant resources (about EUR 4.5 billion) are intended to be allocated to road infrastructure and motorways. Such large infrastructure projects have been planned over time, but have not been completed, generating excessive costs and, in some cases, degrading existing networks. The timely and safe transport of the products and goods distributed / marketed by the Group depends on the quality and extension of the road networks, and any impossibility or difficulty in their use, caused by maintenance works, poor quality of works or unsafe conditions, may have a significant negative impact on the implementation of the Group's strategy as well as on its day-to-day operations.

By providing quality equipment as well as well-trained staff in the transport segment (and beyond), the Group aims to mitigate a large part of the risks associated with the quality of road infrastructure.

Changing the contractual terms with the current freight suppliers could generate profitability losses for the Group. The contracts signed with the suppliers of products impose strict requirements for the storage, handling and distribution of goods, such as: specific internal policies, control of the storage environment, protection of materials, the condition of the buildings where the storage is made, temperature and humidity levels, special requirements for the transport vehicles, etc. Also, some types of goods (for example, food) should be stored separately from other categories (e.g. chemicals) both as legal requirements and as contractual obligations. Suppliers shall have the right to audit at least annually the compliance with the conditions laid down in the contracts and, if they detect irregularities, they may terminate the contracts, in some cases, with immediate effect, by written notification. Also, the contracts provide for the suppliers' termination rights with a notice period of between 30 days and 4 months, and the Group's obligation to notify the suppliers of the intention to terminate the contracts is associated with an average term of 6 months before the termination of the contracts. Given the specificities of the Group's activity, if the main suppliers terminate their contracts, AQUILA may not be able to identify similar services or products at reasonable costs during the notice period. Thus, the Issuer must find quick solutions to replace the products in the portfolio in order to retain its customers. For ongoing contracts, the Group may not be able to renegotiate the terms of the contract, such as the purchase price for products and/or the rent for the deposits operated, during certain periods when the Group's activity is significantly affected by events beyond the control of the Group (such as movement restrictions imposed during certain periods of the COVID-19 pandemic). In addition, where suppliers do not comply with the contractual conditions as regards the quantities contracted for, it may lead to unmanageable situations where stocks are insufficient, which will implicitly lead to delays in deliveries to final customers. Any change in the Group's relations with suppliers may result in losses for the Group, which would put pressure on the Group's profitability margins.

Given the history of contractual relations, Group management believes that any changes to contractual terms that may occur in the future will not have a significant impact, financial or otherwise.

The contracts signed with the suppliers of products and with the customers provide onerous obligations and limitations for the Group. Some contracts with product suppliers contain onerous obligations for the Group. such as: (a) the obligation to bear the costs related to the products planned and communicated to the supplier, but not purchased from the supplier (e.g. packaging costs, raw material, costs of destruction by the supplier); (b) the obligation to track and manage the packaging circuit in real time, as well as reporting, even if the management of the packaging is outsourced to third parties; (c) limitation of suppliers' liability for damage caused by the products distributed; (d) interference of suppliers in the organizational structure of the Group (superstructure controlled by the supplier with the role of coordinating, conducting and carrying out the product sales process, checking the suitability of the sales team, etc.); (e) a prohibition on producing, distributing, promoting, marketing products that could compete with or interfere with the products of contracted suppliers. On the other hand, suppliers have extensive contractual rights, such as: (a) interrupting the sale of some products or changing the recipe / manufacturing process of products. (b) the freedom to enter into similar or even better agreements with the Group's competitors. (c) unilateral changes in prices and quantities already contracted. (d) refusal to return the products distributed by the Group. (e) the request that the Group increase sales targets or expand the coverage area or increase the number of customers to whom the products are delivered. All this could generate significant additional costs for the Group. At the same time, suppliers can put pressure on costs, so the Group's operating margins could decrease. In addition, the Group has assumed in its contracts with some customers and suppliers' onerous obligations of compensation in case of non-compliance with certain obligations. such as infringements of competition law (such as participation in price-fixing cartels or unpermitted exchanges of commercial information). Thus, in addition to the potential sanctions that the regulatory and supervisory authorities may apply in the event of a breach, the Group could be obliged to pay customers, as compensation, up to 5% of the turnover generated by the marketing of the affected goods, in the case, for example, of infringements of the rules of competition law. The Group's fulfilment of obligations in the event of certain contract incidents or the discretionary exercise of rights by suppliers or customers could significantly increase the Costs of the Group, which would have a significant impact on the profit margin.

In recent years, no such contracts have been identified. In addition, management considered the possibility of such cases occurring in the future and did not consider it necessary to record provisions for onerous contracts in the financial statements.

Some suppliers may terminate distribution contracts early due to causes beyond the control of the Group. Some contracts concluded with major suppliers provide for termination clauses, the application of which results into immediate termination of the contract, without the intervention of a court and without other formalities, in cases such as (without being limited to) the (direct or indirect) entry into the Group’s shareholding of a competitor of the respective suppliers or of the suppliers' affiliates or in case the Group enters into partnerships with such competitors or if there is any change in control over the Group. In cases of early termination for breach of obligations, including those listed above, the Group is under the obligation to pay damages. Considering the listing of AQUILA on the Bucharest Stock Exchange, the Group has no control over the transfer of shares on the secondary market and, therefore, it is not able to track if the condition mentioned above regarding shareholding structure is observed. Thus, there is the risk that the respective suppliers may terminate the distribution contracts with immediate effect in case competitors become shareholders of the Group, which may have an adverse impact on the Group's operations and may generate significant additional costs.

Management reviewed the situation mentioned above and there were no such contract closure notices in 2023.

Identifying new utility and service providers or changing the contractual terms with current providers could generate additional costs for the Group. Service contracts with the main service providers are concluded either for long periods of up to 7 years (e.g.. contracts for the rental of premises), or for periods of one year (e.g. contracts on the transfer of responsibilities for waste). Some contracts concluded for long periods may be terminated by any party by written notice, with a period of notice of 90 days. In the event of termination of contracts for the purpose of renting premises, even if the Group manages to identify new locations with reasonable rents, they may require additional investment in order to comply with the conditions necessary to obtain all the permits and authorizations necessary to carry out the operations in those locations and/or the special conditions imposed by the suppliers for the storage of the products in those locations. There is no guarantee that the Group members will be able to obtain all the authorizations and approvals necessary to carry out the activity in the new locations or that these locations will comply with the requirements imposed by the suppliers, without significant investment from the Group. Also, for ongoing contracts, the Group may fail to renegotiate contractual terms, such as rent. for certain periods in which the Group's activity is significantly affected by events beyond the Group's control (such as movement restrictions imposed during certain periods of the COVID-19 pandemic). In addition, any change, in the sense of increasing the costs of the distribution and logistics activity, will have a negative impact on the operational and financial results of the Group. For example, an increase in the cost of electricity will have a significant impact on margins obtained from the logistics of frozen products. On the other hand, the Group's logistics activity may be significantly affected by a potential increase in transport costs in the event of an increase in the price of fuel, thus leading to a decrease in margins on this segment of activity. Therefore, certain changes in the relationship with the main providers of utilities and services could generate a significant negative impact on costs and therefore on the Group's profit margins.

The Group has concluded contracts with utilities and service providers with a good reputation and which provide quality services. Also, the company is currently implementing a contract management system, which will help management to carefully review and approve their provisions.

There is a risk that AQUILA will not be able to attract or retain sufficient qualified personnel. The Group's ability to hire, prepare and retain the necessary staff, capable of providing satisfactory service is an important part of the success of AQUILA's operations. The group may face problems related to attracting new staff due to the shortage of personnel on the local labor market. In addition, wage costs could increase because of the increase in minimum and average wages at national level or potential fiscal changes, as well as a result of salary changes in the budgetary system, which would put pressure on wage growth in the private system. Even if the Group had the capacity to recruit new staff, there is a possibility that the retention rate of staff will be low, even if they will be invested in their training and qualification. Management expects the demand and, as a result, skilled labor costs to continue to rise, reflecting significant demand from other industries and public infrastructure projects. It is possible that such cost increases cannot be passed on to customers by increasing the prices of the products distributed by the Group. Also, if there is no manpower available to cover the Group's needs, AQUILA may have to allocate a significantly higher budget for investments in machinery to automate the activity. Any obstacles to attracting and retaining staff at an optimal cost level could lead to inefficient operation of the activity, which could affect the Profitability of the Group.

Loyalty and attracting human resources are among the Group's priorities, included in the sustainability strategy for 2022-2026, with a focus on equal opportunities and increasing diversity. Also, actions have been taken to mitigate the labor shortage risk by maintaining and gradually increasing the workforce employed from non-EU countries (at the end of 2023 there were 96 foreign employees).

Based on the strategy, the Group will focus its efforts in the next 5 years on the following:

I) Safety and health at work
- internal guide on "Safe working practices" for employees and subcontractors;
- risk assessment for all functions and development of methods for their control;
- implementation of an integrated health, safety and social environment management system (HS-ESMS).

II) Training, development and business resilience
- performance management system containing elements of sustainability
- increasing the number of participants in internal training courses, diversifying the training offer and learning methods;
- continuous training programs for leaders.

The Group is dependent on the IT systems and platforms necessary for carrying out the activity. The group depends on IT systems and platforms which are critical to the conduct of operations, in particular for the planning and monitoring of operations, programming, quality control, recording of orders and for the keeping of accounts. Any interruption in the Group's computer systems may lead to difficulties in carrying out the work daily. In addition, in recent years, the Group has gone through a series of acquisitions and mergers with companies using different its systems and platforms. The integration of IT systems requires an in-depth analysis of all flows of operations and information to coordinate and identify solution providers who understand those flows and can implement them in a new integrated system. Currently, the Group is in the progress of implementation of a new performant ERP (Enterprise Resource Planning), adapted to the current needs of the Group and flexible enough to allow the integration of new functions and solutions, as the Group's development strategies are put into practice. The implementation of a new ERP system at the Group level will generate significant costs and it is possible that the testing and adoption of this new system, after configuration, will be long-lasting or generate errors that will affect the Group's operations. Also, the new ERP system will have to be flexible and modular enough to allow the integration of other information systems of the companies that the Group will acquire in the future. Thus, in addition to the impact on costs, the evolution of the IT systems and platforms used by the Group could also have an impact on the Group's growth and development strategy.

From the first steps to date the implementation of the new ERP has not led to errors with significant impact on the Group's operations.

The Group takes all necessary measures to mitigate these risks by implementing high security standards, reducing dependence on its own servers, expanding cloud computing capacity, developing and continuously improving Security software.

The Group's IT systems and infrastructure may be subject to security breaches and other cybersecurity incidents. The Group may face attempts from third parties to access the Group's IT systems without authorisation, steal relevant information and improperly use it. Another possible outcome of a breach would be temporary interruption of the Group's operation, if such systems are corrupted. Most information stored in such systems are confidential data regarding partners, suppliers, clients, employees, the Group's financial positions and legal standing. As cyber-attacks continue to evolve and become more and more sophisticated, the Group may have to invest in additional resources to improve its protection measures against such attacks, to ensure integrity of the information regarding clients, suppliers and employees and to pre-empt the risk of a negative impact on the Group's reputation. In case it does not succeed to protect the integrity and security of the information regarding partners, suppliers, clients and employees, the Group may be exposed to the risk of litigation, of early of material contracts, which may lead to a decrease in revenues and generate additional significant costs for the Group.

The Group continuously improves cyber security capabilities and supervises the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risk and supports them to act in a responsible way.

The Group may have in its portfolio a series of slow-moving inventories The Group's product portfolio also includes own brands for which it is exposed to the risk that one or more of these products is no longer of interest for clients, thus making it necessary to decide to decrease the price in the attempt to sell such slow-moving inventories. Also, some of the Group's clients have contractual rights to return the products delivered by the Group at the latter's cost, if 50% of them are not sold within two months. Return of goods under these provisions may lead to increase in the inventories, whereas the contracts with suppliers do not provide for similar rights for the Group to return products that are not sold. Such incidents involving inventories may impact the Group's costs, which may lead to lower margins, and in certain cases such products may be sold at a loss, which may have an adverse impact on the Group's financial results.

The Group implemented a procedure based on which the inventories' allowance is periodically reviewed and recorded, which also covers the slow-moving stock.

Transfer pricing risk According to the relevant tax legislation in Romania, the tax treatment of a transaction with affiliates is based on the concept of market price of the respective transaction. Based on this concept, transfer prices should be adjusted to reflect the market prices that would be set between parties that are not affiliates and that act independently based on the "arm's length" principle. It is likely that tax audits to check transfer prices may be carried out in the future by tax authorities to decide if these prices observe the "arm's length" principle and if the tax basis of the taxpayer is not distorted. Tax authorities may adjust the amounts received, interest income and expenses of companies that conclude intra-group commercial and financing transactions, if they consider that the Group cannot justify in all cases the prices charged between affiliates, which would trigger the appropriate adjustments for the Group companies and, eventually, may lead to payment of interest and late penalties.

The management of the Group is not able to quantify the result of such audits and believes that the Group's transactions with related parties are conducted at arm's length.

RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise loans and borrowings, finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets are represented by loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to interest rate risk, foreign exchange rate risk, credit risk, transfer pricing risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures the Group's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured, and managed in accordance with Group's risk appetite.

Interest rate risk

This risk is part of the market risk as presented in the separate and consolidated financial statements.

The Group is exposed to interest rate risk mainly in relation to loans and borrowings bearing variable interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest-bearing financial assets and liabilities. The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL, and the Group does not use derivatives. Therefore, a change in interest rates at the reporting date would not affect profit or loss. The Group does not hedge its interest rate risk which is low. Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favorable to the Group over the expected period until maturity.

Currency risk

This risk is part of the market risk as presented in the separate and consolidated financial statements.

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group companies. The functional currency of all Group entities is the Romanian Leu (RON). The currency in which these transactions are primarily denominated is the functional currency. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR and USD). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Credit risk

The Group is subject to commercial credit risk, which may deepen in case the clients' financial condition deteriorates. The Group has a large portfolio of clients, and it is likely that one or more clients does/do not succeed to pay their invoices in time or at all, hence the Group is exposed to a risk of failure to collect or of late collection of receivables. The Group measures the loss allowance for trade receivables regarding exposure from third parties at an amount equal to lifetime expected credit loss, thus applying the simplified approach method under IFRS 9. The expected credit losses on trade receivables are estimated using a provisions matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. During economic recessions, it is much more likely that some of the Group's clients may face financial distress, including inability to obtain financing through loans or by issuing equity securities, which may reduce the purchasing power for the products distributed by the Group or may cause delays in collecting the Group trade receivables. In case of financial distress or bankruptcy of a major client, the Group may register significant losses in relation to the trade receivables associated with that client. As stated also in the financial statements, there are no customers with over 10% of total revenues recorded in the years 2023 and 2022.The solvency of the Group's affiliates may impact on their capacity to repay the loans granted by the Group.

The Group's exposure to the risk of non-repayment of loans granted to affiliates is mainly influenced by the particular nature of each affiliate. The Group has determined the related loss allowance based on the expected cash inflow to be obtained from each debtor until the end of 2030, based on the projected future cash flows of the debtors.

Liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains credit facilities for financing of the operating expenses.

OTHER INFORMATION

Capital management

Capital of the Group includes the equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Capital of the Company's includes the equity attributable to the Company's shareholders. The Group may monitor capital using a gearing ratio, which is net debt divided by total capital. The Group does not have a target gearing ratio, as the overall gearing is low (negative).

Capital expenditure

For the financial year 2024 the Group planned an investment for CAPEX of EUR 16.9 million as follows:

- CAPEX for fleet: EUR 10.9 million
- CAPEX for automation and equipment: EUR 4.6 million
- IT & Communication CAPEX (Licenses, Soft, Equipment): EUR 0.5 million
- Other CAPEX: EUR 0.9 million.

Audit expenditure

The contractual costs for audit services with the financial auditor for the financial year ended On December 31, 2023, are in the amount of EUR 171,000.

All fees paid refer to audit services on separate and consolidated financial statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The estimated audit fee for next year is EUR 260,000 and will take into consideration the current fee adjusted for inflation, additional audit engagements for extended consolidation due to new subsidiaries acquisitions in 2024.

INTERNAL CONTROL

AQUILA has implemented an internal control system, which includes activities implemented in order to prevent or detect undesirable events and risks such as fraud, errors, damages, noncompliance, unauthorized transactions, and misstatements in financial reporting. The existence of a control environment forms the basis for an effective internal control system. It consists of the definition and adherence to group-wide values and principles (e.g., business ethics) and of organizational measures (e.g., clear assignment of responsibility and authority, commitment to competence, signature rules and segregation of duties). AQUILA's internal control system covers all areas of the Group's operations with the following main goals:

- Compliance with the applicable laws and internal regulations;
- Reliability of financial reporting (accuracy, completeness and correctness of the information);
- Prevention and detection of fraud and error;
- Protection of the Group's resources against losses due to waste;
- Effective and efficient business operations.

In order to achieve these goals, the management of the Group follows, inter alia, the below principles and approaches:

- Ensures a commitment to integrity and ethical values by demonstrating through the Board of Directors' and management's directives, actions and behaviour the importance of integrity and ethical values to support the functioning of the system of internal control;
- The Board of Directors demonstrates independence from management and exercises oversight for the development and performance of internal control;
- Establishes, with Board of Directors oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of the objectives by maintaining job descriptions, defining roles and reporting lines, defining the role of internal audit;
- Ensures and demonstrates a commitment to attract, develop and retain competent individuals in alignment with the objectives of the Group by establishing required knowledge, skills and expertise, selecting appropriate outsourced service providers when needed, evaluating competence and behaviour, evaluating the capacity of finance personnel;
- Holds individuals accountable for their responsibilities in the pursuit of the objectives of the Group by developing balanced performance measures, incentives and rewards and linking compensation and other rewards to performance;
- Specifies objectives with clarity to enable the identification and assessment of risks related to objectives by identifying financial statement accounts, disclosures and assertions, reviewing and updating understanding of applicable standards, considering the range of Group's activities;

- Identifies risks to the achievement of the Group's objectives and analyses risks as a basis for determining how the risks should be managed;
- Considers the potential for fraud in assessing risks to the achievement of objectives by considering fraud risk in the internal audit plan;
- Identifies and assesses changes that could significantly impact the system of internal control by assessing change in the external environment, CEO and senior executive changes;
- Selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives at acceptable levels by considering processes, risks and controls in the internal audit plan, identifying incompatible functions, considering alternative control activities to the segregation of duties;
- Selects and develops general control activities over technology to support the achievement of objectives by the means of recently implemented ERP, administering security and access, configuring IT to support the complete, accurate and valid processing of transactions and data;
- Develops control activities through policies and procedures that establish what is expected by developing and documenting policies and procedures;
- Obtains and uses relevant, quality information to support the functioning of internal control.

Policies and practices that represent the Group's competence standards for financial reporting positions are used as a basis for human resources and employee compliance activities, which include:

- Selecting and interviewing candidates;
- Performing background/reference checks;
- Setting certification expectations.

Senior management evaluates the capacity of personnel who are involved in recording and reporting financial information, and in designing and developing financial reporting systems including underlying IT systems. Senior management assesses the department's ability to identify issues and stay abreast of technical financial reporting developments. Considerations when assessing the adequacy of staffing levels and competence of financial reporting personnel include the extent of technical skills and nature required and the number of personnel dedicated to financial reporting.

The Board of Directors including the Audit Committee (the "Board") oversees management's performance of internal control and retain objectivity in relation to management. The board monitors the functioning of internal controls by performing periodical analysis on the profit and loss accounts, execution of the budget, internal and external audit reports. The Board demonstrates an appropriate level of doubt of management's assertions and judgments that affect financial reporting. In particular, the Audit Committee seeks clarification and justification of the Group's process for:

- Selecting and implementing accounting policies;
- Determining critical accounting estimates;

- Making key assumptions used in the application of technical accounting and reporting matters;
- Evaluating other risks facing the Group, with the potential impact on financial reporting.

Deficiencies in the implementation or functioning of internal controls are noted in the internal audit reports and are presented to the management, with the purpose of issuing the corrective actions. The internal audit assessments include the evaluation of the internal control systems, and evaluation whether:

- Risks relating to the achievement of the Group's strategic objectives and also the risks related to day-to-day operations are appropriately identified and managed;
- The actions of the Group's directors, employees, and contractors are in compliance with the Group's policies, procedures, and applicable laws, regulations, and governance standards;
- The results of operations are consistent with established goals;
- Operations are being carried out efficiently;
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Group;
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Internal control process is carried out by personnel at all levels.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

For AQUILA, environmental, social and governance (ESG) principles are a priority, translated into the Sustainability Strategy and reporting commitment in accordance with international reporting standards, as well as good capital market practices.

The Sustainability Strategy 2022-2026, with reference year 2021, was approved and published at the beginning of 2022. We have started the implementation of the strategy in the following directions:

- Environment and climate change
- Human capital and communities
- Ethics and governance

In terms of **the environment**, AQUILA has set itself the target of a 10% reduction in greenhouse gas emissions over the next 5 years, having as a reference the year 2021 / by 2026, by renewing the fleet, optimizing transport routes, streamlining logistics operations, defensive driving courses for drivers, as well as using alternative energy sources.

75% of the AQUILA fleet is already equipped with Euro 6 engines and the company has proposed to bring the fleet to Euro 6 standard by 2026. At the same time, AQUILA uses a sustainable logistics model made in collaboration with CHEP, for the reuse by renting pallets, thus saving 117 m3 of wood, saving over 110,000 trees from felling, reducing CO_2 emissions by over 135 tons and the waste generated by over 10 tons. The company has also invested in green projects and 53% of the electricity consumed comes from renewable sources.

The Culture of the Group is based on the observance of a common value system, on the creation and maintenance of an environment in which employees are encouraged and supported to reach their full potential. One of the Group's most important resources is **its employees**.

We are one of the largest employers in the country, with 2,741 employees, of which 41% are women and with a skills-based internal promotion policy. The employees, according to regular schedules, are involved in continuous development programs and are enrolled in professional training courses appropriate to the position occupied within the Group. At the same time, the company established the key positions for which it implemented the succession plans, identifying a number of 65 employees as having the potential to enter the list of successors for top management and who will benefit from career plans.

AQUILA's corporate culture also promotes integrity, good corporate governance and higher ethical standards based on transparency and fairness. The Board of Directors consists of 5 members, of which 3 independent, non-executive (60%). The members of the Board of Directors are appointed for a term of office of 4 years, with the possibility of re-election for subsequent mandates of 4 years, except for the first members of the Board of Directors, whose term of office is of 2 years. The company has concluded professional indemnity insurance contracts for each member of the Board of Directors. AQUILA has developed and published a number of policies in the area of governance, such as remuneration and dividends.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

THE PROVISIONS OF THE BUCHAREST STOCK EXCHANGE'S CORPORATE GOVERNANCE CODE [1]	ACCORDING TO	NON-COMPLIANT	OBSERVATIONS
Section A - Responsibilities			
A.1. All companies must have an internal regulation of the Board of Directors (the "Board"), which includes the terms of reference/responsibilities of the Board and the key management functions of the Company, and which apply, among other things, the General Principles in this Section.	x		AQUILA is administered in a unitary system by a Board of Directors, which has delegated the management of the Company's current activity to the CEO and executive directors. The structure and principles of corporate governance of the Company, as well as the powers and responsibilities of the AGA, the Board of Directors and the CEO, respectively, the Executive Directors are described in the Company's Articles of Incorporation, the AGA Rules and Procedures, the Internal Rules of Operation of the Board of Directors, as well as in other relevant documents.
A.2. Provisions for the management of conflicts of interest should be included in the Council Regulation. In any case, the members of the Council must notify the Council of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including by not appearing, unless failure to appear would prevent the quorum from forming) and from voting for a decision on the matter giving rise to that conflict of interest.	x		The members of the Board have, according to the law, duties of diligence and loyalty to the Company, provided not only in the Articles of Incorporation of the Company, but also in other internal regulations of the Company. The Company has also implemented internal regulations on how to address conflict of interest situations.
A.3. The Board must consist of at least 5 (five) members.	x		After listing the Company on the BVB, AQUILA's Board of Directors was extended from 3 (three) to 5 (five) members appointed by the Ordinary General Meeting of Shareholders (OGMS) on February 23, 2022 in accordance with the provisions of the Companies Act and the Constitutive Act of the Company.
A.4. A majority of the members of the Board shall not have to hold executive functions. In the case of premium category companies, no less than two non-executive members of the Board must be independent.	x		As a result of the OGMS of 23 February 2022, at least two members of the Board met all the independence criteria provided by the Corporate Governance Code.

[1] The statement summarizes the principles of the Corporate Governance Code; the full version of the Code can be read on the Bucharest Stock Exchange website: www.bvb.ro.

Each independent member of the Council shall submit a statement at the time of his nomination for election or re-election and when any change in his State occurs, indicating the elements on the basis of which he is deemed to be independent in terms of his character and judgment.	x		At the time of this report, 3 (three) members of the Council are independent.
A.5. Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of companies and non-profit institutions, must be disclosed to shareholders and potential investors before the nomination and during his or her term of office.	x		Information regarding the permanent professional commitments and obligations of board members, including executive and non-executive positions in companies and non-profit institutions, can be found in the CVs of the Board members, available at the Company's headquarters, on the Company's website and in the Prospectus, also available on the Company's website.
A.6. Any member of the Board shall submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights.	x		The members of the Board and the executive directors have, according to the law, duties of diligence and loyalty to the Company, provided not only in the Articles of Incorporation of the Company, but also in its other internal regulations. The Company has also implemented internal regulations on how to address situations of conflicts of interest.
A.7. The company must appoint a Secretary of the Board responsible for supporting the work of the Council.	x		The company has a Secretary-General who supports the activities of the Council.
A.8. The corporate governance statement will inform whether an assessment of the Board under the direction of the President or the Nomination Committee has taken place and, if necessary, will summarize the key measures and the resulting changes. The company must have a policy/guide on the evaluation of the Board including the purpose, criteria and frequency of the evaluation process.		x	From the perspective of the Corporate Governance Code, the Company does not fully meet the compliance conditions, placing the Company in the "non-compliance" zone as AQUILA does not have a policy/guide on the Board's evaluation including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement shall contain information on the number of meetings of the Board and committees during the last year, the participation of directors (in person and in absentia) and a report by the Board and committees on their activities.	x		The Directors of the Company will meet at least once a week, and the Board will meet whenever necessary, but at least once every three months. During 2023, 19 Board meetings were held.
A.10. The corporate governance statement shall contain information on the exact number of independent members of the Board.	x		The assessment of the independence of the members of the Board of Directors on the basis of the independence criteria set out in the Code of Corporate Governance (which are essentially similar to those provided by the Companies Act) showed that, as of February 2022, three (3)) board members have met all the independence criteria set out in the Corporate Governance Code.

A.11. The Board of Premium Category Companies must set up a nomination committee consisting of non-executive members, which will lead the procedure for the nomination of new board members and will make recommendations to the Council. A majority of the members of the Nomination Committee must be independent.	x		The members of the Board are appointed by the AOA on the basis of a transparent proposal procedure and by a majority of shareholders' votes, as stipulated in the Articles of Incorporation of the Company and by the applicable laws. Prior to the OGMS, the CVs of the candidates are available for consultation by the shareholders, and shareholders can supplement the list of candidates for the position of member of the Board. As of March 2022, the Company has a Nomination Committee, composed of 2 (two) members elected by the Board from among its members, one of the members of the Nomination Committee being elected President.
Section B - Risk management and internal control system			
B.1. The Board shall set up an audit committee, in which at least one member must be independent non-executive. A majority of the members, including the chairperson, must have demonstrated that they possess an appropriate qualification relevant to the committee's functions and responsibilities. At least one member of the audit committee shall have demonstrated adequate experience in auditing or accounting. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.		x	The AQUILA Council established an Audit Committee, composed of some of its members. Therefore, the members of the Audit Committee are all non-executive. As of March 2022, the Audit Committee is composed of two members of the Board. The Audit Committee includes members with certifications corresponding to their functions and responsibilities in the Audit Committee From the perspective of the Corporate Governance Code, the Audit Committee does not fully meet the compliance requirements for Premium Category companies, which places the Company in the area of "partial compliance" as the Audit Committee is composed of 2 (two) members.
B.2. The chair of the audit committee shall be an independent non-executive member.	x		Starting March 2022, the Chair of the Audit Committee is an independent non-executive member.
B.3. Within the framework of its responsibilities, the audit committee should carry out an annual evaluation of the internal control system.	x		The Terms of Reference of the Audit Committee detail the role and tasks of the Audit Committee, which consist mainly of: (i) the examination and review of the separate and consolidated annual financial statements and the proposal for the distribution of profits; (ii) analyzing and making recommendations on the appointment, reappointment or dismissal of the independent external financial auditor for its approval by the OGMS;
B.4. The evaluation shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the timeliness and effectiveness with which the executive management addresses the deficiencies or weaknesses identified as a	x		

result of internal control and the submission of relevant reports to the Council.			(iii) carrying out an annual assessment of the internal control system, taking into account the effectiveness and purpose of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Audit Committee, the timeliness and effectiveness with which the executive decision addresses deficiencies or weaknesses identified as a result of internal control, and the submission of relevant reports to the Council; (iv) assessing conflicts of interest in relation to the transactions of the Company and its subsidiaries with related parties; (v) assessing the effectiveness of the internal control system and the risk management system; (vi) monitoring the application of generally accepted legal and internal audit standards; (vii) regularly receiving a summary of the main findings of the audit reports, as well as other information on the activities of the Department of Internal Audit and the evaluation of the internal audit team's reports; (viii) reviewing and reviewing, prior to submitting them to the Council for approval, transactions with related parties that exceed or are expected to exceed 5% of the Net Assets of the Company in the preceding financial year, in accordance with the Related Party Transaction Policy.
B.5. The audit committee should assess conflicts of interest in relation to the transactions of the Company and its subsidiaries with related parties.	x		
B6. The audit committee should assess the effectiveness of the internal control system and the risk management system.	x		
B.7. The audit committee shall monitor the application of generally accepted legal standards and internal audit standards. The audit committee should receive and evaluate the reports of the internal audit team.	x		
B.8. Whenever the Code mentions reports or analyses initiated by the Audit Committee, these should be followed by regular (at least annual) or ad hoc reports, which must be subsequently submitted to the Council.	X		As of March 2022, the Audit Committee regularly sends reports to the Council on the specific issues assigned to it.
B.9. No shareholder may be given preferential treatment over other shareholders in connection with transactions and agreements concluded by the Company with their shareholders and affiliates.	X		The company applies equal treatment to all its shareholders. Transactions with related parties are treated objectively, according to the usual industry standards, applicable corporate laws and regulations.
B.10. The Board must adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relations, the amount of which is equal to or greater than 5% of the Net Assets of the Company (according to the latest financial report), is approved by the Board following a binding opinion of the Board's audit	X		The Company has adopted the key principles of reviewing, approving and publishing related party transactions as required by applicable regulations and company corporate documents, including the fact that the Company's related party transactions that exceed or are expected to exceed, separately or aggregated, an annual amount of 5% of the

committee and is correctly disclosed to shareholders and potential investors, to the extent that these transactions fall under the category of events subject to reporting requirements.			Company's net assets in the previous financial year, must be approved by the Council, based on the opinion of the Audit Committee, and will formalize in the near future the key principles mentioned in a Related Party Transaction Policy (at the date of this report, in the light of this element, the status is "partial compliance"). AQUILA periodically submits reports on transactions with related parties to the Financial Supervisory Authority and the Bucharest Stock Exchange. These reports shall be reviewed by the independent financial auditor in accordance with the relevant legislation in force.
B.11. Internal audits should be carried out by a structurally separate division (internal audit department) of the Company or by hiring an independent third entity.	**X**		Internal audits are carried out by a structurally separate division (internal audit department) within the Company.
B.12. In order to ensure that the main functions of the internal audit department are performed, it shall report functionally to the Council through the audit committee. For administrative purposes and within the framework of the management's obligations to monitor and reduce risks, he must report directly to the CEO.	**X**		The reporting lines are respected, the Audit Department having a reporting line to the General Manager and to the Board of Directors, through the Audit Committee.
Section C – Just reward and motivation			
C.1. The company must publish on its website the remuneration policy and include in the annual report a statement on the implementation of the remuneration policy during the annual period under review. Any essential change in the remuneration policy must be published in a timely manner on the Company's website.	**X**		The company has a remuneration policy in place.
Section D – Adding value through investor relations			
D.1. The company must organize an Investor Relations service – by indicating to the general public the responsible person/persons or the organizational unit. In addition to the information required by law, the Company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including: • The main corporate regulations: articles of incorporation, procedures regarding the general meetings of shareholders;	**X**		All information specified in clause D1 is provided on the issuer's website, including the contact details of the person responsible for the Investor Relationship.

• Professional CVs of the members of the Company's governing bodies, other professional commitments of the members of the Board, including executive and non-executive positions on boards of directors of companies or non-profit institutions; • Current reports and periodical reports (quarterly, half-yearly and annual); • Information regarding general meetings of shareholders; • Information on corporate events; • Name and contact details of a person who will be able to provide relevant information upon request; • Company presentations (e.g. disclosures to investors, presentations on quarterly results, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.			
D.2. The Company will have a policy regarding the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders will be published on the Company's website.	X		The company has a policy regarding the annual distribution of dividends or other benefits to shareholders. The principles of the annual distribution policy to shareholders are published on the Company's website.
D.3. The Company will adopt a policy in relation to the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of some studies, which aim to establish the overall impact of a number of factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, with actual results likely to differ significantly from the forecasts initially presented. The forecast policy will determine the frequency, the period considered and the content of the forecasts. If published, forecasts may be included only in annual, half-yearly or quarterly reports. The forecast policy will be published on the Company's website.		x	The company does not have a Forecast Policy, which is published on its website, in the section Investor Relations, subsection Corporate Governance. AQUILA aims to develop such a policy in the near future.
D.4. The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect, at the earliest, starting with the next meeting of shareholders.	X		Information on how to organize the AGA is mentioned in the Articles of Incorporation of the Company, as well as, in short, also in the Corporate Governance Report. Also, SPHERA publishes for each AGA detailed convocations, which describe in detail the procedure to be followed within each AGA. In this

			way, the Company ensures that the AGA is properly run and organized, and the rights of the shareholders are respected.
D.5. Independent financial auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	x		Independent financial auditors do not participate in the Ordinary General Shareholders' Meeting in which the separate and consolidated annual financial statements are subject to approval.
D.6. The Board should submit to the annual general meeting of shareholders a brief assessment of the internal controls and the significant risk management system, as well as opinions on issues that can be resolved at the general meeting.	x		Information on the internal controls and the significant risk management system is provided in the Annual Report.
D.7. Any specialist, consultant, expert or financial analyst may participate in the shareholders' meeting on the basis of a prior invitation from the President of the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	x		The AGA rules and procedures provide for the possibility that any accredited specialist, consultant, expert, financial analyst or journalist may participate in the AGA on the basis of a prior invitation from the President of the Council.
D.8. The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.	x		The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors that cause changes in sales, operating profit, net profit and other relevant financial indicators, both quarter-on-quarter and year-on-year.
D.9. A company will hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the Company's website at the time of the meetings/teleconferences.	x		AQUILA organizes individual meetings and teleconferences with financial analysts, investors, brokers and other market specialists, in order to present the financial elements relevant to the investment decision. The presentations for investors were made available at the time of the telephone meetings/conferences and on the Company's website, in the section on Investor Relations.
D.10. If a company supports different forms of artistic and cultural expression, sports activities, educational or scientific activities and considers that their impact on the innovative character and competitiveness of the Company are part of its mission and development strategy, it will publish the policy regarding its activity in this field.	x		AQUILA carries out various activities on social and environmental responsibility. For more details, please also refer to the section of the Annual Report on Sustainability and Social Responsibility.

MANAGEMENT STATEMENT

According to the best information available we confirm that the separate and consolidated financial statements prepared for the financial year 2023 offer the real and accurate situation on the company's financial position on December 31st , 2023, on the financial performance and cash-flow, according to financial and accounting standards applicable to date, and that the Annual Report for the period of January 1st 2023 to December 31st 2023 transmitted to the market operator, Bucharest Stock Exchange and to the Financial Supervisory Authority, presents accurate and complete information about the company.

Chairman of the Board of Directors

Alin-Adrian Dociu

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AQUILA Part Prod Com S.A.

Nr. Reg. Com. J29/2790/1994, C.U.I. RO 6484554

Capital Stock 180.000.360 law

Focus on Excellence

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AQUILA PART PROD COM S.A.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended

31 December 2023

This is a free translation from the original binding Romanian version.

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Financial instruments

Other information

AQUILA PART PROD COM S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts are in RON, if not otherwise stated)

ASSETS	Note	31-Dec-23	31-Dec-22
Non-current assets			
Property, plant and equipment	**19**	238,647,508	176,907,989
Investment property	**21**	13,804,884	13,717,978
Intangible assets	**20**	832,125	1,204,593
Goodwill	**20**	5,011,706	5,011,706
Loans to related parties	**22**	17,155,649	33,633,554
Deferred tax assets	**14**	5,655,698	3,817,873
Other non-current assets		542,696	585,416
Total non-current assets		**281,650,266**	**234,879,109**
Current assets			
Inventories	**15**	170,979,496	158,430,373
Trade receivables	**16**	286,415,011	247,816,687
Short term portion of loans to related parties	**22**	2,934,588	3,591,648
Other receivables	**17(a)**	9,323,661	1,398,818
Prepayments	**17(b)**	46,492,274	28,902,646
Short term deposits	**18(b)**	185,000,000	160,000,000
Cash and cash equivalents	**18(a)**	20,366,734	18,863,042
Total current assets		**721,511,764**	**619,003,214**
Total assets		**1,003,162,030**	**853,882,323**
EQUITY AND LIABILITIES			
Equity			
Share capital	**23**	180,590,088	180,590,088
Share premium		195,699,121	195,699,121
Own shares	**23**	(991,972)	(991,972)
Legal reserves	**23**	14,782,375	9,397,735
Translation reserve		657,836	(11,315)
Retained earnings		141,360,955	98,707,569
Total equity attributable to the owners of the Group		**532,098,403**	**483,391,226**
Non-controlling interests		437,486	430,291
Total equity		**532,535,889**	**483,821,517**

This is a free translation from the original binding Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

AQUILA PART PROD COM S.A.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts are in RON, if not otherwise stated)

LIABILITIES	Note	31-Dec-23	31-Dec-22
Non-current liabilities			
Non-current portion of Lease liabilities	**26**	148,817,148	90,131,640
Trade payables	**24**	17,063	59,667
Contract liability		585,094	247,519
Deferred tax liabilities	**14**	1,497,471	1,036,563
Total non-current liabilities		**150,916,776**	**91,475,389**
Current liabilities			
Current portion of long-term bank borrowings	**26**	-	2,050,922
Short term bank borrowings	**26**	9,883,898	-
Current portion of Lease liabilities	**26**	32,927,398	32,949,238
Trade payables	**24**	229,509,059	193,879,745
Employee benefits	**13**	30,310,697	26,558,415
Current tax liabilities		4,076,828	5,022,422
Contract liabilities		52,838	52,140
Provisions		-	132,113
Other payables	**25**	12,948,647	17,940,422
Total current liabilities		**319,709,365**	**278,585,417**
Total liabilities		**470,626,141**	**370,060,806**
Total equity and liabilities		**1,003,162,030**	**853,882,323**

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

	Note	31-Dec-23	31-Dec-22
Revenues	**8**	2,510,015,417	2,210,325,473
Other income	**9**	9,972,308	8,334,406
Cost of goods sold	**15**	(1,865,729,621)	(1,623,973,263)
Cost of fuel and transport services		(73,337,419)	(76,972,277)
Salaries and other employee benefits	**13**	(258,519,989)	(225,237,381)
Repairs, maintenance and materials cost		(24,202,986)	(24,060,430)
Depreciation and amortization	**19,20,21**	(47,895,792)	(50,098,657)
Charge of Expected credit losses	**16,22**	(25,567,898)	(19,782,564)
Other operating expenses	**10**	(118,076,223)	(101,705,650)
Operating profit		**106,657,797**	**96,829,657**
Finance income	**11**	17,463,317	7,570,113
Finance costs	**11**	(7,826,253)	(3,836,199)
Financial result		**9,637,064**	**3,733,914**
Profit before tax		**116,294,861**	**100,563,571**
Income tax expense	**14**	(19,369,574)	(15,331,547)
Profit for the year		**96,925,287**	**85,232,024**
Profit for the year attributable to:			
- owners of the Group		96,918,092	85,222,554
- non-controlling interests		7,195	9,470
Profit for the year		**96,925,287**	**85,232,024**
Earnings per share			
Basic earnings per share	**12**	**0.081**	**0.071**
Diluted earnings per share	**12**	**0.081**	**0.071**

	Note	31-Dec-23	31-Dec-22
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation difference		669,151	(251,327)
Other comprehensive income, net of tax		**669,151**	**(251,327)**
Total comprehensive income		**97,594,438**	**84,980,697**
Total comprehensive income attributable to:			
- owners of the Group		97,587,243	84,971,227
- non-controlling interests		7,195	9,470
Total comprehensive income		**97,594,438**	**84,980,697**

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

		Attributable to the owners of the Company								
	Note	**Share capital**	**Share premium**	**Own shares**	**Legal reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2023		**180,590,088**	**195,699,121**	**(991,972)**	**9,397,735**	**(11,315)**	**98,707,569**	**483,391,226**	**430,291**	**483,821,517**
Comprehensive income										
Profit for the year							96,918,092	**96,918,092**	7,195	**96,925,287**
Other comprehensive income										
Foreign operations - foreign currency translation difference						669,151		**669,151**		**669,151**
Total other comprehensive income						**669,151**	**-**	**669,151**	**-**	**669,151**
Total comprehensive income						**669,151**	**96,918,092**	**97,587,243**	**7,195**	**97,594,438**
Transactions with owners of the Group										
Contributions and distributions										
Dividends	**23**						**(48,880,066)**	**(48,880,066)**	-	**(48,880,066)**
Total contributions and distributions					**-**		**(48,880,066)**	**(48,880,066)**	**-**	**(48,880,066)**
Total transactions with owners of the Group					-		(48,880,066)	(48,880,066)		(48,880,066)
Other changes in equity										
Increase in legal reserves	**23**				5,384,640		(5,384,640)	-		-
Balance at 31 December 2023		**180,590,088**	**195,699,121**	**(991,972)**	**14,782,375**	**657,836**	**141,360,955**	**532,098,403**	**437,486**	**532,535,889**

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

This is a free translation from the original binding Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

		Attributable to the owners of the Company								
	Note	**Share capital**	**Share premium**	**Own shares**	**Legal reserves**	**Translation reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2022		**30,589,788**	**345,699,421**	**(991,972)**	**4,752,335**	**240,012**	**102,678,414**	**482,967,998**	**420,820**	**483,388,818**
Comprehensive income										
Profit for the year							85,222,554	85,222,554	9,470	85,232,024
Other comprehensive income										
Foreign operations - foreign currency translation difference		-				(251,327)		(251,327)		(251,327)
Total other comprehensive income		**-**	**-**	**-**	**-**	**(251,327)**	**-**	**(251,327)**	**-**	**(251,327)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(251,327)**	**85,222,554**	**84,971,227**	**9,470**	**84,980,697**
Transactions with owners of the Group										
Contributions and distributions										
Issue of shares	**23**	150,000,300	(150,000,300)	-	-	-	-	-	-	-
Dividends to the owners of the Group	**23**	-	-				(84,547,999)	(84,547,999)		(84,547,999)
Repurchase of own shares		-	-	-	-	-	-	-	-	-
Total contributions and distributions		**150,000,300**	**(150,000,300)**	**-**	**-**	**-**	**(84,547,999)**	**(84,547,999)**	**-**	**(84,547,999)**
Total transactions with owners of the Group		**150,000,300**	**(150,000,300)**	**-**	**-**	**-**	**(84,547,999)**	**(84,547,999)**	**-**	**(84,547,999)**
Other changes in equity										
Increase in legal reserves	**23**				4,645,400		(4,645,400)	-	-	-
Balance at 31 December 2022		**180,590,088**	**195,699,121**	**(991,972)**	**9,397,735**	**(11,315)**	**98,707,569**	**483,391,226**	**430,291**	**483,821,517**

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

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	Note	31-Dec-23	31-Dec-22
Cash flows from operating activities			
Profit after tax		**96,925,287**	**85,232,024**
Adjustments for:			
Depreciation	**19, 21**	7,549,695	9,824,997
Depreciation right of use asset	**27**	39,937,030	39,991,798
Amortisation	**20**	409,067	281,862
Gain on disposal of property, plant and equipment	**9**	(3,581,781)	(1,705,497)
Expected credit losses	**16, 22**	25,567,898	19,782,564
Other gains and losses	**15**	436,421	-
Total finance income	**11**	(17,463,317)	(7,570,113)
Total finance costs	**11**	7,826,253	3,836,199
Income tax expense	**14**	19,369,574	15,331,547
Changes in:			
Decrease/(increase) in inventories		(13,544,892)	(24,775,959)
Decrease/(increase) in trade receivables		(49,286,920)	(31,609,089)
Decrease/(increase) in other receivables		(10,145,009)	(4,842,145)
Decrease/(increase) in prepayments		(17,589,628)	4,315,372
Increase/(decrease) in trade payables		35,586,710	(26,979,851)
Increase/(decrease) in other payables		4,014,794	1,071,436
Increase/(decrease) in employee benefits		3,620,169	2,316,244
Increase/(decrease) in contract liabilities		338,273	(103,868)
Cash generated from operating activities		**129,969,624**	**84,397,521**
Interest paid to banks	**26**	(159,539)	(87,420)
Payments of interest portion of lease liability*	**26**	(6,554,113)	(2,685,732)
Income tax paid		(23,035,590)	(12,686,610)
Net cash from operating activities		**100,220,382**	**68,937,759**

	Note	31-Dec-23	31-Dec-22
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(11,604,209)	(14,958,070)
Proceeds from sale of property, plant and equipment		4,819,309	2,186,418
Proceeds from loans granted to related parties		2,624,255	6,523,032
Interest received		13,744,160	7,391,895
Decrease/(increase) of short-term deposits		(25,000,000)	35,000,000
Advance paid for acquisition of subsidiary	**17**	(2,500,000)	-
Net cash used in investing activities		**(17,916,485)**	**36,143,275**
Cash flows from financing activities			
Repayment of long-term bank loans	**26**	(2,048,036)	(2,453,463)
Proceeds from short-term bank loans	**26**	9,883,898	-
Payments of principal portion of lease liabilities	**26**	(39,760,053)	(42,550,927)
Dividends paid	**23**	(48,876,014)	(84,546,723)
Net cash used in financing activities		**(80,800,205)**	**(129,551,113)**
Net (decrease)/increase in cash and cash equivalents		**1,503,692**	**(24,470,079)**
Cash and cash equivalents at 1 January	**18**	**18,863,042**	**43,333,121**
Cash and cash equivalents at 31 December	**18**	**20,366,734**	**18,863,042**

* For the year ended 31 December 2022 the amounts representing payments of interest portion of lease liabilities were included in the line *Interest paid to banks*.

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

This is a free translation from the original binding Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITIES AND GENERAL INFORMATION

General information about the Group

These financial statements are the consolidated financial statements of the group formed by AQUILA PART PROD COM SA ("the Company" or "Aquila" or "the Parent") and its subsidiaries PRINTEX S.A. and TRIGOR AVD S.R.L. (together "the Aquila Group").

The Group's entities headquarters and activities are the following:

Entity	Headquarters	Registration	Activity
Aquila Part Prod Com SA	105A Malu Rosu Street, Ploiesti, Prahova County, Romania	Trade Register no: J29/2790/1994 Unique registration code: 6484554	Wholesale of consumer goods, Rendering of logistic services, Internal and external transport of goods
Printex SA	5 Poligonului Street, Ploiesti, Prahova County, Romania	Trade Register no: J29/107/1991 Unique registration code: 1348950	Rental and subleases of real estate
Trigor Avd S.R.L.	17 Otovasca Street, Chisinau, Chisinau County, Republica Moldova	Trade Register no: 1002600041675	Wholesale of consumer goods

Based on General Shareholders meeting from 8 June 2021, Aquila Part Prod Com SA increased the share capital with RON 16,975,040 through issue of 1,697,504 shares with a par value of RON 10. Issue of shares was performed against incorporation in full of the statutory share premium determined by the merger with Seca Distribution SRL (entity under common control). Additionally, the Company modified the par value of the shares from RON 10 to RON 0.15 through stock split, total number of shares issued by the Company after the stock split is 133,333,600.

In November 2021, Aquila Part Prod Com SA increased the share capital with RON 10,000,020 through issue of 66,666,800 shares with a par value of RON 0.15. The issued shares were used for the initial public offer where Aquila Part Prod Com SA received RON 355,157,710 (gross amount: RON 366,667,400, broker fee: RON 11,509,689).

Based on Extraordinary General Shareholders Resolution of Aquila Part Prod Com S.A. of 23 February 2022, the share capital increase is carried out to support the current activity of the Company; the share capital will be increased by an amount of RON 150,000,300, representing issuance premiums; the number of shares issued in the share capital increase is 1,000,002,000 new shares; each shareholder of the Company registered in the shareholders' registry on the record date will receive free of consideration a number of 5 newly issued shares for each share held on the record date. Weighted average number of ordinary shares was adjusted for the effect of premium issuance in February 2022.

As at 31 December 2023, the shareholders of the Company, are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian, each holding 33.3% in each company and a series of other shareholders which hold a combined stake of 33.4%.

Shareholder	**Number of shares**	**Par value (RON)**	**Statutory Share capital (RON)**
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	400,000,800	0.15	60,000,120
Other shareholders	400,000,800	0.15	60,000,120
Total	**1,200,002,400**		**180,000,360**

1. REPORTING ENTITIES AND GENERAL INFORMATION (CONTINUED)

As at 31 December 2022, the shareholders of the Company, are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian, each holding 33.3% in each company and a series of other shareholders which hold a combined stake of 33.4%.

Shareholder	Number of shares	Par value (RON)	Statutory Share capital (RON)
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	400,000,800	0.15	60,000,120
Other shareholders	400,000,800	0.15	60,000,120
Total	**1,200,002,400**		**180,000,360**

General information about the Group

Aquila's subsidiaries are the following:

Entity	% shareholding as at 31 December 2023	% shareholding as at 31 December 2022
PRINTEX S.A.	95.75%	95.75%
TRIGOR AVD S.R.L.	100%	100%

2. BASIS OF PREPARATION

The consolidated financial statements of the Group are prepared in accordance with the Order of the Minister of Public finance no. 2844/2016 for approval of the accounting regulations, in compliance with the International Financial Reporting Standards applicable to the companies whose real shares are accepted for transaction on a regulated market. These stipulations are compliant with the requirements of the International Financial Reporting Standards, as adopted by EUs.

Minister of Finance no. 2844/2016 with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, with the exception of IAS 21 The effects of the variation of exchange rates regarding the functional currency, the provisions of IAS 20 Accounting for government subsidies regarding recognition of revenues from green certificates, with the exception of IFRS 15 Revenues from contracts with customers regarding revenues from connection fees of the distribution network. These exceptions do not affect the compliance of the financial statements of the Group and the Company with IFRS adopted by the EU.

The consolidated financial statements have been approved and authorized for issue by the Board of Directors on 29h of March 2024. The financial statements will be submitted for shareholders' approval in the meeting scheduled on 29th April 2024.

Details of the Group's material accounting policies are included in Note 6.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue its operations in the foreseeable future.

As at 31 December 2023 the Group's financial position shows net current assets (total current assets in amount of RON 721.5 million deducted by total current liabilities in amount of RON 319.7 million) of RON 401.8 million (31 December 2022: RON 340.4 million), mainly as a result of short term deposits of RON 185 million, the Group having utilised only part of the short-term borrowings at this date (Note 26). The Group continues to trade profitably and generate positive cash flows and management has assessed that the Group is able to meet its obligations as they fall due.

As at 31 December 2023 and 31 December 2022, the Group's net assets amount to RON 532.5 million and RON 483.8 million, respectively.

2. BASIS OF PREPARATION (CONTINUED)

Going concern basis of accounting (continued)

For the year ending 31 December 2023 the Group reported a profit of RON 96.9 million (for 2022: RON 85.2 million), with 26% above the budgeted level.

The group has distributed dividends in 2023 in amount of RON 49 million, while management believes that the current resources availability is sufficient to enable the Group to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, reversing its operations or similar actions.

The Group's results may be directly affected by economic conditions, in particular employment levels, inflation, available income, consumption levels, consumer confidence, applicable taxes and consumers' willingness to spend money in markets and geographical areas in which the Group operates. In an unfavorable economic environment with a decline in disposable income, Group customers can reduce the frequency with which they purchase consumer goods or choose cheaper options. This risk remains high as inflationary pressure has continued (in the context of supply shocks) and the build-up of geopolitical tensions in Eastern Europe.. A decrease in disposable income may affect customer traffic, frequency, average value of goods purchased, and the Group's ability to pass on cost increases to its customers. The Group was not negatively impacted by market developments in 2023.

Although the last year was characterized by the above challenges, considering the investment trend of digitalization, combined with improved market conditions and portfolio increase, the Group has achieved and is aiming for future higher earnings and net profits. The Group’s key actions are related to margins’ optimization by focusing on products with higher margins, including own brands, expansion of automation solutions in distribution and logistics, development of the B2B platform to reduce order time and increase agent productivity.

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation have a continuous impact on the European economies and globally. The Group does not have any significant direct exposure to Ukraine, Russia or Belarus. Also, recent conflict from Israel does not affect the Aquila Group’s activities. However, the impact on the general economic situation may require timely revisions of certain assumptions and estimates.

Based on the facts described above and the plans for 2024, management has assessed that the going concern assumption adopted in the preparation of the consolidated financial statements to be appropriate.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Romanian Lei (RON), which is also the parent company’s functional currency.

The functional currency of the subsidiary Printex S.A. is also Romanian Lei (RON) while the functional currency of the subsidiary Trigor Avd S.R.L. is Moldavian Lei (MDL).

All financial information is presented in RON, except when otherwise indicated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 6 (h) (iii) and 6 (i) (iii) – useful lives of property, plant and equipment and intangible assets;
- Notes 6 (m) (i), 16, 22, 28 (b) – measurement of ECL (expected credit losses) allowance for trade receivables, loans to related parties and long-term receivables from related parties;
- Notes 6 (q), 30 – recognition and measurement provisions and contingent liabilities: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Notes 16, 24 – judgement in relation to off setting the accruals for the discounts granted with trade receivables and accruals of the discounts received with the trade payables.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assumptions and estimation uncertainties

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 28 (a) – financial instruments.

5. BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the cost basis – historical cost conversion.

6. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following material accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. AQUILA PART PROD COM SA and its subsidiaries PRINTEX SA and Trigor AVD SRL are accounted based on consolidation requirements under IFRS, as endorsed by the EU.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee
• The ability to use its power over the investee to affect its returns.

(i) Business combinations

Acquisitions on or after 1 January 2017

For business acquisitions on or after 1 January 2017, the Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see accounting policy 6 (m) (ii)). Any gain on a bargain purchase is recognised in profit or loss immediately. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

In Romania, in case Competition Council approval is required, a business acquisition is considered completed only after the acquiring company obtains all the approvals from the Competition Council.

(ii) Non-controlling interests (NCI)

The Group measures any non-controlling interests in a company at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the shareholders' interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the respective company.

(iii) Transactions eliminated in the consolidation

Intra-group balances and transactions between all consolidated entities, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Revenue from contracts with customers

Under this standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Group is expected to be entitled to receive in exchange of those goods or services. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties (such as VAT, excise or other taxes related to sale).

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

	Nature and satisfaction of contractual obligations	Revenue recognition policies
Sale of goods	The performance obligations are agreed based on purchase orders from the customers under framework contracts. Consequently, each additional good to be delivered based on purchase orders represent a distinct performance obligation. Customers obtain control of goods when the goods are delivered to and have been accepted at their premises. The performance obligation is satisfied at that point in time. Invoices are issued when the goods are dispatched from Group's warehouses. Considering that the deliveries are made within the same country and using the Group's distribution network, there is no significant time passed between the dispatch time and delivery. Payment terms vary from 15 to 90 days. Discounts are offered by the Group, which are included on the invoice issued. Additionally volume-based discounts are offered by the Group for certain brands of goods, the volumes based on which the discounts are determined and the percentages applied are established in the contracts with customers. As a result, for the performance obligations performed, the Group is remunerated with a variable considerations which includes accruals for discounts to be granted. The Group estimates the discounts to be granted based on the actual volume of sales and contractual provisions. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments.	Revenue is recognized when the goods are delivered and have been accepted by customers at their premises (at a point in time). The Group recognizes revenues when the performance obligation is satisfied, which is the point at which control of the promised goods are transferred to its customers, in an amount that reflects the consideration the Group expects to be entitled to receive in exchange for those goods. For the majority of Aquila Group's customer arrangements, control transfers to customers at a point-in-time when goods have been delivered, as that is generally when legal title, physical possession and risks and rewards of goods transfers to the customer. The timing of satisfaction of the performance obligation is not subject to significant judgment. Aquila Group generates revenue primarily from the distribution and sale of products to its customers. Substantially all revenue is recognized at the point in time in which the product is delivered to the customer. The Group grants certain customers sales incentives, such as rebates or discounts, which are accounted for as variable consideration. The variable consideration is based on amounts known at the time the performance obligation is satisfied and, therefore, requires minimal judgment. Volume based discounts not granted to customers before year end are accrued for. Such volume discounts are measured as variable consideration and an estimate is included in the transaction price. Considering the legal basis for net settlement exists in the contracts, actual amounts are settled upon credit memo issuance, including accruals for the discounts granted. After completion of Aquila Group's performance obligations, the Group has an unconditional right to consideration as outlined in its contracts with customers. Aquila Group's customer receivables will generally be collected in less than 90 days in accordance with the underlying payment terms. Customer receivables, which are included in accounts receivable, less allowances in the consolidated balance sheet, are presented in the balance sheet line trade receivables. Aquila Group has no significant commissions paid that are directly attributable to obtaining a particular contract.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Revenue from contracts with customers (continued)

	Nature and satisfaction of contractual obligations	**Revenue recognition policies**
Logistic services: warehouse services, handling, packaging	The performance obligation is the performance of services related to goods of customers for which the Group ensures distribution. The performance obligation is satisfied as the Group performs the logistic services on a continuous basis / over time. Invoices are issued monthly based on documents that attest the services performed by the Group during the respective month. Payment terms vary from 15 to 90 days. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments.	Revenue is recognized over time, because the customer simultaneously receives and consumes the benefits provided by the performance of the Group as the services are performed. The services are recognized monthly once the service is performed.
Transport services	The performance obligation is the transportation of the goods of customers from warehouses to retailers. Each shipment of goods ordered by the customer represents a performance obligation. The performance obligation is satisfied when the transportation is complete. Invoices are issued monthly based on the supporting documents or transports completed during the month. Payment terms vary from 15 to 90 days. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments	Revenue is recognized at a point in time when the transportation is complete.

(c) Finance income and finance costs

The Group's finance income and finance costs mainly include:

- interest income;
- interest expense; and
- foreign currency gain or loss on financial assets and financial liabilities.

Interest income and expense are recognised using the effective interest method. Please refer to the note 6(k) for the financial instruments policy.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania and National Bank of Moldova. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations

The assets and liabilities of foreign operation, including goodwill and fair value adjustments arising on acquisition, are translated into RON at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into RON at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI (other comprehensive income) and accumulated in the translation reserve. When a foreign corporation is disposed of in its entirety or partially, such that control, significantly influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Group, in the normal course of business, makes payments to the state-management pension schemes on behalf of its employees. All employees of the Group are members of the state pension plans.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

It is measured using tax rates enacted or substantively enacted at the reporting date.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met. Unrecognized deferred tax assets are reassessed recognized and disclosed (if any) at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

(g) Inventories

Inventories consist mainly of goods for resale and consumables.

The cost of inventories is calculated using the first-in, first-out cost formula. The cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and no other significant non-incremental costs are estimated to be incurred. Inventory is transferred to the Cost of sales upon the fulfilment of the performance obligation and the revenue recognition.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, all items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment (continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives (years)
Buildings	20-40
Equipment	5-7
Office equipment	10-14

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly.

(i) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Brands are recognised on business combinations or acquisitions.

Brands and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets and goodwill (continued)

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives and is recognised in profit or loss.

Brands are amortized over 5-6 years, according to the management assessment of the period over which they are expected to generate cash inflows. The estimated useful lives of software are 3-5 years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

(j) Investment property

Investment property is initially measured at cost and subsequently at cost less any accumulated depreciation and any accumulated impairment losses. The cost model is justified by the fact that revenues generated from rental of the investment properties are a small fraction of the total revenues, as the group mainly generates revenue from activities like distribution, logistics and transportation. The Group is using linear depreciation method, buildings within investment property are amortised over 20-40 years. Land is not depreciated.

The Group performs valuations to determine if the fair values of investment properties are materially different versus the cost less accumulated depreciation for the disclosures purposes of the fair value.

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(k) Financial instruments

(i) Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. For a financial asset to be classified and measured at amortised cost or fair value through OCI (other comprehensive income), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Group classifies a financial asset as measured at amortised cost or FVTPL (fair value through profit or loss) or FVTOCI (fair values through other comprehensive income).Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

As at 31 December 2023 and 31 December 2022 the Group does not have any financial assets classified under any of these categories, all assets are measured at amortised cost.

(ii) Classification and subsequent measurement (continued)

Financial assets measured at amortized cost.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI (Purchased or Originated Credit Impaired financial assets) financial asset. For financial assets that were credit–impaired on purchase or origination in subsequent reporting periods the credit–adjusted effective interest rate is also used subsequently to discount the ECLs. The amortised cost is reduced by impairment losses via loss allowance account. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The policy for impairment for non-derivative financial assets of non-derivative financial assets are presented in note (m) below.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. As at 31 December 2023 and 31 December 2022 the Group does not have any financial assets classified under this category.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss, all being classified at amortized cost

Financial liabilities of the Group include bank borrowings, bank overdrafts and trade payables. Financial liabilities, similar to financial assets, and are measured at amortised cost.

(iii) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

When the Group exchanges with the existing counterparty one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. Similarly, the Group accounts for substantial modification of terms of an existing asset or part of it as an extinguishment of the original financial asset and the recognition of a new financial asset.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

Factors that the Group considers in assessing whether the terms are substantially different include:

- Change of the (main) borrower
- Change of the tenor resulting to more than 50% more of the original term
- Significant change of the structure of the interest rate, e.g., from zero rate to a fixed rate
- Change in the currency in which the financial asset is denominated.

If the modification is not substantial, the difference between: (1) the carrying amount of the financial asset before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. The Group recognizes changes in share capital in accordance with the applicable legislation and after approval of the General Meeting of Shareholders and registration according to the applicable legal obligations.

Until 31 December 2003 the economy of Romania was considered hyperinflationary. Consequently, share capital and legal reserves setup before 31 December 2003 were adjusted for the effects of hyperinflation until that date in accordance with IAS 29.

(m) Impairment

(i) Non-derivative financial assets

The Group recognizes a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience as allowed by the simplified approach in IFRS 9. The ECL model includes forward looking information like: GDP (gross domestic product), CPI (customer price index) from National Statistics and Forecasting Commission the National Bank of Romania.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

We define buckets and include details here and in Trade Receivables, Note 16 below:

- Not due
- Past due 1-30 days
- Past due 31-60 days
- Past due 61-90 days
- Past due more than 90 days

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 31 days past due. The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Measurement of ECLs

IFRS 9 does not prescribe a single method to measure ECLs. The method used by the company to measure ECLs is based on a provision matrix considering historical loss rates. IFRS 9 allows entities to use practical expedients when estimating ECLs for trade receivables. The Group applied the practical expedient.

The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. For the ECL provisioning matrix, please refer to note 16.

For trade receivables where different risk profile has been identified an individual assessment for estimating ECL has been done.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

POCI assets

Purchased or Originated Credit Impaired financial assets (POCI) are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate (EIR). The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Group recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of multiple scenarios, discounted by the credit-adjusted EIR, in current Statement of profit and loss.

The loans to related parties are classified as POCI financial assets, as a result the Group measures the loss allowance for loans receivables at an amount equal to lifetime ECL. The expected credit losses on loans to related parties are determined based on the expected cash inflow to be obtained from each debtor until the end of 2030, based on the projected future cash flows of the debtors. The future cashflow projections have incorporated judgement and estimates considering historical performances of the related parties as well as expected reasonable future changes based on the information available as at the date of the preparation of these financial statements. On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

If a financial asset is purchased or originated credit-impaired then at the reporting date only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. The expected future credit losses are assessed using the effective interest rate.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (Cash Generating Unit). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to the financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(o) Contingent assets and liabilities

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognized because:

   i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Group's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognized in the Group's financial statements but disclosed when an inflow of economic benefits is probable.

(p) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The group is using publicly available information to estimate the Incremental Borrowing Rate, the rate used for discounting the future cashflows.

The Management considers most relevant the statistics information as published on the website of National Bank of Romania (BNR) in regard to medium to long term loans granted by Commercial Banks from Romania in the currency of the lease contracts. It is remeasured when there is a change in future lease payments arising from a change in a floating interest rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

As part of the remeasurement process, the Group revises the discount rate when the remeasurement is determined by a change of the lease term or a change in the assessment of an option to purchase the underlying asset or a change of lease payments due to changes in a floating interest rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below RON 25,000 equivalent of EUR 5,000) and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Leases (continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

(q) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the acquirer. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(r) Related parties

A related party is a person or entity that is related to the Group that is preparing its financial statements (referred to as “reporting entity”):

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

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

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

- i) the entity and reporting entity are members of the same group (which means that each parent, subsidiary or fellow is related to the others);
- ii) one entity is an associate or joint venture of the other entity (or associate or joint venture of a member of the group of the other entity is a member);
- iii) both entities are joint ventures of the same third party;
- iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;
- v) the entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- vi) the entity is controlled or jointly controlled by a person identified in (a);
- vii) a person identified in (a) i) has significant influence over the entity or is member of the key management personnel of the entity (or of a parent of the entity);

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(r) Related parties (continued)

viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(s) Subsequent events

Events occurring after the reporting date, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

(t) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

(u) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 4). When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7. STANDARDS ISSUED BUT NOT YET ADOPTED

(i) Standards and Interpretations endorsed by the EU

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Group as of 1 January 2023:

- IFRS 17 insurance contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Group's accounting policies, except as indicated below:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group revisited the accounting policy information disclosures to ensure compliance with the amended standard. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year. Given the above, these amendments do not impact the Group's policy.

7. STANDARDS ISSUED BUT NOT YET ADOPTED (CONTINUED)

(ii) Standards issued but not yet effective and not early adopted

The following standards, changes in standards and interpretations have been issued, but are not yet effective for the annual period beginning on 1 January 2024. The Group does not intend to adopt these standards before they become effective. The Group expects that the adoption of the financial reporting standards below in the future periods will not have a material impact on the Group's financial statements.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification.
Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains.

Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

(iii) The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.

7. STANDARDS ISSUED BUT NOT YET ADOPTED (CONTINUED)

(iii) The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union (continued)

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

8. REVENUE

	2023	2022
Revenue from contracts with customers	2,506,344,450	2,206,787,393
Rental income*	3,670,968	3,538,080
Total revenue	**2,510,015,417**	**2,210,325,473**

*Rental income includes investment property lease in amount of RON 1,422,919 for 2023 and RON 1,148,010 for 2022 (Note 21). The remaining rental income refers to properties sub-leased by Aquila.

Disaggregation of revenue from contracts with customers

	2023	2022
Distribution of goods	2,353,534,038	2,059,666,658
Logistics services	87,603,416	78,868,663
Transport services	65,206,995	68,252,073
Total	**2,506,344,450**	**2,206,787,393**

In the revenue structure, business segments which recorded increases were distribution 14 %, logistics, 11%, and a decrease in transportation of 4%, related to lower km of routes.

Disaggregation of revenue per country

	2023	2022
Romania	2,272,639,374	1,983,888,629
Moldova	111,849,612	97,692,035
Netherlands	38,231,393	40,950,237
Germany	32,920,378	30,565,247
Other	50,703,693	53,691,246
Total	**2,506,344,450**	**2,206,787,393**

Timing of revenue recognition

	2023	2022
Products and services transferred at a point in time	2,418,741,033	2,105,738,384
Services transferred over time	87,603,416	101,049,009
Total	**2,506,344,450**	**2,206,787,393**

The Group has applied the practical expedient from IFRS 15:121 since the contracts are concluded on one year basis. The contracts are concluded on one year basis; thus the Group does not disclose information about any remaining performance obligations.

There are no customers with over 10% of total Revenues in year 2023 and 2022.

9. OTHER INCOME

	2023	2022
Insurance compensations	2,556,953	3,235,592
Net gain on disposal of property, plant and equipment	3,581,781	1,705,497
Contractual penalties	1,612,215	290,449
Income from subsidies	104,925	125,661
Others	2,116,433	2,977,207
Total	**9,972,308**	**8,334,406**

10. OTHER OPERATING EXPENSES

	2023	2022
Utilities	14,717,424	12,373,439
General consulting	12,909,885	10,591,022
Road taxes	10,804,737	10,265,160
Insurance premiums	9,241,306	7,755,780
Marketing and publicity	8,591,450	4,894,773
IT services	7,654,506	5,731,957
Merchandising	5,516,101	5,593,073
Travel	5,284,718	5,443,070
Legal expenses	4,809,720	5,585,909
Handling and storage services	4,491,856	5,213,513
Services charges (warehousing rent contracts)	3,629,462	3,327,019
Rental	3,018,263	1,719,144
Sponsorships	2,937,960	2,433,293
Bank commissions and similar charges	2,883,686	2,400,925
Compensations, fines and penalties	2,558,015	489,310
Security	1,839,261	1,745,669
Audit and consulting*	1,499,738	1,241,192
Trainings and other staff expenses	1,294,583	1,000,849
Waste disposal	1,050,297	1,181,092
Postage and telecommunications	846,998	651,798
Sanitation services	435,733	334,333
Other operating expenses**	12,060,524	11,733,329
Total	**118,076,223**	**101,705,650**

* In 2023 the contractual fee for statutory audit of the consolidated and separate annual financial statements of the Company and subsidiaries., provided by Ernst & Young Assurance Services SRL ("E&Y"), are in amount of EUR 171,000.

** Other operating expenses include taxes, duties, and similar payments due to the budget of the State or other public bodies, various expenses such as small services within warehouses, HR application fees, services related to archiving and digitalization of documents, disinfection services, logistics services, environmental fees, etc.

11. FINANCIAL RESULT

	2023	2022
Interest income*	16,750,476	7,391,895
Other finance income	712,840	178,218
Total finance income	**17,463,317**	**7,570,113**
Interest expense**	(6,713,652)	(2,773,151)
Net foreign exchange losses	(345,882)	(845,224)
Other financial expenses	(766,719)	(217,824)
Total finance costs	**(7,826,253)**	**(3,836,199)**
Financial result	**9,637,064**	**3,733,914**

*Interest income includes interest related to related parties' loans receivables in amount of RON 1,367,925 (2022: RON 1,477,695) and interest from bank deposits in amount of RON 15,382,552 (2022: RON 5,914,200).

**Interest expense includes interest related to leases in amount of RON 6,554,113 (2022: RON 2,156,463) and interest to banks in amount of RON 159,539 (2022: RON 252,407).

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

Profit attributable to ordinary shareholders

	2023	2022
Profit attributable to the owners of the Group	96,918,092	85,222,554
Profit attributable to ordinary shareholders	**96,918,092**	**85,222,554**

Weighted-average number of ordinary shares (in number of shares)

	2023	2022
Issued ordinary shares at 1 January	1,200,002,400	200,000,400
Issued ordinary shares at 23 February 2022	-	1,000,002,000
Total issued ordinary shares	**1,200,002,400**	**1,200,002,400**
Weighted-average number of ordinary shares at 31 December	**1,198,922,400**	**1,198,922,400***

	31-Dec-23	**31-Dec-22**
Basic and diluted earnings per share (RON)	0.081	0.071

**Weighted average number of ordinary shares adjusted for the effect of the issuance of premium and treasury shares in February 2022.*

13. EMPLOYEE BENEFITS

Employee benefits payables and accruals at year-end are as follows:

	31-Dec 2023	31-Dec 2022
Wages and salaries	21,919,962	19,255,040
Social security contributions	6,991,238	6,077,748
Tax on salaries	1,399,498	1,225,627
Total payables and accruals at year-end	**30,310,697**	**26,558,415**

In Romania, all employers and employees, as well as other persons, are contributors to the state social security systems. The social security system covers pensions, allocations for children, temporary inability to work, risks of works and professional diseases and other social assistance services, unemployment benefits and incentives for employers creating new workplaces.

Employee benefit expenses are as follows:

	2023	2022
Wages and salaries	213,468,216	186,665,250
Per diem	13,764,191	13,196,771
Social contributions and charges	12,708,938	10,099,460
Meal and gift tickets	18,578,643	15,275,900
Total employees benefits for the year	**258,519,989**	**225,237,381**

For the year 2022, the amounts of RON 583,635, representing social contributions and charges, and RON 3,093,049, respectively, representing meal tickets were presented as Wages and salaries.

Management remuneration is disclosed in Note 29.

14. INCOME TAXES

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Amounts recognised in profit or loss

	31-Dec-23	31-Dec-22
Current tax expense	20,746,490	15,944,835
Deferred tax income	(1,376,917)	(613,288)
Total income tax expense	**19,369,574**	**15,331,547**

14. INCOME TAXES (CONTINUED)

(ii) Reconciliation of effective tax rate

		2023		2022
Profit before tax		116,294,862		100,563,571
Tax using Company's domestic tax rate	16%	18,729,001	16%	16,090,171
Effect of tax rates in foreign jurisdiction	0%	(543,264)	0%	(322,942)
Items similar to income	0%	502,739		-
Legal reserve	-1%	(861,542)	-1%	(743,077)
Tax effect of non-deductible expenses*	6%	7,592,152	4%	3,673,620
Tax - exempt income	-4%	(1,147,889)	0%	104,466
Tax credit	-1%	(4,901,827)	-3%	(3,470,692)
Income tax	17%	**19,369,575**	**15%**	**15,331,547**

Printex SA pays income tax as a microenterprise, as such, according to the provisions of the Fiscal Code and those of the declaration of income, the applicable tax rate for the income generated by microenterprises is 1% of turnover.

The income tax rate applicable for Trigor AVD S.R.L. subsidiary in the Republic of Moldova is 12%.

*The non-deductible expenses, for which the impact is RON 7,592,352, refer mainly to RON 25,530,321 expected credit loss and inventories allowance (2022: RON 19,015,051) and other expenses as customers written-off, untaken holiday provision.

(iii) Movement in deferred tax balances

			Balance at 31 December 2023		
2023	**Net balance at 1 January 2023**	**Recognized in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	(1,036,563)	(460,908)	(1,497,471)	-	(1,497,471)
Impairment of trade receivables	2,493,030	1,572,380	4,065,410	4,065,410	-
Employee benefits	1,324,843	265,445	1,590,288	1,590,288	-
Tax assets / (liabilities) before set-off	**2,781,310**	**1,376,917**	**4,158,227**	**5,655,698**	**(1,497,471)**
Set off of tax	-	-	-	-	-
Net tax assets / (liabilities)	**2,781,310**	**1,376,917**	**4,158,227**	**5,655,698**	**(1,497,471)**

			Balance at 31 December 2022		
2022	**Net balance at 1 January 2022**	**Recognized in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	(832,336)	(204,227)	(1,036,563)	-	(1,036,563)
Impairment of trade receivables	1,796,112	696,919	2,493,030	2,493,030	-
Employee benefits	1,204,247	120,596	1,324,843	1,324,843	-
Tax assets / (liabilities) before set-off	**2,168,022**	**613,288**	**2,781,310**	**3,817,873**	**(1,036,563)**
Set off of tax	-	-	-	-	-
Net tax assets / (liabilities)	**2,168,022**	**613,288**	**2,781,310**	**3,817,873**	**(1,036,563)**

15. INVENTORIES

	31-Dec-23	31-Dec-22
Consumables	1,259,293	915,978
Goods for resale	172,434,358	159,232,781
Impairment loss	(2,714,155)	(1,718,386)
Total inventories	**170,979,496**	**158,430,373**

Cost of inventories recognized as an expense in the statement of profit or loss in 2023 is RON 1,865,729,621 (2022: RON 1,623,973,263). For the pledged amount of inventories, please refer to Note 26 (c).

The inventory impairment allowance recognized during the year is presented below:

	Note	31-Dec-23	31-Dec-22
Balance as at 1 January		**1,718,386**	**1,210,022**
Allowance charge	10	2,714,154	2,808,586
Other changes	10	-	290,866
Release/Consumption of allowance	10	(1,718,385)	(2,591,088)
Balance as at 31 December		**2,714,155**	**1,718,386**

The inventories net change of allowance in the net amount of RON 995,769 (2022: RON 508,364), is included in Note 10, the line „Other operating expenses" (Note 10).

16. TRADE RECEIVABLES

	Note	31-Dec-23	31-Dec-22
Trade receivables from third parties, gross		314,412,136	271,243,625
Trade receivables from related parties, gross	29	14,306,990	10,793,659
Discounts accrued granted to customers*		(17,092,884)	(18,945,097)
Loss allowance		(25,211,231)	(15,275,500)
Total trade receivables, net		**286,415,011**	**247,816,687**

*Discounts accrued for the customers represent accruals as at year end to be granted to the clients based on the accomplishment of sales volumes and other contractual enforcements.

Short term trade receivables from related parties are presented in Note 29. For the pledged amount of receivables, please refer to Note 26 (c).

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

The ECL (expected credit loss) model includes forward looking impact. For the periods ended 31 December 2023 and 31 December 2022, after incorporating the results of the forward-looking factors, no further impairment was necessary to be added to the ECL model.

16. TRADE RECEIVABLES (CONTINUED)

	31 December 2023			
	Weighted average ECL rate	**Gross value**	**Bad debt loss allowance**	**Net trade receivables**
Neither past due nor impaired	0.94%	226,593,561	(2,121,704)	224,471,857
Past due 1-30 days	4.63%	54,162,282	(2,506,973)	51,655,309
Past due 31-60 days	24.76%	8,526,108	(2,110,684)	6,415,424
Past due 61-90 days	51.69%	3,200,646	(1,654,364)	1,546,282
Past due more than 90 days	87.85%	19,143,646	(16,817,506)	2,326,140
Total		**311,626,242**	**(25,211,231)**	**286,415,011**

	31 December 2022			
	Weighted average rate of losses	**Gross value**	**Bad debt loss allowance**	**Net trade receivables**
Neither past due nor impaired	0.97%	198,876,632	(1,934,289)	196,942,343
Past due 1-30 days	4.41%	44,670,974	(1,967,923)	42,703,050
Past due 31-60 days	23.56%	4,530,418	(1,067,296)	3,463,122
Past due 61-90 days	31.40%	3,791,048	(1,190,272)	2,600,777
Past due more than 90 days	81.22%	11,223,115	(9,115,720)	2,107,395
Total		**263,092,187**	**(15,275,500)**	**247,816,687**

The movement in the loss allowance for trade receivables is as follows:

	31-Dec-23	**31-Dec-22**
Balance as at 1 January	**15,275,500**	**11,017,120**
Impairment recognized	9,899,944	4,974,192
Amounts written off	-	(715,812)
Translation difference	35,787	-
Balance as at 31 December	**25,211,231**	**15,275,500**

Expected credit losses as reported in statement of profit or loss in amount of RON 25,567,898 (2022: RON 19,782,564) includes:

- Trade receivables impairment net of RON 9,899,944 (2022: RON 4,974,192). Out of the total impairment recognized during the year, RON 4,457,887 (2022: RON 4,016,174) refers to Nordexim SRL (Note 29).
- Loans to related parties' impairment in amount of RON 14,987,180 (2022: RON 14,808,372) (Note 22)
- Other changes: RON 680,874.

17. OTHER RECEIVABLES AND PREPAYMENTS

17(a) Other receivables

	31-Dec-23	31-Dec-22
Receivable from medical leaves	2,128,717	391,025
Amounts related to personnel**	1,318,142	572,292
Amounts paid for Romtec SRL*	2,500,000	-
Other receivables***	3,376,802	435,501
Total	**9,323,661**	**1,398,818**

*In November 2023, the Company signed a sale purchase pre-agreement for 100% of the shares of Romtec Europa SRL ("Romtec") owned 80% by Green Ideas Group MTC SRL and 20% by FLM Group Green MTC SRL. Based on this pre-agreement, the Company paid an advance of RON 2,500,000. The transaction took place subject to the completion of a specific audit by specialized firms and obtaining the necessary approvals from the Competition Council. The transaction was finalized on 26 February 2024 (Note 33).

**As at 31 December 2022 the amounts related to personnel were presented in the line *Other receivables*.

***The line includes the accrual for interest income to be received from banks in amount of RON 2,948,500.

17(b) Prepayments

As at 31 December 2023, prepayments in amount of RON 46,492,274 (31 December 2023: RON 28,902,646) include:

- Advances to suppliers for inventory acquisitions in amount of RON 36,082,431 (31 December 2022: RON 19,238,814)
- Advances to suppliers for services to be rendered in amount of RON 2,225,437 (31 December 2022: RON 2,145,401).
- Prepayments for vehicles' insurance – RON 2,626,626 (31 December 2022: RON 2,537,190)
- Prepayments for rent - RON 1,690,736 (31 December 2022: 1,576,036)
- Other items – RON 3,859,421 (31 December 2022: RON 3,483,201)

18. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

18(a) Cash and cash equivalents

	31-Dec-23	31-Dec-22
Bank current accounts	17,635,913	18,786,514
Cash in hand	69,296	76,528
Promissory notes and cheques in bank	2,661,525	-
Total cash and cash equivalents	**20,366,734**	**18,863,042**

For the pledged amount of cash and cash equivalents, please refer to Note 26 (c).

18(b) Short term deposits

Balance presented at 31 December 2023 of RON 185,000,000 relates to part of the amounts received from the IPO which were placed in short term deposits (12 months term – RON 40,000,000, 9 months term – RON 10,000,000, 6 months term – RON 80,000,000, 3 months term 45,000,000 RON, 1 month – 10,000,000). The interest received is between 5.7% and 6.65%.

Balance presented at 31 December 2022 of RON 160,000,000 relates to part of the amounts received from the IPO which were placed in short term deposits (6 months term – RON 150,000,000 and 3 months term RON 10,000,000). The interest received is between 8.2% and 9%.

19. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in 2023 and 2022 were as follows:

	Land and buildings	Plant and equipment	Fixtures and fittings	Fixed assets in progress	Total
Gross carrying amount					
Balance at 1 January 2022	**183,809,485**	**222,093,112**	**14,968,715**	**692,508**	**421,563,820**
Additions	81,330,435	24,333,685	730,492	2,318,482	108,713,094
Adjustment of gross book value*	(3,974,230)	-	-	-	(3,974,230)
Disposals	(475,091)	(11,058,222)	(45,844)	-	(11,579,157)
Balance at 31 December 2022	**260,690,599**	**235,368,575**	**15,653,363**	**3,010,990**	**514,723,527**
Balance at 1 January 2023	**260,690,599**	**235,368,575**	**15,653,363**	**3,010,990**	**514,723,527**
Additions	58,975,261	42,746,689	2,222,227	6,339,175	110,283,352
Transfer from fixed assets in progress**	-	3,318,759	-	(3,318,759)	-
Transfer to Investment property	(845,315)	-	-	-	(845,315)
Disposals	(6,694,921)	(22,133,602)	(271,411)	(141,300)	(29,241,234)
Translation difference	18,934	481,284	413	-	500,631
Balance at 31 December 2023	**312,144,558**	259,781,705	**17,604,592**	**5,890,106**	**595,420,961**
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	**115,856,118**	**179,209,398**	**9,680,359**	**-**	**304,745,875**
Depreciation	27,527,888	20,640,402	1,043,819	-	49,212,109
Adjustment of accumulated depreciation*	(4,761,946)	-	-	-	(4,761,946)
Accumulated depreciation of disposals	(451,447)	(10,883,209)	(45,844)	-	(11,380,500)
Balance at 31 December 2022	**138,170,613**	**188,966,591**	**10,678,334**	**-**	**337,815,538**
Balance at 1 January 2023	**138,170,613**	**188,966,591**	**10,678,334**	**-**	**337,815,538**
Depreciation	25,846,299	19,879,770	1,127,990	-	46,854,059
Transfer to Investment property**	(133,841)	-	-	-	(133,841)
Accumulated depreciation of disposals	(6,694,921)	(21,290,820)	(270,104)	-	(28,255,845)
Translation difference	(2,426)	495,555	413	-	493,542
Balance at 31 December 2023	**157,185,724**	**188,051,096**	**11,536,632**	**-**	**356,773,453**
Net carrying amounts					
At 31 December 2022	**122,519,986**	**46,401,984**	**4,975,029**	**3,010,990**	**176,907,989**
At 1 January 2023	**122,519,986**	**46,401,984**	**4,975,029**	**3,010,990**	**176,907,989**
At 31 December 2023	**154,958,834**	**71,730,609**	**6,067,959**	**5,890,106**	**238,647,508**

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment includes right-of-use assets with a net carrying value of RON 50,659,513 as at 31 December 2023 (31 December 2022: RON 31,707,016) related to leased equipment and of RON 132,972,488 as at 31 December 2023 (31 December 2022: RON 98,758,932) related to leased properties that do not meet the definition of investment property (see Note 27).

Total carrying value of pledged Property plant and equipment as at 31 December 2023 is RON 7,584,491 (31 December 2022: RON 8,338,559) (see Note 26c). Fully depreciated Property plant and equipment items still in use as of 31 December 2023 amounts RON 145,914,275 (31 December 2022: RON 138,459,182).

*Adjustment with the net value amount of RON 787,716 refers to re-assessment of historically IFRS first time adoption adjustments on land and buildings and was included in last year's profit and loss statement as "Other income", see Note 9.

** The fixed assets transferred from fixed assets in progress refers mainly to coffee machines. They are used by the Company or sold to sundry customers. They are depreciated over a period of 7 years (HoReCa professional types) or 2 to 3 years (office-use types). The balance as at 31 December 2023 includes only machines acquired in 2023.

20. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Brands	Other intangible assets	Total
Gross book value				
Balance at 1 January 2022	**5,011,706**	**2,698,926**	**399,492**	**8,110,124**
Additions	-	-	17,762	17,762
Disposals	-	-	(90,637)	(90,637)
Balance at 31 December 2022	**5,011,706**	**2,698,926**	**326,617**	**8,037,249**
Additions	-	-	36,599	36,599
Disposals	-	-	(160,750)	(160,750)
Balance at 31 December 2023	**5,011,706**	**2,698,926**	**202,466**	**7,913,098**
Accumulated amortization				
Balance at 1 January 2022	**-**	**1,156,683**	**382,406**	**1,539,089**
Amortization	-	385,561	-	385,561
Accumulated depreciation of disposals	-	-	(103,700)	(103,700)
Balance at 31 December 2022	**-**	**1,542,244**	**278,706**	**1,820,950**
Amortization	-	385,560	23,507	409,067
Accumulated depreciation of disposals	-	0	(160,750)	(160,750)
Balance at 31 December 2023	**-**	**1,927,804**	**141,463**	**2,069,267**
Net carrying amounts				
At 31 December 2022	**5,011,706**	**1,156,682**	**47,911**	**6,216,299**
At 31 December 2023	**5,011,706**	**771,122**	**61,003**	**5,843,831**

Following the acquisition of AGRIROM SRL by AQUILA PART PROD COM SA, the Group mainly recognised goodwill of RON 5,011,706 and brands of RON 2,698,926 (Agrirom's brands for food products: Gradena, Yachtis, LaMasa and Frisco). Brands have been recognised at fair value at the acquisition date.

As at 31 December 2023 and as at 31 December 2022, the Group performed an impairment analysis for the goodwill, which was allocated to the CGU formed by the distribution and trade with food, beverages and tobacco performed by AGRIROM SRL.

Based on the analysis, the goodwill is not impaired as at 31 December 2023 and as at 31 December 2022.

20. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Key assumptions used in calculations and sensitivity to changes in assumption

The recoverable amount of the goodwill is determined based on a value in use calculation for uses cash flow projections based on the financial projections covering a three-year period and a pre-tax WACC of 14% per cent per annum, growth rate of 2.5% (2022: pre-tax WACC of 12.6% p.a., growth rate of 2.5%).

The key assumptions used by management in setting the financial budgets for the initial three-year period were as follows:

i) WACC

ii) Growth rates used to extrapolate cash flows beyond the forecast period

i) WACC

The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Groups is obliged to service. A rise in the pre-tax WACC to 15% to 16% would not result in impairment.

ii) Growth rate estimates

According to specialized studies, the frozen products market increased by 2.5% between 2020 and 2021 being on an upward trend, especially vegetables. Based on the need for efficiency, demand for frozen products increased in 2023 with growth prospects for the coming years.

Management used a cautious approach, using the same growth rate as in 2020, 2.5% respectively. Even if this rate falls and it is 1.5% or 2% no impairment will result.

21. INVESTMENT PROPERTY

(a) Reconciliation of carrying amounts

	2023	2022
Gross book value		
Balance at 1 January	**16,097,533**	**16,069,631**
Transfer from property, plant and equipment	845,315	-
Disposals	-	(138,144)
Other adjustments	-	166,046
Balance at 31 December	**16,942,848**	**16,097,533**
Accumulated depreciation and impairment		
Balance at 1 January	**2,379,555**	**2,214,388**
Depreciation charge	624,567	165,166
Transfer from property, plant and equipment	133,841	-
Balance at 31 December	**3,137,963**	**2,379,554**
Carrying amount		
Balance at 1 January	**13,717,978**	**13,855,243**
Balance at 31 December	**13,804,884**	**13,717,978**

Investment property comprises of land and buildings of AQUILA PART PROD COM SA and PRINTEX SA that are leased to third parties.

21. INVESTMENT PROPERTY (CONTINUED)

(a) Reconciliation of carrying amounts (continued)

Periodically, the Group performs valuations to determine if the fair values of investment properties are materially different versus the cost less accumulated depreciation and any impairment losses whenever conditions could imply a significant change in values.

As of 31 December 2023, a valuation was performed by an external specialist, and the fair value of investment property is RON 21,478,787.

As of 31 December 2022, the Group performed internal valuation and determined that the fair value was not significantly changed in 2022 and is not significantly different compared to carrying amount.

The fair value of investment property is measured and disclosed in the financial statements is based on a valuation by an independent valuer who Is authorized and holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

(b) Amounts recognised in profit or loss

	2023	**2022**
Rental income	1,422,919	1,148,010
Directly operating expenses	(429,923)	(227,279)

22. LOANS TO RELATED PARTIES AND LONG-TERM RECEIVABLES FROM RELATED PARTIES

The Group has loans to related parties and long-term receivables from receivables which are considered purchased or originated credit-impairment financial assets ("POCI").

Loans to related parties

	31-Dec-23	**31-Dec-22**
Novadex	11,138,748	12,645,536
Aquila Agricola	6,483,263	6,660,195
Best Coffee Solutions	2,468,226	2,937,655
Nordexim	-	14,981,816
Total	**20,090,237**	**37,225,202**
Short-term portion	**2,934,588**	**3,591,648**
Long-term portion	**17,155,649**	**33,633,554**

(i) Novadex – contract with Novadex was concluded in 2007 for an original amount of RON 2,500,000 and an original maturity of 2 years. Subsequently the contract's maturity was extended annually with another 12 months. Also, the loan limit amount was increased multiple times up to the current limit of RON 25,000,000. The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment).

On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2028. As per addendum the loan has been converted in EUR and is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2023 the loan was collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

22. LOANS TO RELATED PARTIES AND LONG-TERM RECEIVABLES FROM RELATED PARTIES (CONTINUED)

(ii) Nordexim - On 31 December 2020, the Group converted the trade receivables into a loan with a maturity of 10 years, until 31 December 2030, repayable in quarterly tranches, with an interest of 1.8 %. The loan is not secured and is denominated in EUR.

For the year ended 31 December 2023, Nordexim's financial evolution and related results was assessed as not in line with prior expectations. Considering the significant decrease in equity value, which was computed considering a WACC of 13.6% and a growth rate of 1% for the terminal value, a loan review was performed. The Expected Credit Loss calculation indicated additional cash shortfalls discounted at the original credit adjusted effective interest rate of RON 14,987,180, which lead to full impairment of the loan balance.

(iii) Aquila Agricola - contract with Aquila Agricola was concluded in 2007 for an original amount of RON 150,000 and original maturity of 31 December 2008. Subsequently the contract's maturity was extended annually with another 12 months. Moreover, the loan limit amount was increased multiple times up to the current limit of RON 15,000,000.

The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment).

On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2030. As per addendum the loan has been converted in EUR is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2023 the loan was partially collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

(iv) Best Coffee Solutions - contract was concluded in 2016 for an original amount of RON 1,000,000 and original maturity of 30 June 2013. Subsequently the contract's maturity was extended annually with another 12 months. Also the loan limit amount was increased multiple times up to the current limit of RON 7,000,000.

The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment). On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2030. As per addendum the loan has been converted in EUR is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2022 the loan was collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

Additional impairment loss recognised in 2023 and carrying value of the Nordexim loan:

	31-Dec-23	31-Dec-22
Opening balance	**14,981,816**	**32,774,621**
Repayment	(50,488)	(2,955,525)
Additional loss recognized	(14,987,180)	(14,808,372)
Impact of re-evaluation (foreign exchange)	55,852	(28,908)
Closing balance	**-**	**14,981,816**

23. CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2023, the share capital is of RON 180,590,088 (31 December 2022: RON 180,590,088) and includes the effect of restatement required by the application of IAS 29 Financial Reporting in Hyperinflationary Economies until 31 December 2003. The reconciliation of share capital is as follows:

23. CAPITAL AND RESERVES (CONTINUED)

(a) Share capital (continued)

Share capital (nominal value)	180,000,360
Restatement adjustment in accordance with IAS 29	589,728
Restated share capital balance as at 31 December 2023	**180,590,088**
Share capital (nominal value)	180,000,360
Restatement adjustment in accordance with IAS 29	589,728
Restated share capital balance as at 31 December 2022	**180,590,088**

The number of shares of the Group was as follows:

		RON		**Ordinary shares**	
Number of shares	**Note**	**2023**	**2022**	**2023**	**2022**
In issue at 1 January		**180,590,088**	**30,589,788**	**1,200,002,400**	**200,000,400**
Share increase from incorporation of share premium	12	-	150,000,300	-	1,000,002,000
In issue at 31 December – fully paid	**12**	**180,590,088**	**180,590,088**	**1,200,002,400**	**1,200,002,400**

The par value of the shares is RON 0.15 as at 31 December 2023 and 31 December 2022. New shares issued in 2022 were presented in Note 1. All ordinary shares rank equally with regard to the above companies' residual assets.

Holders of ordinary shares are entitled to dividends as declared from time to time, distributed from the statutory profits and are entitled to one vote per share at general meetings of the above companies. The above companies recognize changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register.

(b) Legal reserves

Legal reserves are set up as 5% of the profit before tax for the year as per statutory individual financial statements of the Group companies, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable. As of 31 December 2023, in line with profits achieved, the Company increased legal reserve with 5% out of the profit before tax, representing RON 5,384,640.

Legal reserves were restated according to IAS 29 Financial Reporting in Hyperinflationary Economies until 31 December 2003 (the adjustment for the effect of hyperinflation amounts to RON 110,225 as at 31 December 2023 and 31 December 2022).

(c) Own Shares

The balance of RON 991,972 relates to 1,080,000 shares, out of which: 180,000 own purchased shares and 900,000 premium shares issued in 2022.

(d) Dividends

The Group companies may distribute dividends from statutory earnings only, as per separate financial statements prepared in accordance with statutory accounting regulations. The dividends declared by the Companies were as follows:

	31-Dec-23	**31-Dec-22**
To the owners of the Parent	48,880,066	84,547,999
Total	**48,880,066**	**84,547,999**
Weighted-average number of ordinary shares at 31 December	1,198,922,400	1,198,922,400*
Dividend per share	**0.041**	**0.071**

This is a free translation from the original binding Romanian version.

23. CAPITAL AND RESERVES (CONTINUED)

**Weighted average number of ordinary shares adjusted for the effect of issuance of premium and treasury shares in February 2022.*

Out of the dividends declared by the Parent, the dividends paid were RON 48,876,014 in 2023 and RON 84,546,731 in 2022.

In 2022 the shareholders of the Parent approved the distribution of dividends of RON 84,547,999. In 2023 the shareholders of the Parent approved the distribution of dividends of RON 48,880,066.

(e) Capital management

The Group manages its capital such as to make sure that the Group entities will be able to continue as a going concern and to maximize the profits for the shareholders, by optimization of the balances of liabilities and equity.

The structure of the Group's capital comprises liabilities, which include borrowings, cash and cash equivalents, and equity attributable to the owners of the Company. Equity comprises share capital, reserves and retained earnings.

The Group's capital risk management includes a regular review of the equity structure. As part of this review, management considers the cost of equity and the risk associated to each class of equity. The Group balances its general structure of capital by the payment of dividends, by issuance of new shares, as well as by contracting new liabilities or extinguishing the existent ones.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

	Note	31-Dec-23	31-Dec-22
In RON			
Borrowings and lease liabilities	**26**	191,628,444	125,131,800
Less: Cash and bank equivalents	**18**	(20,366,734)	(18,863,042)
Net debt		**171,261,710**	**106,268,758**
Total equity		**532,535,889**	**483,821,517**
Gearing ratio		**0.32**	**0.22**

24. TRADE PAYABLES

	31-Dec-23	31-Dec-22
Trade payables to third parties	246,973,388	216,266,721
Trade payables to related parties	978,243	1,429,824
Accruals for discounts to be received*	(18,425,509)	(23,757,133)
Total	**229,526,122**	**193,939,412**
Current	229,509,059	193,879,745
Non-current	17,063	59,667

Trade payables to related parties are presented in Note 29.

*Accruals for discounts to be received represent discounts accrued as at year end to be received from suppliers based on the accomplishment of the acquired volumes of inventories and contractual enforcements. For details regarding the classification and net presentation, please refer to Note 4 and Note 6.

25. OTHER PAYABLES

	31-Dec-23	31-Dec-22
VAT payable	8,828,789	7,513,734
Dividends payable	13,119	9,318
Sundry creditors	2,098,752	2,300,070
Other payables*	2,007,987	8,117,300
Total	**12,948,647**	**17,940,422**

*As at 31 December 2023, Other payables include the liability to the founding shareholders of Trigor in amount of RON 1,230,266 (31 December 2022: RON 5,999,456).

Other payables to related parties are presented in Note 29.

26. LOANS AND BORROWINGS

(a) Long-term bank borrowings

	31-Dec-23	31-Dec-22
Balance at 1 January	**2,050,922**	**4,512,666**
Repayments	(2,048,036)	(2,453,463)
Foreign exchange impact	(2,886)	(8,282)
Balance at 31 December	**-**	**2,050,922**
Current portion	-	2,050,922
Long term portion	-	-

In February 2019, AQUILA PART PROD COM SA contracted a long-term loan of EUR 2,280,000 with Raiffeisen Bank to finance the acquisition of AGRIROM SRL. The loan was re-payable in 55 equal monthly instalments until 31 October 2023. The interest rate was 1M EURIBOR + 2.75%. The balance of the loan is nil as at 31 December 2023, and EUR 414,545 as at 31 December 2022.

The loan was guaranteed with AQUILA PART PROD COM SA's bank accounts with Raiffeisen Bank.

In December 2021 AQUILA PART PROD COM SA contracted a long-term loan of EUR 5,000,000 with BERD to finance various projects (Software – 28%, Equipment – 36%, Marketing Spending – 13% and working Capital - 23%). As at 31 December 2023 and 31 December 2022 no amount was drawn from this loan. In December 2022 the period the loan can be used was extended to 22 December 2024.

The loan is guaranteed with 5% from the value of shares of the founding members.

(b) Short-term bank borrowings

As at 31 December 2023 the balance of short-term credit facilities is shown below. As at 31 December 2022 the balance was nil.

Lender	**31-Dec-23**	**31-Dec-22**
Raiffeisen Bank	9,883,898	-
Total	**9,883,898**	**-**

26. LOANS AND BORROWINGS (CONTINUED)

The Group has the following short-term credit facilities:

AQUILA PART PROD COM SRL

i. Unicredit Bank: multicurrency (RON, EUR) credit line contracted in 2015 with a limit of EUR 24,200,000. The credit includes 2 facilities:

- Facility A with a limit of EUR 13,350,000 for general expenses, and issuance of bank letters of guarantee and letters of credit. This facility is valid until 31 May 2024. The interest rate is ON EURIBOR + 2.25% for EUR and ON ROBOR + 2% for RON. The amount used from this facility as at 31 December 2023 is 0 (31 December 2022: EUR 0).

- Facility B (non-cash) with a limit of EUR 10,850,000 for issuance of bank letters of guarantee. This facility is valid until 31 May 2025. The amount used from this facility as at 31 December 2023 is EUR 10,278,797 (31 December 2022: EUR 10,033,728)

The credit is guaranteed by AQUILA PART PROD COM SA with trade receivables from certain customers, bank accounts with Unicredit Bank and certain goods for resale. The credit is also guaranteed by, Novadex, a related party. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

ii. EximBank: multi-currency (RON, EUR) credit facility contracted in 2014 including a revolving credit line and a facility for issuance of bank letters of guarantee, with a total limit of EUR 10,000,000.

- Credit line (cash) with a limit of EUR 2,000,000, for which the interest rate is 1M EURIBOR + 2.25% for EUR and 1M ROBOR + 1.5% for RON. The facility is valid until 1 August 2024. The amount used as at December 31, 2023 is of EUR 0 and at 31 December 2022: EUR 0.

- Facility for issuance of bank letters of guarantee (non-cash) with limit of EUR 8,000,000. This facility is valid until 12th July 2025. The amount used from this facility as at 31 December 2023 is EUR 6,560,068 (31 December 2022: EUR 7,964,909).

The total credit facility is guaranteed by AQUILA PART PROD COM SA with the bank accounts with EximBank, certain goods for resale, and trade receivables from certain customers. The non-cash facility is also guaranteed by a state counter-guarantee of RON 31,496,960. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

iii. Raiffeisen Bank:

- credit facility contracted in 2005, which as at 31 December 2023 has a limit of EUR 17,500,000 which includes the following.
  - facility 1 – overdraft with limit of EUR 11,000,000, valid until 30 June 2024.
  - facility 2 – facility for issuance of letters of guarantee with limit of EUR 3,500,000, valid until 30 June 2025.
  - facility 3 – overdraft and letters of guarantee issuance option with limit of EUR 3,000,000, valid until 30 September 2024.

  The interest rate is O/N EONIA + 2% for EUR and O/N ROBOR + 1.5% for RON. The amount used for issuance of letters of guarantee as at 31 December 2023 is EUR 6,500,000 (31 December 2022 is EUR 3,000,000). As at 31 December 2023 the overdraft balance is EUR 1,986,873 (RON: 9,883,898) and as at 31 December 2022 is 0.

  The loan is guaranteed by AQUILA PART PROD COM SA with bank accounts with Raiffeisen Bank, goods for resale, trade receivables from certain customers, and certain land and buildings. The loan is also guaranteed by, PRINTEX SA, a subsidiary of Aquila, Novadex, Nordexim and Aquila Agricola, related parties. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

- non-cash credit facility for issuance of bank letters of guarantee contracted with Raiffeisen Bank in 2014, with a limit of EUR 1,000,000 as at December 31, 2023, valid until 30 June 2025. The facility was fully used as at 31 December 2023 and 31 December 2022.

iv. Banca Transilvania: credit line contracted in 2018 to finance working capital, in amount of EUR 4,000,000.

26. LOANS AND BORROWINGS (CONTINUED)

The interest rate is 1M EURIBOR + 2.45%. The credit is valid until 27 September 2024. The loan balance as at 31 December 2023 is nil (31 December 2022 : nil). The loan is guaranteed by AQUILA PART PROD COM SA with inventories, trade receivables from certain customers, and existing and future cash collections and bank accounts with Banca Transilvania. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

TRIGOR AVD SRL

(v) BCR Chisinau: credit line contracted in 2010, in amount of MDL 2,000,000. The interest rate is 8%. The credit line is valid until 16 May 2025. The loan balance as at 31 December 2023 is EUR 0; 31 December 2022 is EUR 0.

BCR Chisinau: credit line contracted in 2010, in amount of EUR 300,000. The interest rate is 4.5%. The credit line is valid until 16 May 2025. The loan balance as at 31 December 2023 is EUR 0; 31 December 2022 is EUR 0.

The credit lines and the letters of guarantees issued by the bank (presented at Note 31) are pledged with certain buildings and inventories.

(c) Guarantees and pledges

In relation to the borrowings presented above, the Group entities have the following pledges on assets made in favour of the banks for loans and letters of guarantees bank facility as part of the agreements with the banks:

	31-Dec-23	31-Dec-22
Property, plant and equipment and investment property*	7,584,491	8,338,559
Inventories	145,502,038	129,196,880
Trade receivables	180,172,360	164,503,375
Cash and cash equivalents	8,681,031	18,274,491
Total	**341,939,920**	**320,313,305**

*Property, plant and equipment and investment property is presented at net carrying value amount.

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Long-term borrowings	**Short-term borrowings**	**Leases**
Balance at 1 January 2023	**-**	**2,050,922**	**123,080,878**
Changes from financing cash flows			
Proceeds from short-term bank loans	-	9,883,898	-
Repayment of borrowings	-	(2,050,922)	-
Payment of lease liabilities	-	-	(39,760,053)
Total changes from financing cash flows	**-**	**7,832,976**	**(39,760,053)**
The effect of changes in foreign exchange rate			
Liability-related			
New leases	-	-	65,646,223
Interest expense	64,838	94,700	6,554,113
Interest paid	(64,838)	(94,700)	(6,554,113)
Modifications to the leasing contract	-	-	32,777,497
Balance at 31 December 2023	**-**	**9,883,898**	**181,744,546**

26. LOANS AND BORROWINGS (CONTINUED)

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Liabilities		
	Long-term borrowings	**Short-term borrowings**	**Leases**
Balance at 1 January 2022	**4,512,666**	**-**	**69,927,624**
Changes from financing cash flows			
Repayment of borrowings	(2,453,463)	-	-
Payment of lease liabilities	-	-	(42,421,034)
Total changes from financing cash flows	**(2,453,463)**	**-**	**(42,421,034)**
The effect of changes in foreign exchange rate	**(8,282)**		
Liability-related			
New leases	-	-	16,137,690
Interest expense	87,413	164,988	2,520,744
Interest paid	(87,413)	(164,988)	(2,520,744)
Modifications to the leasing contract	-	-	79,436,598
Balance at 31 December 2022	**2,050,922***	**-**	**123,080,878**

*Balance of long term borrowing as at 31 December 2022 is: RON 2,050,922 current portion.

As at 31 December 2023 new leases refer to RON 58,974,070 agreements for buildings (31 December 2022: RON 81,251,321) and RON 39,449,650 (31 December 2022: RON 14,322,966) for equipment.

In 2023 modifications to the leasing contract refer mainly to extension of lease agreements, at the same time the monthly rent being increased due to inflation or renegotiated annually for most of them.

27. LEASES

(a) Leases as lessee

On assessing the application of IFRS 16 Leases, the Group considered the following criteria to determine whether the arrangements contain any leases:

a) The lessee has the right to obtain substantially all of the economic benefits from using the asset throughout the period of use;

b) The lessee has the right to direct the use of the identified asset throughout the period of use.

The Group leases warehouse and office space. The leases typically run for a period of 5 to 10 years. Additionally, the Group leases transport vehicles. The leases typically run for a period of 5 years. Majority of these leases transfer the ownership of the underlying asset at the end of the lease term.

In case of leases without transfer of ownership of underlying asset at the end of the lease term, only part of these leases include renewal options, which may be applied if the Group announces the lessor with at more than 12 months in advance of the original lease term. The renewal and the extension of the term has to be agreed by both parties through signing an addendum to the contract. Considering that both the renewal and the additional lease term has to be approved also by the lessor, the Group did not consider any renewal option when determining the lease term.

The Group determined the incremental borrowing rate based on the interest rate applied by the financial institution to similar entities for loans with the same characteristics as the lease contracts (in terms of currency and term). The Group does not include in the lease payments costs incurred in connection with the lease that are not part of the cost of the right-of-use asset (such as maintenance or insurance).

27. LEASES (CONTINUED)

Information about leases for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

In 2023 and 2022 the term several rent contracts classified as leasing under IFRS was extend (and/or rented surface change) with a new term period, this resulted in recognition of additional right of use assets as presented below:

2023	**Land and buildings**	**Equipment**	**Total**
Balance at 1 January	**98,758,932**	**31,707,016**	**130,465,948**
Depreciation charge for the year	(24,760,514)	(15,176,516)	(39,937,030)
Additions to right-of-use assets	58,974,070	39,449,650	98,423,720
Decrease*	-	(5,320,637)	(5,320,637)
Balance at 31 December	**132,972,488**	**50,659,513**	**183,632,001**

2022	**Land and buildings**	**Equipment**	**Total**
Balance at 1 January	**42,776,905**	**33,968,731**	**76,745,636**
Depreciation charge for the year	(23,319,261)	(16,672,537)	(39,991,798)
Additions to right-of-use assets*	79,345,360	16,137,691	95,483,051
Decrease**	(44,073)	(1,726,869)	(1,770,942)
Balance at 31 December	**98,758,932**	**31,707,016**	**130,465,948**

(ii) Right-of-use assets (continued)

*For the lease liability balance and the related changes (new leases and modifications), please refer to Note 26 (d).

**The decrease in right-of-use assets refers to vehicles for which the Group became owner at the end of the leasing agreement.

(iii) Amounts recognised in profit or loss

	Note	**31-Dec-23**	**31-Dec-22**
Interest on lease liabilities	**11**	6,554,113	2,156,463
Expenses related to short term lease and low value lease	**10**	3,018,263	2,159,809

(iv) Amounts recognised in statement of cash flows

	31-Dec-23	**31-Dec-22**
Total cash outflows for leases	(39,760,053)	(42,550,927)
Total interest paid	(6,554,113)	(2,520,744)

27. LEASES (CONTINUED)

(b) Leases as lessor

The Group leases out its investment property consisting of its owned properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The Group ensures via contractual clauses that property rights are retained by the lessor and lessees are required to returned the assets leased in the same condition as when taken under lease.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	31-Dec 2023	**31-Dec 2022**
Less than one year	1,466,754	1,148,010
One to two years	1,438,253	900,889
Two to three years	1,382,378	863,766
Three to four years	1,293,444	803,890
Four to five years	925,733	783,815
More than five years	1,842,496	1,414,494
Total	**8,349,058**	**5,914,864**

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

(a) Accounting classifications and fair values

For the purchased or originated credit-impaired financial assets, loans to related parties and long-term trade receivables from related parties, the net carrying amount of the financial assets represents an approximation of fair value. For the bank borrowings, the incremental costs are not material, interest is based on variable interest rates and carrying amount approximates fair value.

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

(i) credit risk;
(ii) liquidity risk; and
(iii) market risk
(iv) non-financial risks.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, long term trade receivables from related parties and loans granted to related parties.

The gross carrying amounts of financial assets represent the maximum credit exposure.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

The Group's current credit risk grading framework comprises the following categories, under the IFRS 9 requirements:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have an overdue of more than 30 days past due.	Lifetime ECL (simplified model)– provision matrix
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL (simplified model)– provision matrix
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (simplified model)– provision matrix
POCI	Purchased or originated credit impaired financial assets	Lifetime ECL
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

There are no significant movements between stages as of end of reporting dates. The tables below detail the credit quality of Group's financial assets, as well as the Group's maximum exposure to credit risk:

31-Dec-2023	**Note**	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Loans to related parties	**22**	Lifetime ECL (credit impaired - POCI)	49,885,790	(29,795,551)	20,090,239
Trade receivables	**16**	Lifetime ECL (simplified model)	311,626,242	(25,211,231)	286,415,011
			361,512,032	**(55,006,782)**	**306,505,250**

31-Dec-2022	**Note**	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Loans to related parties	**22**	Lifetime ECL (credit impaired)	52,033,574	(14,808,372)	37,225,202
Trade receivables	**16**	Lifetime ECL (simplified model)	263,092,187	(15,275,500)	247,816,687
			315,125,761	**(30,083,872)**	**285,041,889**

For loans to related parties and long-term trade receivables from related parties, which are classified as POCI financial assets, the Group has determined the loss allowance based on the expected cash inflow to be obtained from each debtor until the end of 2030, based on the projected future cash flows of the debtors. Note 22 includes further details on the loss allowance for these assets.

The loans contracts were concluded during 2007 – 2013, initially with a maturity of 12 months. Subsequently, the loans were prolonged annually for another 12 months. On 31 December 2020, the Group concluded an addendum with each debtor for restructuring of the loans – modifying the maturity to 31 December 2030 and changing the currency of the loans from RON to EUR.

The Group's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains credit facilities for financing of the operating expenses (please see Note 26).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

Financial liabilities	**Note**	**Total**	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
31-Dec-23						
Bank borrowings	**26**	9,883,898	9,883,898	-	-	-
Lease liabilities	**27**	212,204,247	40,806,973	36,812,269	93,070,772	41,514,234
Trade payables	**24**	229,526,122	229,509,059	17,063	-	-
Total		**451,614,267**	**280,199,930**	**36,829,332**	**93,070,772**	**41,514,234**
31-Dec-22						
Bank borrowings	**26**	2,050,922	2,050,922	-	-	-
Lease liabilities*	**27**	131,208,114	35,682,089	27,374,562	52,550,041	15,601,422
Trade payables	**24**	193,939,412	193,879,745	59,667	-	-
Total		**327,198,448**	**231,612,756**	**27,434,229**	**52,550,041**	**15,601,422**

*As at 31 December 2022, lease liabilities did not include contractual interest payments and the comparatives were adjusted, accordingly.

Liquidity risk ratios

	Note	**31-Dec-23**	**31-Dec-22**
Current assets (a)		721,511,764	619,003,214
Current liabilities (b)		319,709,365	278,585,417
Current ratio (a)/(b)		**2.26**	**2.22**
Cash and cash equivalents (c)	**18**	20,366,734	18,863,042
Trade receivables (d)	**16**	286,415,011	247,816,687
Current liabilities (e)		319,709,365	278,585,417
Quick ratio ((c)+(d))/(e)		**0.96**	**0.96**

(iii) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group companies. The functional currency of all Group entities is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is the functional currency. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR and USD). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Exposure to currency risk
The summary quantitative data about the Group's exposure to currency risk is as follows:

Amounts in RON	Note	RON	EUR	USD	GBP	CHF	PLN	MDL	HUF	Total
31-Dec-23										
Cash and cash equivalents	18	14,184,953	4,909,238	641,284	10,630	490	1,776	618,373	(10)	20,366,734
Short term deposits	18	185,000,000	-	-	-	-	-	-	-	185,000,000
Trade receivables	16	251,700,861	16,681,814	88,446	4,750	-	-	17,939,139	-	286,415,011
Loans to related parties	22	-	20,090,237	-	-	-	-	-	-	20,090,237
Short-term bank borrowings	26	-	(9,883,898)	-	-	-	-	-	-	(9,883,898)
Lease liability	26	(709,344)	(180,739,392)	-	-	-	-	(295,810)	-	(181,744,546)
Trade payables	24	(154,899,285)	(69,506,046)	(3,526,863)	-	(24,150)	-	(1,569,778)	-	(229,526,122)
Net statement of financial position exposure		**295,277,184**	**(218,448,047)**	**(2,797,133)**	**15,380**	**(23,659)**	**1,776**	**16,691,925**	**(10)**	**90,717,416**

Amounts in RON	Note	RON	EUR	USD	GBP	CHF	PLN	MDL	HUF	Total
31-Dec-22										
Cash and cash equivalents	18	13,922,063	4,392,915	206,226	12,737	-	9,826	319,275	-	18,863,042
Short term deposits	18	160,000,000	-	-	-	-	-	-	-	160,000,000
Trade receivables	16	221,360,419	13,595,139	-	-	-	-	12,861,129	-	247,816,687
Loans to related parties	22	-	37,225,202	-	-	-	-	-	-	37,225,202
Long-term bank borrowings	26	-	(2,050,922)	-	-	-	-	-	-	(2,050,922)
Lease liability	26	(171,639)	(122,577,040)	-	-	-	-	(332,199)	-	(123,080,878)
Trade payables	24	(118,757,301)	(64,967,320)	(1,439,091)	-	(22,630)	(287,991)	(6,537,805)	(1,927,273)	(193,939,412)
Net statement of financial position exposure		**276,353,542**	**(134,382,026)**	**(1,232,865)**	**12,737**	**(22,630)**	**(278,165)**	**6,310,400**	**(1,927,273)**	**144,833,719**

28.FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

Currency risk (continued)

The following significant exchange rates have been applied:

	Average rate		**Year-end spot rate**	
RON	**2023**	**2022**	**2023**	**2022**
EUR 1	4.9465	4.9315	4.9746	4.9474
USD 1	4.5743	4.6885	4.4958	4.6346
GBP 1	5.6869	5.7867	5.7225	5.5878
CHF 1	5.0917	4.9096	5.3666	5.0289
PLN 1	1.0896	1.0528	1.1444	1.0557
HUF 1	1.296	1.2648	1.2995	1.2354
MDL 1	0.252	0.248	0.2570	0.2428

Sensitivity analysis

A reasonably possible strengthening (weakening) of RON against EUR, PLN, HUF, MDL, USD, GBP and CHF as at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit of loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in RON	**Profit or loss before tax**	
	Strengthening	**Weakening**
31-Dec-23		
EUR (3% movement)	6,553,441	(6,553,441)
USD (6% movement)	167,828	(167,828)
GBP (5% movement)	(769)	769
CHF (10% movement)	2,366	(2,366)
PLN (4% movement)	(71)	71
HUF (7% movement)	1	(1)
MDL (5% movement)	(834,596)	834,596
31-Dec-22		
EUR (3% movement)	4,031,461	(4,031,461)
USD (6% movement)	73,972	(73,972)
GBP (5% movement)	(637)	637
CHF (8% movement)	1,810	(1,810)
PLN (3% movement)	8,345	(8,345)
HUF (7% movement)	134,909	(134,909)
MDL (5% movement)	(315,520)	315,520

The above profit and loss impact, net of tax, will implicitly impact equity position.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

Interest rate risk

The Group is exposed to interest rate risk mainly in relation to loans and borrowings bearing variable interest rate.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

In RON	**Note**	**31-Dec 2023**	**31-Dec 2022**
Fixed-rate instruments			
Financial liabilities (leases)	**26**	(181,744,546)	(123,080,878)
Variable-rate instruments			
Financial liabilities (borrowings)	**26**	(9,883,898)	(2,050,922)

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL and the Group does not use derivatives. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Effect in RON	**Profit or loss before tax**	
	100 bp increase	**100 bp decrease**
31-Dec-23		
Variable-rate instruments	(98,839)	98,839
Cash flow sensitivity	**(98,839)**	**98,839**
31-Dec-22		
Variable-rate instruments	(20,509)	20,509
Cash flow sensitivity	**(20,509)**	**20,509**

Refinancing risk

Refinancing risk refers to the possibility that a borrower will not be able to replace an existing debt with new debt. Group management assessed the risk as low and considers that its credit quality didn't deteriorate due to market conditions.

28. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(IV) Non-financial risks

Cyber-security risk

In 2022, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Group continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risk and supports them to act in a responsible way.

Climate change risk

The Group constantly monitors the latest government legislation in relation to climate related matters, as well as the developments in the sector with respect to green energy.

The Consolidated Financial Statements consider the main climate-related developments and risks associated with the transformation, which also include the climate targets for 2026 agreed at IPO – 10% reduction in carbon footprint.

The main measure taken by the Group to reduce the impact on the environment:
- new 162 unit of cars with lower polluting emissions (LPG, hybrid, gasoline) in amount of RON 17,922,208.
- A new photovoltaic plant: investments of RON 1,090,000 in the expansion of photovoltaic plants inaugurated in the spring of 2022.

The Group considers within its investments plans for the next 3 years the installation of photovoltaic panels and at the Aquila administrative headquarters and replacement of car fleet with lower polluting emissions in amount of RON 54 million.

Given the complexity of climate modelling, the investment scenarios are reviewed periodically to reflect new information, with developments in the periods between updates being reflected in updated internal long-term price outlooks.

In this context, estimates and management judgements relate to assumptions regarding future legal regulations and developments in the market green energy utilisation.

As per Group's management assessment, there is no need for additional provisions arising from the climate risk to be aligned with current requirements.

29. RELATED PARTIES

(a) Main shareholders

As at 31 December 2023 and 31 December 2022 the shareholders of AQUILA PART PROD SA are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian with 33.3% each. The balances with shareholders are related to dividends payable, as follows:

	31-Dec-23	**31-Dec-22**
Shareholders	5,329	1,276
Minority shareholders	7,790	8,042
Total	**13,119**	**9,318**

(b) Management remuneration

	2023	**2022**
Executive management compensation	16,755,027	13,436,779

This is a free translation from the original binding Romanian version.

29. RELATED PARTIES (CONTINUED)

(c) Balances with related parties

Parties are considered to be related If one party has the ability to control the other party of to exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of relationship, not merely the legal form.

The table below presents the nature of the related parties relationship and transactions for those related parties with whom the Group entered into significant transactions or had significant balances outstanding:

Related Party	Relationship	Nature of transactions
Aquila Construct SRL	Common shareholder	Rent, receiving of services
Best Coffee Solutions SRL	Common shareholder	Loan granting, sales of goods
Best Distibution	Common shareholder	Purchases or sales of goods
Aquila Agricola SRL	Common shareholder	Loan granting, rendering of services
Novadex & CA SRL	Common shareholder	Loan granting, rent
Nordexim Coffee Services SRL	Common shareholder	Loan granting, purchases or sales of goods
Aquila Asig – Agent de Brokeraj SRL	Common shareholder	Rendering of services
Total Green Energy SRL	Common shareholder	No transactions in current period
Potential Construct SRL	Common shareholder	No transactions in current period
Aquila Trade Solution SRL	Common shareholder	No transactions in current period
Aquila Ag SRL	Common shareholder	Rent
Epernon Limited	Common shareholder	No transactions in current period
Aquila Property Management SRL	Common shareholder	No transactions in current period
Standard AVD	Common shareholder	Sales of Goods
Lorac Impex SRL	Member of key management personnel	Consulting Services, sales of goods
Sobain Management SRL	Member of key management personnel	Consulting Services, sales of goods
Just Blvck Corporation SRL	Member of key management personnel	Purchases or sales of goods

Balances: trade payables	31-Dec-23	31-Dec-22
Lorac Impex SRL	750,000	9,217
Sobain Management	-	1,119,000
Aquila Construct	10,544	4,733
Best Distribution	130,979	238,880
Novadex	86,720	57,994
Total	**978,243**	**1,429,824**

29. RELATED PARTIES (CONTINUED)

(c) Balances with related parties (continued)

Balances: trade receivables	**31-Dec-23**	**31-Dec-22**
Aquila Construct	169,032	174,116
Best Coffee Solutions	2,127,127	521,571
Aquila Agricola	62,894	18,896
Aquila Asig	4,108	3,377
Nordexim*	11,509,599	10,052,007
Standard AVD	415,546	-
Lorac Impex	9,244	11,963
Sobain Management	8,960	-
Aquila Ag	-	11,730
Just Blvck Corporation S.R.L.	480	-
Total	**14,306,990**	**10,793,659**

*Net impairment recognized at 31 December 2023 for Nordexim SRL is RON 8,474,061 (31 December 2022: RON 4,016,174), while net value of the receivable balance is RON 3,035,537 (31 December 2022: RON 6,035,833).

Balances: Prepayment	**31-Dec-23**	**31-Dec-22**
Lorac Impex S.R.L.	759,217	9,217
Sobain Management	500	1,119,000
Total	**759,717**	**1,128,217**

(d) Transactions with related parties

Purchases (without VAT)	**31-Dec-23**	**31-Dec-22**
Aquila Construct	4,883	3,977
Best Coffee Solutions	48,163	59,735
Best Distribution	1,081,016	826,066
Nordexim	1,940,954	2,048,312
Lorac Impex	7,076,731	4,917,155
Sobain Management	3,968,080	3,192,133
Novadex	170,006	147,288
Total	**14,289,832**	**11,194,666**

Sales (without VAT)	**31-Dec-23**	**31-Dec-22**
Aquila Construct	1,950,102	1,677,840
Best Coffee Solutions	2,175,584	599,238
Best Distribution	19,068	437,890
Aquila Agricola	36,973	36,955
Aquila Asig	10,014	10,383
Nordexim	7,485,071	12,361,808
Standard AVD	440,036	-
Lorac Impex	15,317	14,761
Aquila Ag	-	3,600
Sobain Management	8,208	-
JUST BLVCK CORPORATION S.R.L.	5,877	-
Total	**12,146,250**	**15,142,474**

(e) Loans to related parties

The Group has significant loans granted to related parties. Related balances, finance income and losses are disclosed in Note 22.

30. CONTINGENCIES

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of tax payers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed. Romanian tax authorities carried out controls on the Group entities related to income tax by the end of 2022 for AQUILA PART PROD COM SA and by the end of 2020 for PRINTEX SA.

The management of the Group believes that all the tax obligations included in the Group's consolidated financial statements are adequate. The fiscal audit of AQUILA PART PROD COM SA started in prior year has been finalized during 2023. The additional taxes claimed by the authorities and related penalties have been recorded and paid, however, the Group does not agree with the result of the fiscal audit and have started the legal contestation procedures.

Transfer pricing

In accordance with relevant tax law in Romania, the tax treatment of a transaction carried out with related parties is based on the concept of the market price of that transaction. Based on this concept, transfer prices should be adjusted to reflect market prices that would be established between parties which are not affiliates or related parties and which act independently on the basis of "arm’s length” principle.

Transfer pricing audits are likely to be performed in the future by the tax authorities to determine whether these prices follow the "arm’s length" principle and that the taxpayer's taxable base is not distorted. The management of the Group is not able to quantify the result of such audits and believes that the Group's transactions with related parties are conducted at arm’s length.

31. COMMITMENTS

Guarantees and pledges

As at 31 December 2023 the Group entities have bank letters of guarantee issued in favour of third parties with a total amount of EUR 24,488,865 and USD 400,000 (31 December 2022: EUR 21,866,079). The letters of guarantee issued in favour of the subsidiary TRIGOR AVD SRL is EUR 750,000 (31 December 2022: EUR 600,000) and in favour of Nordexim is EUR 120,000 (31 December 2022: EUR 120,000).

As at 31 December 2023 the Group entities have bank letters of guarantee received with a total amount of RON 1,200,000 (31 December 2022: RON 1,200,000).

As at 31 December 2023 the Group has no significant contractual commitments.

32. SEGMENT REPORTING

The Group has analysed the segments of operations such as distribution of goods, transportation and logistics services and determined the segments based on management organization by types of revenues obtained. The Group has determined as reportable segments distribution of goods, logistic services and external transport services considering the nature of similarities of the activities. Distribution of goods refers to sales of consumer goods products (FMCG).

Goods and services revenues are mostly related to internal market sales in Romania, as presented in Note 8.

32. SEGMENT REPORTING (CONTINUED)

Statement of profit or loss for the year ended 31 December 2023:

	Distribution	Logistics	Transport	Unallocated	Total
Revenues	2,357,205,007	87,603,416	65,206,995	-	2,510,015,418
Other income	6,692,532	851,495	2,428,281	-	9,972,308
	-	-	-	-	
Cost of goods sold	(1,864,361,489)	(1,204,864)	(163,268)	-	(1,865,729,621)
Cost of fuel related to transport services	(42,190,812)	(10,381,932)	(20,764,675)	-	(73,337,419)
Salaries and other employee benefits	(205,417,312)	(31,537,456)	(21,565,220)	-	(258,519,989)
Repairs, maintenance and materials cost	(15,817,629)	(2,383,671)	(6,001,687)	-	(24,202,986)
Depreciation and amortisation	(42,106,933)	(2,182,485)	(3,606,374)	-	(47,895,792)
Charge of Expected credit losses	(25,567,898)	-	-	-	(25,567,898)
Other operating expenses	(72,924,805)	(30,060,982)	(15,090,436)	-	(118,076,223)
Operating profit/ (loss)	**95,510,661**	**10,703,521**	**443,617**	**-**	**106,657,799**
Finance income				17,463,317	17,463,317
Finance costs				(7,826,253)	(7,826,253)
Net finance (cost)/income					**9,637,064**
Profit before tax					**116,294,863**
Income tax expense				(19,369,574)	(19,369,574)
Profit for the year					**96,925,289**

The Group does not allocate assets and liabilities per segments, as the management doesn't use such information for decision making process.

During 2023 and 2022, the Group had no distribution clients that exceeded 10% of goods sales.

32. SEGMENT REPORTING (CONTINUED)

Statement of profit and loss for the year ended 31 December 2022:

	Distribution	Logistics	Transport	Unallocated	Total
Revenues	2,063,204,737	78,868,663	68,252,073	-	2,210,325,473
Other income	5,986,849	1,264,859	1,082,699	-	8,334,406
Cost of goods sold	(1,622,687,460)	(1,094,276)	(191,528)	-	(1,623,973,263)
Cost of fuel related to transport services	(39,884,336)	(13,813,508)	(23,274,433)	-	(76,972,277)
Salaries and other employee benefits	(180,338,702)	(25,103,118)	(19,795,561)	-	(225,237,381)
Repairs, maintenance and materials cost	(15,203,042)	(2,699,861)	(6,157,527)	-	(24.060.430)
Depreciation and amortisation	(27,996,663)	(16,986,393)	(5,115,601)	-	(50,098,657)
Charge of Expected credit losses	(19,782,564)	-	-	-	(19,782,564)
Other operating expenses	(75,941,072)	(11,707,625)	(14,056,953)	-	(101,705,650)
Operating profit/ (loss)	**87,357,747**	**8,728,741**	**743,169**	**-**	**96,829,657**
Finance income				7,570,113	7,570,113
Finance costs				(3,836,199)	(3,836,199)
Net finance (cost)/income					**3,733,914**
Profit before tax					**100,563,571**
Income tax expense				(15,331,547)	(15,331,547)
Profit for the year					**85,232,024**

33. SUBSEQUENT EVENTS

(a) Acquisition of new companies

A. Romtec

On 26 February 2024, the Company perfected the transaction for the acquisition of 100% of the shares of Romtec. Europa SRL ("Romtec") previously owned by Green Ideas Group MTC SRL (80%) and by FLM Group Green MTC SRL (20%), after receiving the approval from the Competition Council.

The primary reason for Aquila's acquisition of Romtec was to expand the Group in Romania and increase global operational profitability. With this initial investment in manufacturing capacity, it is intended to contribute to the development of the local industry and diversify the portfolio with products from over 20 brands manufactured in Romania.

(i) Identifiable assets acquired and liabilities assumed

The following table summarises the assets acquired, and liabilities assumed at the date of acquisition. The figures presented are unaudited, according to local GAAP, based on latest trial balance available (31 January 2024). The IFRS fair value of net assets acquired will be determined subsequently, in order to comply with IFRS consolidation requirements for 2024.

	RON
Property, plant and equipment	13,917,611
Intangible assets	1,155
Other non-current assets	20,040
Inventories	3,178,383
Trade receivables	4,219,273
Other receivables	36,041
Cash and cash equivalents	2,492,369
Prepayments	933,546
Lease liabilities	(26,166)
Short-term bank borrowings	(5,482,513)
Trade payables	(6,719,885)
Current tax liabilities	98,933
Deferred revenue	(20,131)
Employee benefits	(622,450)
Other payables	(1,118,753)
Total identifiable net assets acquired	**10,907,454**

(ii) Consideration as per agreement

The total consideration as per agreement consists of transaction price in amount of EUR 3.2 million, subject to sale and purchase price agreement provisions.

33. SUBSEQUENT EVENTS (CONTINUED)

B. Parmafood companies

On 10 January 2024 the Board of Directors of the Company approved the signing of a preliminary transaction agreement to acquire a package consisting of 100% of the shares of Parmafood Trading SRL and Parmafood Group Distribution SRL, together “Parmafood companies”, two leading distributors of fast-moving consumer goods. The total agreed price for the acquisition of both companies will be a maximum of EUR 16.5 million, from which debts will be deducted, based on a price mechanism established by the parties. The amount will be paid from the Company’s own sources. The agreed payment method consists of paying 80% of the total amount upon closing the transaction and 10% after 1 year, respectively 2 years from the deal’s closing. The transaction will take place subject to obtaining the necessary approvals from the Competition Council and the Commission for the Examination of Foreign Direct Investments, and after the prior approval of the main terms and conditions by Company’s Extraordinary General Shareholders Meeting.The two companies provide distribution activities in HoReCa, Modern Retail and Traditional Retail channels and operate logistics warehouses with integrated inventory management systems.

(b) Changes in shareholders’ structure

In January 2024 Alin Adrian Dociu reduced his percentage of its stock in Aquila (AQ) from 33.33% to 25%, the new structure being the following:

Shareholder	Number of shares	Par value (RON)	Statutory Share capital (RON)
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	300,000,600	0.15	45,000,090
Other shareholders	500,001,000	0.15	75,000,150
Total	**1,200,002,400**		**180,000,360**

(c) Economic environment

At present, we are monitoring very closely the current situation and developments of economic conditions and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region, which also enables us to identify any impact on our business and supply chains at an early stage and act accordingly.

The war in the Ukraine is still creates increased geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months, however, at this stage, Management doesn’t expect that future possible economic evolution will have a significant negative impact on the Group operations and on the recoverable value of the Group long term assets. No other significant subsequent events occurred until date of the financial statements which require disclosures. Also, recent conflict from Israel does not affect the Group’s activities.

(d) Changes in corporate income tax legislation

Starting 1 January 2024, a minimum tax on turnover is introduced for taxpayers who record a turnover higher than 50,000,000 EUR during the previous year, taxpayers that, for the reporting year, compute a corporate income tax cumulated from the beginning of the fiscal year/modified fiscal year to the end of the quarter/year of calculation, lower than the tax on turnover determined based on a specific formula provided by the legislation are obliged to pay corporate income tax at the level of the minimum tax on turnover. Based on the preliminary assessment, starting January 1, 2024 there will be additional taxes payable in accordance with the above-mentioned changes.

Signed and approved at 29 March 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

This is a free translation from the original binding Romanian version.

AQUILA PART PROD COM S.A.

SEPARATE FINANCIAL STATEMENTS

As at and for the year ended

31 December 2023

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Financial instruments

Other information

AQUILA PART PROD COM S.A.
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts are in RON, if not otherwise stated)

	Note	31-Dec-23	31-Dec-22
ASSETS			
Non-current assets			
Property, plant and equipment	**19**	233,075,814	171,198,718
Investment property	**21**	11,092,139	10,810,594
Intangible assets	**20**	771,123	1,156,683
Goodwill	**20**	5,011,706	5,011,706
Investments in subsidiaries	**28**	25,923,057	25,923,057
Loans to related parties	**22**	17,155,649	33,633,553
Deferred tax assets	**14**	5,585,761	3,723,416
Other non-current assets		542,696	585,416
Total non-current assets		**299,157,945**	**252,043,143**
Current assets			
Inventories	**15**	161,683,297	152,481,745
Trade receivables	**16**	268,210,267	234,620,704
Short term portion of loans to related parties	**22**	2,934,588	3,591,648
Other receivables	**17(a)**	14,014,301	1,237,377
Prepayments	**17(b)**	53,974,805	28,507,578
Short term deposits	**18(b)**	185,000,000	160,000,000
Cash and cash equivalents	**18(a)**	14,327,643	15,683,671
Total current assets		**700,144,901**	**596,122,723**
Total assets		**999,302,846**	**848,165,866**
EQUITY AND LIABILITIES			
Equity			
Share capital	**23**	180,590,088	180,590,088
Share premium		199,356,416	199,356,416
Own shares	**23**	(991,972)	(991,972)
Legal reserves	**23**	14,745,076	9,360,436
Retained earnings		134,124,265	97,813,748
Total equity attributable to the owners of the Companies		**527,823,873**	**486,128,717**
Non-controlling interests		-	-
Total equity		**527,823,873**	**486,128,717**

	Note	31-Dec-23	31-Dec-22
LIABILITIES			
Non-current liabilities			
Non-Current portion of Lease liabilities	**26**	149,416,023	90,578,567
Trade payables	**24**	17,063	59,666
Contract liability		585,092	247,517
Deferred tax liabilities	**14**	497,103	382,626
Total non-current liabilities		**150,515,281**	**91,268,376**
Current liabilities			
Current portion of long-term bank borrowings	**26**	-	2,050,921
Short-term bank borrowings	**26**	9,883,898	-
Lease liabilities	**26**	32,710,581	32,612,024
Trade payables	**24**	235,433,501	194,754,754
Employee benefits	**13**	28,845,020	25,284,030
Current tax liabilities		3,542,733	5,019,861
Other payables	**25**	10,547,958	11,047,184
Total current liabilities		**320,963,691**	**270,768,774**
Total liabilities		**471,478,972**	**362,037,150**
Total equity and liabilities		**999,302,845**	**848,165,867**

Signed and approved at March 29, 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

AQUILA PART PROD COM S.A.
SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts are in RON, if not otherwise stated)

	Note	31-Dec-23	31-Dec-22
Revenues	8	2,398,019,785	2,111,797,827
Other income	9	8,439,674	7,366,889
Cost of goods sold	15	(1,793,584,714)	(1,561,314,618)
Cost of fuel and transport services		(71,992,062)	(76,530,176)
Salaries and other employee benefits	13	(239,984,708)	(208,946,623)
Repairs, maintenance and materials cost		(23,335,755)	(22,017,777)
Depreciation and amortisation	19,20,21	(47,101,762)	(47,431,084)
Reversal of Expected credit losses/(Expected credit losses)	16,22	(25,783,616)	(19,807,565)
Other operating expenses	10	(111,617,409)	(94,999,574)
Operating profit		**93,059,434**	**88,117,299**
Finance income	11	17,200,323	7,570,116
Finance income - other	11	4,759,819	-
Finance costs	11	(7,243,199)	(3,420,603)
Finance result		**14,716,943**	**4,149,513**
Profit before tax		**107,776,377**	**92,266,812**
Income tax expense	14	(17,201,153)	(14,263,449)
Profit for the year		**90,575,224**	**78,003,363**
Total comprehensive income		**90,575,224**	**78,003,363**
Earnings per share			
Basic and diluted earnings per share	12	**0.076**	**0.065**

Signed and approved at March 29, 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

	Note	Share capital	Share premium	Own shares	Legal reserves	Retained earnings	Total
Balance at 1 January 2023		**180,590,088**	**199,356,416**	**(991,972)**	**9,360,436**	**97,813,748**	**486,128,716**
Comprehensive income							
Profit for the year		-	-	-	-	90,575,224	90,575,224
Total comprehensive income		**-**	**-**	**-**	**-**	**90,575,224**	**90,575,224**
Dividends to the owners of the Company	23	-	-	-	-	(48,880,066)	(48,880,066)
Total contributions and distributions		**-**	**-**	**-**	**-**	**(48,880,066)**	**(48,880,066)**
Total transactions with owners of the Company		-	-	-	-	**(48,880,066)**	**(48,880,066)**
Other changes in equity							
Increase in legal reserves	**23**	-	-	-	**5,384,640**	**(5,384,640)**	**-**
Balance at 31 December 2023		**180,590,088**	**199,356,416**	**(991,972)**	**14,745,076**	**134,124,265**	**527,823,873**

Signed and approved at March 29, 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

	Note	Share capital	Share premium	Own shares	Legal reserves	Retained earnings	Total
Balance at 1 January 2022		**30,589,788**	**349,356,716**	**(991,972)**	**4,715,621**	**109,003,204**	**492,673,357**
Comprehensive income							
Profit for the year		-	-	-	-	78,003,363	78,003,363
Total comprehensive income		**-**	**-**	**-**	**-**	**78,003,363**	**78,003,363**
Transactions with owners of the Company							
Contributions and distributions							
Issue of shares	**23**	150,000,300	(150,000,300)	-	-	-	-
Dividends to the owners of the Company	**23**	-	-	-	-	(84,548,003)	(84,548,003)
Total contributions and distributions		**150,000,300**	**(150,000,300)**	**-**	**-**	**(84,548,003)**	**(84,548,003)**
Total transactions with owners of the Company		**150,000,300**	**(150,000,300)**	**-**	**-**	**(84,548,003)**	**(84,548,003)**
Other changes in equity							
Increase in legal reserves	**23**	-	-	-	4,644,815	(4,644,815)	-
Balance at 31 December 2022		**180,590,088**	**199,356,416**	**(991,972)**	**9,360,436**	**97,813,748**	**486,128,716**

Signed and approved at March 29, 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

	Note	31-Dec-23	31-Dec-22
Cash flows from operating activities			
Profit after tax		**90,575,224**	**78,003,363**
Adjustments for:			
Depreciation	**19,20,21**	47,101,762	47,431,084
Gain on disposal of property, plant and equipment	**9**	(3,681,074)	(1,381,206)
Reversal of Expected credit losses/(Expected credit losses)	**16,22**	25,783,616	19,807,565
Other gains and losses	**15**	963,678	-
Total Finance Income	**11**	(21,960,142)	(7,570,116)
Total Finance Costs	**11**	7,243,199	3,420,603
Income tax expense	**14**	17,201,153	14,263,449
Changes in:			
Decrease/(increase) in inventories		(10,165,230)	(24,119,046)
Decrease/(increase) in trade receivables		(44,493,877)	(53,399,382)
Decrease/(increase) in other receivables		(15,021,612)	(2,269,793)
Decrease/(increase) in prepayments		(25,467,227)	4,315,834
Increase/(decrease) in trade payables		40,636,143	(3,066,045)
Increase/(decrease) in other payables		12,568,161	4,347,013
Increase/(decrease) in employee benefits		3,560,990	2,228,584
Increase/(decrease) in contract liabilities		337,575	103,369
Cash generated from operating activities		**125,182,341**	**82,115,276**
Interest paid to banks	**26**	(159,539)	(87,413)
Payments of interest portion of the lease liability*	**26**	(6,314,269)	(2,529,712)
Income tax paid		(21,635,069)	(11,018,320)
Net cash from operating activities		**97,073,464**	**68,479,831**

	Note	31-Dec-23	31-Dec-22
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(11,732,961)	(11,852,676)
Proceeds from sale of property, plant and equipment		4,818,876	1,862,126
Proceeds from loans granted to related parties		2,624,255	6,523,032
Interest received		13,744,160	7,391,897
Decrease/(increase) of short term deposits		(25,000,000)	35,000,000
Advance paid for acquisition of subsidiary	**17**	(2,500,000)	-
Net cash used in investing activities		**(18,045,670)**	**38,924,379**
Cash flows from financing activities			
Repayment of long-term bank loans	**26**	(2,048,036)	(2,453,463)
Proceeds from short-term bank loans	**26**	9,883,898	-
Payment of lease liabilities	**26**	(39,343,671)	(41,751,176)
Dividends paid	**23**	(48,876,014)	(84,546,727)
Net cash used in financing activities		**(80,383,823)**	**(128,751,366)**
Net increase/(decrease) in cash and cash equivalents		**(1,356,028)**	**(21,347,156)**
Cash and cash equivalents at 1 January	**18**	**15,683,671**	**37,030,827**
Cash and cash equivalents at 31 December	**18**	**14,327,643**	**15,683,671**

* For the year ended 31 December 2022 the amounts representing payments of interest portion of lease liabilities were included in the line Interest paid to banks

Signed and approved at March 29, 2024:

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin

1. REPORTING ENTITIES AND GENERAL INFORMATION

General information about the Company

These financial statements are the individual financial statements of AQUILA PART PROD COM S.A. („the Company" or „Aquila").

The Company headquarter and activities are the following:

Entitate	Sediu	Numar inregistrare Registrul Comertului Cod Unic de Inregistrare	Activitate
Aquila Part Prod Com S.A.	105A Malu Rosu Stret, Ploiesti, Prahova County, Romania	Trade Register no: J29/2790/1994 Unique registration code: 6484554	Wholesale of consumer goods, Rendering of logistic services, Internal and external transport of goods

Based on General Shareholders meeting from 8 June 2021, Aquila Part Prod Com SA increased the share capital with RON 16,975,040 through issue of 1,697,504 shares with a par value of RON 10. Issue of shares was performed against incorporation in full of the statutory share premium determined by the merger with Seca Distribution SRL. Additionally, the Company modified the par value of the shares from RON 10 to RON 0.15 through stock split, total number of shares issued by the Company after the stock split is 133,333,600.

In November 2021, Aquila Part Prod Com SA increased the share capital with RON 10,000,020 through issue of 66,666,800 shares with a par value of RON 0.15. The issued shares were used for the initial public offer where Aquila Part Prod Com SA received RON 355,157,710 (gross amount: RON 366,667,400, broker fee: RON 11,509,689).

Based on Extraordinary General Shareholders Resolution of Aquila Part Prod Com S.A. of 23 February 2022, the share capital increase is carried out to support the current activity of the Company; the share capital will be increased by an amount of 150,000,300 RON, representing issuance premiums; the number of shares issued in the share capital increase is 1,000,002,000 new shares; each shareholder of the Company registered in the shareholders' registry on the record date will receive free of consideration a number of 5 newly issued shares for each share held on the record date.

As at 31 December 2023, the shareholders of the Company, are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian, each holding 33.3% in each company and a series of other shareholders which hold a combined stake of 33.4%.

Shareholder	Number of shares	Par value (RON)	Statutory Share capital (RON)
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	400,000,800	0.15	60,000,120
Other shareholders	400,000,800	0.15	60,000,120
Total	**1,200,002,400**		**180,000,360**

As at 31 December 2022, the shareholders of the Company, are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian, each holding 33.3% in each company and a series of other shareholders which hold a combined stake of 33.4%.

Shareholder	Number of shares	Par value (RON)	Statutory Share capital (RON)
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	400,000,800	0.15	60,000,120
Other shareholders	400,000,800	0.15	60,000,120
Total	**1,200,002,400**		**180,000,360**

1. REPORTING ENTITIES AND GENERAL INFORMATION (CONTINUED)

Aquila's subsidiaries are the following:

Entity	% shareholding as at 31 December 2023	% shareholding as at 31 December 2022
PRINTEX S.A.	95.75%	95.75%
TRIGOR AVD S.R.L.	100%	100%

2. BASIS OF PREPARATION

The separate financial statements are prepared in accordance with the requirements of the Minister of Public Finance Order no. 2844/2016, with subsequent amendments for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EUs.

Minister of Finance no. 2844/2016 with subsequent amendments, is in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union, with the exception of IAS 21 The effects of the variation of exchange rates regarding the functional currency, the provisions of IAS 20 Accounting for government subsidies regarding recognition of revenues from green certificates, with the exception of IFRS 15 Revenues from contracts with customers regarding revenues from connection fees of the distribution network. These exceptions do not affect the compliance of the financial statements of the Company and the Company with IFRS adopted by the EU.

The accounting principles of these separate financial statements are presented in Note 2.

The separate financial statements have been approved and authorized for issue by the Board of Directors on 29th March 2024. The separate financial statements will be submitted for shareholders' approval in the meeting scheduled on 29th April 2024.

Details of the Company's material accounting policies are included in Note 6.

Going concern basis of accounting

The separate financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations in the foreseeable future.

At December 31, 2023, the Company's financial position shows net current assets (total current assets in amount of RON 700.1 million deducted by total current liabilities in amount of RON 320.9 million) of RON 379.2 million (31 December 2022: RON 325.3 million), mainly as a result of short term deposits of RON 185 million, the Company having utilised only part of the short-term borrowings at this date (Note 26). The Company continues to trade profitably and generate positive cash flows and management has assessed that the Company's is able to meet its obligations as they fall due.

As at 31 December 2023 and 31 December 2022, the Company's net assets amount to RON 527.8 million and RON 486.1 million, respectively. For the year ending 31 December 2023 the Company reported profits of RON 90.6 million (2022: RON 78 million), with 29% above the budgeted level.

The Company has distributed dividends in 2023 in amount of RON 49 million, while management believes that the current resources availability is sufficient to enable the Company to continue its operations and settle its obligations in the ordinary course of business without substantial disposal of assets, reversing its operations or similar actions.

The Company's results may be directly affected by economic conditions, in particular employment levels, inflation, available income, consumption levels, consumer confidence, applicable taxes and consumers' willingness to spend money in markets and geographical areas in which the Company operates. In an unfavourable economic environment with a decline in disposable income, Company customers can reduce the frequency with which they purchase consumer goods or choose cheaper options. This risk remains high as inflationary pressure has continued (in the context of supply shocks) and the build-up of geopolitical tensions in Eastern Europe. A decrease in disposable income may affect customer traffic, frequency, average value of goods purchased, and the Company's ability to pass on cost increases to its customers. The Company was not negatively impacted by market developments in 2023.

2. BASIS OF PREPARATION (CONTINUED)

Going concern basis of accounting (continued)

Although the last year was characterized by the above challenges, considering the investment trend of digitalization, combined with improved market conditions and portfolio increase, the Company has achieved and is aiming for future higher earnings and net profits. The Company's key actions are related to margins' optimization by focusing on products with higher margins, including own brands, expansion of automation solutions in distribution and logistics, development of the B2B platform to reduce order time and increase agent productivity.

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation have a continuous impact on the European economies and globally. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. Also, recent conflict from Israel does not affect the Aquila's activities. However, the impact on the general economic situation may require timely revisions of certain assumptions and estimates.

Based on the facts described above and the plans for 2024, management has assessed that the going concern assumption adopted in the preparation of the separate financial statements to be appropriate.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These individual financial statements are presented in Romanian Lei (RON), which is the functional currency of the Company.

All financial information is presented in RON, except when otherwise indicated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these individual financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed periodically. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 6 (h) (iii) and 6 (i) (iii) – useful lives of property, plant and equipment and intangible assets;
- Notes 6 (m) (i) , 22, 29 (b) – measurement of ECL (expected credit losses) allowance for trade receivables, loans to related parties and long-term receivables from related parties;
- Notes 6 (o) and 31 – recognition and measurement of provisions and contingent liabilities: key assumptions about the likelihood and magnitude of an outflow of resources;
- Notes 16, 24 – judgement in relation to off setting the accruals for the discounts granted with trade receivables and accruals of the discounts received with the trade payables.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assumptions and estimation uncertainties

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 29 (a) – financial instruments;

5. BASIS OF MEASUREMENT

The individual financial statements have been prepared on the cost basis - historical cost conversion.

6. MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements.

(a) Revenue from contracts with customers

Under this standard, revenue is recognized when or as the customer acquires control over the goods or services rendered, at the amount which reflects the price at which the Company is expected to be entitled to receive in exchange of those goods or services. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties (such as VAT, excise or other taxes related to sale).

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers and the related revenue recognition policies.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Revenue from contracts with customers (continued)

	Nature and satisfaction of contractual obligations	Revenue recognition policies
Sale of goods	The performance obligations are agreed based on purchase orders from the customers under framework contracts. Consequently, each additional good to be delivered based on purchase orders represent a distinct performance obligation. Customers obtain control of goods when the goods are delivered to and have been accepted at their premises. The performance obligation is satisfied at that point in time. Invoices are issued when the goods are dispatched from Company's warehouses. Considering that the deliveries are made within the same country and using the Company's distribution network, there is no significant time passed between the dispatch time and delivery. Discounts are offered by the Company, which are included on the invoice issued. Payment terms vary from 15 to 90 days. Additionally volume-based discounts are offered by the Company for certain brands of goods, the volumes based on which the discounts are determined and the percentages applied are established in the contracts with customers. As a result, for the performance obligations performed, the Company is remunerated with a variable considerations which includes accruals for discounts to be granted. The Company estimates the discounts to be granted based on the actual volume of sales and contractual provisions. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments..	Revenue is recognized when the goods are delivered and have been accepted by customers at their premises (at a point in time). The company recognizes revenues when the performance obligation is satisfied, which is the point at which control of the promised goods are transferred to its customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods. For the majority of the Company's customer arrangements, control transfers to customers at a point-in-time when goods have been delivered, as that is generally when legal title, physical possession and risks and rewards of goods transfers to the customer. The timing of satisfaction of the performance obligation is not subject to significant judgment. Aquila generates revenue primarily from the distribution and sale of products to its customers. Substantially all revenue is recognized at the point in time in which the product is delivered to the customer. The company grants certain customers sales incentives, such as rebates or discounts, which are accounted for as variable consideration. The variable consideration is based on amounts known at the time the performance obligation is satisfied and, therefore, requires minimal judgment. Volume based discounts not granted to customers before year end are accrued for. Such volume discounts are measured as variable consideration and an estimate is included in the transaction price. Actual amounts are settled upon credit memo issuance, including accruals for the discounts granted. After completion of Company's performance obligations, the company has an unconditional right to consideration as outlined in its contracts with customers. Aquila's customer receivables will generally be collected in less than 90 days in accordance with the underlying payment terms. Customer receivables, which are included in accounts receivable, less allowances in the separate balance sheet, are presented in the balance sheet line trade receivables. Aquila has no significant commissions paid that are directly attributable to obtaining a particular contract.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Revenue from contracts with customers (continued)

	Nature and satisfaction of contractual obligations	Revenue recognition policies
Logistic services: warehouse services, handling, packaging	The performance obligation is the performance of services related to goods of customers for which the Company ensures distribution. The performance obligation is satisfied as the Company performs the logistic services on a continuous basis / over time. Invoices are issued monthly based on documents that attest the services performed by the Company during the respective month. Payment terms vary from 15 to 90 days. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments.	Revenue is recognized over time, because the customer simultaneously receives and consumes the benefits provided by the performance of the Company as the services are performed. The services are recognized monthly once the service is performed
Transport services	The performance obligation is the transportation of the goods of customers from warehouses to retailers. Each shipment of goods ordered by the customer represents a performance obligation. The performance obligation is satisfied when the transportation is complete. Invoices are issued monthly based on the supporting documents or transports completed during the month. Payment terms vary from 15 to 90 days. Contracts with customers are concluded on one year basis. There are no significant advances or retained payments.	Revenue is recognized at a point in time when the transportation is complete.

(b) Finance income and finance costs

The Company's finance income and finance costs mainly include:

- interest income;
- interest expense; and
- foreign currency gain or loss on financial assets and financial liabilities.

Interest income and expense are recognised using the effective interest method. Please refer to the note 6(k) for the financial instruments policy.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

The Company, in the normal course of business, makes payments to the state-management pension schemes on behalf of its employees. All employees of the Company are members of the state pension plans.

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

(f) Inventories

Inventories consist mainly of goods for resale and consumables.

The cost of inventories is calculated using the first-in, first-out cost formula. The cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and no other significant non-incremental costs are estimated to be incurred. Inventory is transferred to the Cost of sales upon the fulfilment of the performance obligation and the revenue recognition.

(g) Property, plant and equipment

(i) Recognistion and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (continued)

After initial recognition, all items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	**Useful lives (years)**
Buildings	20-40
Equipment	5-7
Office equipment	10-14

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly.

(h) Intangible assets and goodwill

(i) Recognition and measurement

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). Goodwill arising on the acquisition of subsidiaries or legal mergers (Note 6 (q), Note 20) is measured at cost less accumulated impairment losses.

Brands are recognised only on business combinations.

Brands and other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets and goodwill (continued)

(iii) Amortization

Amortization is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is recognised in profit or loss.

Brands are amortized over 5-6 years according the management assessment of the period over which they are expected to generate cash inflows. The estimated useful lives of software are 3-5 years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

(i) Investments in subsidiary companies

Investments in subsidiary companies represent long-term strategic investments and are stated at historical cost, less any adjustments impairment caused by a diminished value, which is recognised as an expense in the period in which the impairment is identified. The main indicators considered for the identification of impairment are current and anticipated results of the subsidiary, in the context of the industry in which it operates.

Investments held as of 31 December 2023 and as of 31 December 2022 represent fully controlled subsidiaries.

(j) Investment property

Investment property is initially measured at cost and subsequently at cost less any accumulated depreciation and any accumulated impairment losses.

The Company is using linear depreciation method, buildings within investment property are amortised over 20-40 years. Land is not depreciated.

The Company performs valuations to determine if the fair values of investment properties are materially different versus the cost less accumulated depreciation for the disclosures purposes of the fair value.

Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(k) Financial instruments

(i) Recognistion and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI (other comprehensive income), it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, the Company classifies a financial asset as measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at 31 December 2023 and 31 December 2022 the Company does not have any financial assets classified under any of these categories, all assets are measured at amortised cost.

Financial assets measured at amortized cost.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI (Purchased or Originated Credit Impaired financial assets) financial asset. For financial assets that were credit–impaired on purchase or origination in subsequent reporting periods the credit–adjusted effective interest rate is also used subsequently to discount the ECLs. The amortised cost is reduced by impairment losses via loss allowance account. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The policy for impairment for non-derivative financial assets of non-derivative financial assets are presented in note (m) below.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. At 31 December 2023 and 31 December 2022 the Company does not have any financial assets classified under this category.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss, all being classified at amortized cost.

Financial liabilities of the Company include bank borrowings, bank overdrafts and trade payables. Financial liabilities, similar to financial assets, and are measured at amortised cost.

(iii) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

• The rights to receive cash flows from the asset have expired or

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

• The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

When the Company exchanges with the existing counterparty one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. Similarly, the Company accounts for substantial modification of terms of an existing asset or part of it as an extinguishment of the original financial asset and the recognition of a new financial asset.

Factors that the Company considers in assessing whether the terms are substantially different include:

- Change of the (main) borrower
- Change of the tenor resulting to more than 50% more of the original term
- Significant change of the structure of the interest rate, e.g., from zero rate to a fixed rate
- Change in the currency in which the financial asset is denominated.

If the modification is not substantial, the difference between: (1) the carrying amount of the financial asset before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

(iv) Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Company:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. The Company recognizes changes in share capital in accordance with the applicable legislation and after approval of the General Meeting of Shareholders and registration according to the applicable legal obligations.

Until 31 December 2003 the economy of Romania was considered hyperinflationary. Consequently, share capital and legal reserves setup before 31 December 2003 were adjusted for the effects of hyperinflation until that date in accordance with IAS 29.

(m) Impairment

(i) Non-derivative financial assets

The Company recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience as allowed by the simplified approach in IFRS 9. The ECL model includes forward looking information like: GDP (gross domestic product), CPI (customer price index) from National Statistics and Forecasting Commission the National Bank of Romania.

We define buckets and include details here and in Trade Receivables, Note 16 below:

- Not due
- Past due 1-30 days
- Past due 31-60 days
- Past due 61-90 days
- Past due more than 90 days

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 31 days past due. The Company considers a financial asset to be in default when:

– the borrower is unlikely to pay its credit obligations to the Commpany in full, without recourse by the Company to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Measurement of ECLs

IFRS 9 does not prescribe a single method to measure ECLs. The method used by the company to measure ECLs is based on a provision matrix considering historical loss rates. IFRS 9 allows entities to use practical expedients when estimating ECLs for trade receivables. The Company applied the practical expedient to calculate ECL using a provision matrix, please refer to note 16.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Impairment (continued)

POCI assets

Purchased or Originated Credit Impaired financial assets (POCI) are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted effective interest rate (EIR). The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses. The Company recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of multiple scenarios, discounted by the credit-adjusted EIR, in current Statement of profit and loss.

The loans to related parties are classified as POCI financial assets, as a result the Company measures the loss allowance for loans receivables at an amount equal to lifetime ECL. The expected credit losses on loans to related parties are determined based on the expected cash inflow to be obtained from each debtor until the end of 2030, based on the projected future cash flows of the debtors. The future cashflow projections have incorporated judgement and estimates considering historical performances of the related parties as well as expected reasonable future changes based on the information available as at the date of the preparation of these financial statements. On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

If a financial asset is purchased or originated credit-impaired then at the reporting date only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. The expected future credit losses are assessed using the effective interest rate.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (Cash Generating Unit). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to the financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Contingent assets and liabilities

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

b) a present obligation that arises from past events but is not recognized because:

   i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   ii. the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the Company's financial statements, but disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent asset is not recognized in the Company's financial statements but disclosed when an inflow of economic benefits is probable.

(p) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Leasing (continued)

(i) As a lessee (continued)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. The Company is using publicly available information to estimate the Incremental Borrowing Rate, the rate used for discounting the future cashflows. The Management considers most relevant the statistics information as published on the website of National Bank of Romania (BNR) in regard to medium to long term loans granted by Commercial Banks from Romania in the currency of the lease contracts. It is remeasured when there is a change in future lease payments arising from a change in a floating interest rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

As part of the remeasurement process, the Company revises the discount rate when the remeasurement is determined by a change of the lease term or a change in the assessment of an option to purchase the underlying asset or a change of lease payments due to changes in a floating interest rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (below RON 25,000 equivalent of EUR 5,000) and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset. If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the acquirer. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

In case of a legal merger following a business combination, where the parent is the surviving entity, the separate financial statements of the parent are a continuation of the Company separate financial statements. Hence, the values recognised in the separate financial statements become the cost of these assets for the parent. The acquired assets (including investments in subsidiaries, associates, or joint ventures held by the merged subsidiary) and assumed liabilities are recognised at the carrying amounts in the separate financial statements as of the date of the legal merger. This includes any associated goodwill, intangible assets, or other adjustments arising from measurement at fair value upon acquisition that were recognised when the subsidiary was originally acquired, less the subsequent related amortisation, depreciation, impairment losses, as applicable.

The difference between the amounts assigned to the assets and liabilities in the parent's separate financial statements after the legal merger and the carrying amount of the investment in the merged subsidiary before the legal merger is recognised directly in equity, through retained earnings.

(r) Related parties

A related party is a person or entity that is related to the Company that is preparing its financial statements (referred to as "reporting entity"):

(a) A person or close member of that person's family is related to the reporting if that person:
- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(b) An entity is related to a reporting entity if any of the following conditions apply:

- i) the entity and reporting entity are members of the same group (which means that each parent, subsidiary or fellow is related to the others);
- ii) one entity is an associate or joint venture of the other entity (or associate or joint venture of a member of the Company of the other entity is a member);
- iii) both entities are joint ventures of the same third party;
- iv) one entity is a joint venture of a third party and the other entity is an associate of the third party;
- v) the entity is a post-employment defined benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
- vi) the entity is controlled or jointly controlled by a person identified in (a);
- vii) a person identified in (a) i) has significant influence over the entity or is member of the key management personnel of the entity (or of a parent of the entity);
- viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Subsequent events

Events occurring after the reporting date, which provide additional information about conditions prevailing at the reporting date (adjusting events) are reflected in the financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting date (non-adjusting events), when material, are disclosed in the notes to the financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

(t) Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

(u) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities (see Note 4).

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

7. STANDARD ISSUED BUT NOT YET ADOPTED

(i) Standards and Interpretations endorsed by the EU

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Company as of 1 January 2023:

- IFRS 17 insurance contracts,
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),
- IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),
- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Company's accounting policies.

The Company expects that the adoption of the financial reporting standards below in force at or after 1 January 2022 will not have a material impact on the Company's financial statements, except as indicated below:

- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies

The Amendments are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Company revisited the accounting policy information disclosures to ensure compliance with the amended standard. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

- IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates. The amendments had no impact on the Company's consolidated financial statements as the Company is not in scope of the Pillar Two model rules as its revenue is less that EUR 750 million/year. Given the above, these amendments do not impact the Company's policy.

7. STANDARD ISSUED BUT NOT YET ADOPTED (CONTINUED)

(ii) Standards issued but not yet effective and not early adopted

The following standards, changes in standards and interpretations have been issued, but are not yet effective for the annual period beginning on 1 January 2024. The Company does not intend to adopt these standards before they become effective. The Company expects that the adoption of the financial reporting standards below in the future periods will not have a material impact on the Company's financial statements.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification.

Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains.

Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16.

7. STANDARD ISSUED BUT NOT YET ADOPTED (CONTINUED)

(iii) The standards/amendments that are not yet effective and they have not yet been endorsed by the European Union

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements.

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

8. REVENUE

	2023	2022
Revenue from contracts with customers	2,394,565,844	2,108,067,217
Rental income	3,453,942	3,730,610
Total revenue	**2,398,019,785**	**2,111,797,827**

*Rental income includes investment property lease in amount of RON 1,205,893 for 2023 and RON 984,575 for 2022 (Note 21). The remaining rental income refers to properties sub-leased by Aquila.

Disaggregation of revenue from contracts with customers

	2023	2022
Distribution of goods	2,241,755,432	1,960,946,481
Logistics services	87,603,416	78,868,663
Transport services	65,206,995	68,252,073
Total	**2,394,565,844**	**2,108,067,217**

In the revenue structure, business segments which recorded increases were distribution 14 %, logistics 11%, and a decrease in transportation of 4%, related to lower km of routes.

Disaggregation of revenue per country

	2023	2022
Romania	2,274,079,056	1,985,899,449
Netherlands	38,231,393	40,950,237
Germany	32,920,378	30,565,247
Other	49,335,016	50,652,284
Total	**2,394,565,844**	**2,108,067,217**

Timing of revenue recognition

	2023	2022
Products and services transferred at a point in time	2,306,962,427	2,010,050,684
Services transferred over time	87,603,416	98,016,533
Total	**2,394,565,844**	**2,108,067,217**

The Company has applied the practical expedient from IFRS 15:121 since the contracts are concluded on one year basis. The contracts are concluded on one year basis, thus the Company does not disclose information about any remaining performance obligations.

There are no customers with over 10% of total Revenues in year 2023 and 2022.

9. OTHER INCOME

	2023	2022
Contractual penalties	554,168	290,448
Insurance compensations	2,556,953	3,235,591
Income from subsidies	104,925	125,664
Net gain on disposal of property, plant and equipment	3,681,074	1,381,206
Others	1,542,554	2,333,980
Total	**8,439,674**	**7,366,889**

10. OTHER OPERATING EXPENSES

	2023	2022
Utilities	14,299,822	12,192,617
General consulting	12,899,806	10,591,022
Road taxes	10,804,737	10,265,160
Insurance premiums	8,870,644	7,746,557
IT services	7,654,506	5,731,957
Marketing and publicity	5,761,171	2,057,748
Merchandising	5,516,101	5,593,073
Legal expenses	4,792,670	5,585,903
Travel	4,764,794	4,786,605
Handling and storage services	4,491,856	5,213,513
Services charges (warehousing rent contracts)	3,629,462	3,327,019
Rental	2,966,911	2,090,876
Sponsorships	2,856,384	2,433,293
Bank commissions and similar charges	2,681,323	2,400,240
Compensations, fines and penalties	2,557,903	489,310
Security	1,789,100	1,745,669
Audit and consulting*	1,427,935	1,233,008
Trainings and other staff expenses	1,257,818	1,134,955
Waste disposal	1,050,297	1,181,092
Postage and telecommunications	705,700	651,340
Sanitation services	411,985	334,333
Other operating expenses**	10,426,483	8,214,284
Total	**111,617,409**	**94,999,574**

* In 2023 the contractual fee for statutory audit of the consolidated and separate annual financial statements of the Company and subsidiaries., provided by Ernst & Young Assurance Services SRL (“E&Y”), are in amount of EUR 171,000.

** Other operating expenses include various expenses such taxes, duties and similar payments due to the budget of the State or other public bodies, small services within warehouses, HR application fees, services related to archiving and digitalisation of documents, disinfection services, logistics services, environmental fees etc.

11. FINANCIAL RESULT

	2023	2022
Interest income*	16,750,476	7,391,897
Other finance income	5,209,666	178,219
Total finance income	**21,960,142**	**7,570,116**
Interest expense**	(6,473,807)	(2,617,125)
Net foreign exchange losses	(345,882)	(585,655)
Other financial expenses	(423,510)	(217,823)
Total finance costs	**(7,243,199)**	**(3,420,603)**
Financial result	**14,716,943**	**4,149,513**

*Interest income includes interest received from related parties loans in amount of RON 1,367,925 (2022: RON 1,477,695) and interest from bank deposits in amount of RON 15,382,552 (2022: RON 5,914,200).

**Interest expense includes interest related to bank loans in amount of RON 159,539 (2022: RON 243,446) and interest related to lease liabilities in amount of RON 6,314,269 for 2023 (2022: RON 1,984,356).

12. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

Profit attributable to ordinary shareholders

	2023	2022
Profit attributable to the owners of the Company	90,575,224	78,003,363
Profit attributable to ordinary shareholders	**90,575,224**	**78,003,363**

Weighted-average number of ordinary shares (in number of shares)

	2023	2022
Issued ordinary shares at 1 January	1,198,922,400	200.000.400
Issued ordinary shares at 23 February 2022	-	1,000,002,000
Total issued ordinary shares	**1,200,002,400**	**1,200,002,400**
Weighted-average number of ordinary shares at 31 December	**1,198,922,400**	**1,198,922,400**

Earnings per share

Earnings per share	**31-Dec-23**	**31-Dec-22**
Basic and diluted earnings per share (RON)	0.076	0.065

**Weighted average number of ordinary shares adjusted for the effect of the issuance of premium and treasury shares in February 2022.*

13. EMPLOYEE BENEFITS

Employee benefits payables and accruals at year-end are as follows:

	31-Dec-23	31-Dec-22
Wages and salaries	20,794,162	18,538,908
Social security contributions	6,813,714	5,654,326
Tax on salaries	1,237,144	1,090,796
Total payables and accruals at year-end	**28,845,020**	**25,284,030**

In Romania, all employers and employees, as well as other persons, are contributors to the state social security systems. The social security system covers pensions, allocations for children, temporary inability to work, risks of works and professional diseases and other social assistance services, unemployment benefits and incentives for employers creating new workplaces.

Employee benefit expenses are as follows:

	2023	2022
Wages and salaries	199,180,290	174,079,090
Per diem	13,764,191	13,196,771
Social contributions and charges	9,181,446	7,002,118
Meal & Gift tickets	17,858,780	14,668,644
Total employees benefits for the year	**239,984,708**	**208,946,623**

Management remuneration is disclosed in Note 29.

14. INCOME TAXES

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Amounts recognised in profit or loss

	31-Dec-23	31-Dec-22
Current tax expense	18,949,021	14,892,937
Deferred tax expense/(income)	(1,747,868)	(629,488)
Total income tax expense	**17,201,153**	**14,263,449**

14. INCOME TAXES (CONTINUED)

(ii) Reconciliation of effective tax rate

		2023		2022
Profit before tax		**107,776,377**		**92,266,812**
Tax using Company's domestic tax rate	16%	17,244,220	16%	14,762,690
Items similar to income	0%	502,739		
Legal reserve	-1%	(861,542)	-1%	(743,170)
Tax effect of non-deductible expenses *	6%	6,365,453	4%	3,610,155
Tax credit – sponsorship and other fiscal benefits	-1%	(1,147,889)	-4%	(3,470,692)
Tax - exempt income	-5%	(4,901,827)	0%	104,466
Income tax	**16%**	**17,201,153**	**15%**	**14,263,449**

*The non-deductible expenses, for which the impact is RON 6,365,453 refer mainly to RON 25,131,615 expected credit loss and inventories allowance (2022: RON 14,991,076). In this type of expenses are also included: customers written-off, untaken holiday provision.

(iii) Movement in deferred tax balances

				Balance at 31 December 2023	
2023	**Net balance at 1 January 2023**	**Recognized in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	(382,626)	(114,477)	(497,103)	-	(497,103)
Impairment of trade receivables	2,398,571	1,622,487	4,021,058	4,021,058	-
Employee benefits	1,324,844	239,858	1,564,702	1,564,702	-
Tax assets / (liabilities) before set-off	**3,340,790**	**1,747,868**	**5,088,657**	**5,585,760**	**(497,103)**
Set off of tax	-	-	-	-	-
Net tax assets / (liabilities)	**3,340,790**	**1,747,868**	**5,088,657**	**5,585,760**	**(497,103)**

				Balance at 31 December 2022	
2022	**Net balance at 1 January 2022**	**Recognized in profit or loss**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	(239,726)	(142,900)	(382,626)	-	(382,626)
Impairment of trade receivables	1,746,781	651,790	2,398,571	2,398,571	-
Employee benefits	1,204,247	120,597	1,324,844	1,324,844	-
Tax assets / (liabilities) before set-off	**2,711,302**	**629,488**	**3,340,790**	**3,723,415**	**(382,626)**
Set off of tax	-	-	-	-	-
Net tax assets / (liabilities)	**2,711,302**	**629,488**	**3,340,790**	**3,723,415**	**(382,626)**

15. INVENTORIES

	31-Dec-23	31-Dec-22
Consumables	990,720	871,914
Goods for resale	162,638,135	152,591,710
Loss allowance	(1,945,558)	(981,879)
Total inventories	**161,683,297**	**152,481,745**

Cost of inventories recognized as an expense in the statement of profit or loss in 2023 is RON 1,793,584,714 (2022: RON 1,561,314,618). For the pledged amount of inventories, please refer to Note 26 (c).

The inventory impairment allowance recognized during the year is presented below:

	Note	31-Dec-23	31-Dec-22
Balance as at 1 January		**981,880**	**1,210,022**
Allowance charge	**10**	1,945,558	2,368,793
Release/consumption of allowance	**10**	(981,880)	(2,596,936)
Balance as at 31 December		**1,945,558**	**981,880**

The inventories net charge of allowance in the net amount of RON 963,679 (2022: RON (228,143)) is included in Note 10, the line „Other operating expenses”.

16. TRADE RECEIVABLES

	Note	31-Dec-23	31-Dec-22
Trade receivables from Third Parties		296,120,147	257,732,346
Trade receivables from Related Parties	**30**	14,314,618	10,824,531
Discounts accrued granted to customers*		(17,092,884)	(18,945,097)
Allowance for trade receivables		(25,131,615)	(14,991,076)
Total		**268,210,267**	**234,620,704**

*Discounts accrued for the customers represent accruals as at year end to be granted to the clients based on the accomplishment of sales volumes and other contractual enforcements.

Short term trade receivables from related parties are presented in Note 30. For the pledged amount of receivables, please refer to Note 26 (c).

The Company’s exposure to credit risk is influenced by the individual characteristics of each customer. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position.

The following table details the risk profile of trade receivables based on the Company’s provision matrix. As the Company’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company’s different customer segments.

The ECL (expected credit loss) model includes forward looking impact. For the periods ended 31 December 2023 and 31 December 2022, after incorporating the results of the forward-looking factors, no further impairment was necessary to be added to the ECL model.

16. TRADE RECEIVABLES (CONTINUED)

	31 December 2023			
	Weighted average ECL rate	**Gross value**	**Bad debt allowance**	**Net trade receivables**
Neither past due nor impaired	1.00%	210,832,291	(2,114,696)	208,717,595
Past due 1-30 days	4.81%	52,009,126	(2,500,831)	49,508,295
Past due 31-60 days	25.20%	8,353,301	(2,104,696)	6,248,605
Past due 61-90 days	51.80%	3,188,053	(1,651,490)	1,536,563
Past due more than 90 days	88.40%	18,959,110	(16,759,902)	2,199,208
Total		**293,341,882**	**(25,131,615)**	**268,210,267**

	31 December 2022			
	Weighted average ECL rate	**Gross value**	**Bad debt allowance**	**Net trade receivables**
Neither past due nor impaired	1.03%	186,985,197	(1,934,289)	185,050,908
Past due 1-30 days	4.55%	43,282,430	(1,967,923)	41,314,507
Past due 31-60 days	24.42%	4,370,556	(1,067,296)	3,303,260
Past due 61-90 days	49.91%	3,787,269	(1,890,272)	1,896,997
Past due more than 90 days	72.69%	11,186,328	(8,131,294)	3,055,034
Total		**249,611,780**	**(14,991,076)**	**234,620,704**

The movement in the loss allowance for trade receivables is as follows:

	31-Dec-23	**31-Dec-22**
Balance as at 1 January	**14,991,077**	**10,917,380**
Amounts written off	-	(925,497)
Impairment recognized*	10,140,537	4,999,193
Balance as at 31 December	**25,131,614**	**14,991,076**

*Expected credit losses as reported in statement of profit or loss in amount of RON 25,783,616 (31 December 2022: RON 19,807,565) includes trade receivables impairment RON 10,140,539 (31 December 2022: RON 4,999,193), loans to related parties impairment in amount of RON 14,987,180 (31 December 2022: 14,808,372 RON) (Note 22) and other changes in amount of RON 655,897.

Out of the total RON 10,140,537 impairment recognized during the year, RON 4,457,887 2022: RON 4,016,174 refers to Nordexim SRL, related party.

17. OTHER RECEIVABLES AND PREPAYMENTS

17(a) Other receivables

	31-Dec-23	31-Dec-22
Receivable from medical leaves	2,128,114	390,150
Amounts related to personnel**	1,318,142	572,292
Amounts paid for Romtec*	2,500,000	-
Other receivables***	3,308,226	274,935
Dividends to be received	4,759,819	
Total	**14,014,301**	**1,237,377**

*In November 2023, the Company signed a sale purchase pre-agreement for 100% of the shares of Romtec Europa SRL ("Romtec") owned 80% by Green Ideas Group MTC SRL and 20% by FLM Group Green MTC SRL. Based on this pre-agreement, the Company paid an advance of RON 2,500,000. The transaction took place subject to the completion of a specific audit by specialized firms and obtaining the necessary approvals from the Competition Council. The transaction was finalized on 26 February 2024 (Note 34).

** As at 31 December 2022 the amounts related to personnel were presented in the line Other receivables.

*** The line includes the accrual for interest income to be received from banks in amount of RON 2,948,500

17(b) Prepayments

As at 31 December 2023, prepayments in amount of RON 53,974,805 (31 December 2022: RON 28,507,578) include:

- Advances to suppliers for inventory acquisitions in amount of RON 43,502,605 (31 December 2022: RON 18,765,749)
- Advances to suppliers for services to be rendered in amount of RON 2,170,090 (31 December 2022: RON 2,145,401)
- Prepayments for vehicles' insurance – RON 2,626,626 (31 December 2022: RON 2,537,190)
- Prepayments for rent - RON 1,816,062 (31 December 2022: 1,576,036)
- Other items – RON 3,859,422 (31 December 2022: RON 3,483,201)

18. CASH AND CASH EQUIVALENTS AND SHORT TERM DEPOSITS

18(a) Cash and cash equivalents

	31-Dec-23	31-Dec-22
Bank current accounts	11,602,572	15,611,084
Cash in hand	63,545	72,587
Promissory notes and cheques in bank	2,661,525	-
Total cash and cash equivalents	**14,327,643**	**15,683,671**

For the pledged amount of cash and cash equivalents, please refer to Note 26 (c).

18(b) Short term deposits

Balance presented at 31 December 2023 of RON 185,000,000 relates to part of the amounts received from the IPO which were placed in short term deposits (12 months term – RON 40,000,000, 9 months term – RON 10,000,000, 6 months term – RON 80,000,000, 3 months term RON 45,000,000, 1 month – RON 10,000,000). The interest received is between 5.7% and 6.65%.

Balance presented at 31 December 2022 of RON 160,000,000 relates to part of the amounts received from the IPO which were placed in short term deposits (6 months term – 150,000,000 and 3 months term 10,000,000). Interest received is between 8.2% and 9%.

19. PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment in 2023 and 2022 were as follows:

	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Gross carrying amount					
Balance at 1 January 2022	**174,971,774**	**209,265,177**	**14,915,816**	**692,508**	**399,845,275**
Additions	84,605,572	20,911,454	730,490	2,318,482	108,565,998
Adjustment of gross book value*	(1,328,993)	-	-	-	(1,328,993)
Disposals	(426,352)	(9,712,394)	-	-	(10,138,746)
Balance at 31 December 2022	**257,822,001**	**220,464,237**	**15,646,306**	**3,010,990**	**496,943,534**
Balance at 1 January 2023	**257,822,001**	**220,464,237**	**15,646,306**	**3,010,990**	**496,943,534**
Additions	58,949,485	42,501,766	2,222,227	6,339,175	110,012,653
Transfers fixed assets in progress**	-	3,318,759	-	(3,318,759)	-
Disposals	(6,694,921)	(20,431,032)	(271,411)	(141,300)	(27,538,664)
Adjustment of gross book value	(845,315)	-	-	-	(845,315)
Balance at 31 December 2023	**309,231,250**	**245,853,729**	**17,597,122**	**5,890,106**	**578,572,208**
Accumulated depreciation and impairment losses					
Balance at 1 January 2022	**110,806,159**	**171,109,549**	**9,627,459**	**-**	**291,543,167**
Depreciation	26,547,916	18,403,915	1,043,819		45,995,650
Adjustment of accumulated depreciation*	(1,821,571)	-	-	-	(1,821,571)
Accumulated depreciation of disposals	(324,784)	(9,647,646)	-	-	(9,972,430)
Balance at 31 December 2022	**135,207,720**	**179,865,818**	**10,671,278**	**-**	**325,744,816**
Balance at 1 January 2023	**135,207,720**	**179,865,818**	**10,671,278**	**-**	**325,744,816**
Depreciation	26,315,082	18,843,211	1,127,990	-	46,286,283
Accumulated depreciation of disposals	(6,687,740)	(19,443,019)	(270,104)	-	(26,400,862)
Adjustment of accumulated depreciation	(133,841)	-	-	-	(133,841)
Balance at 31 December 2023	**154,701,221**	**179,266,010**	**11,529,164**	**-**	**345,496,395**
Net carrying amounts					
At 31 December 2022	**122,614,281**	**40,598,419**	**4,975,028**	**3,010,990**	**171,198,718**
At 1 January 2023	**122,614,281**	**40,598,419**	**4,975,028**	**3,010,990**	**171,198,718**
At 31 December 2023	**154,530,029**	**66,587,719**	**6,067,958**	**5,890,106**	**233,075,813**

Property, plant and equipment includes right-of-use assets with a net carrying value of 48,505,389 RON at 31 December 2023 (31 December 2022: 28,379,276 RON) related to leased equipment and 134,799,983 RON as at 31 December 2023 (31 December 2022: 101,256,283 RON) related to leased properties that do not meet the definition of investment property (see Note 27).

Total value of pledged Property plant and equipment as at 31 December 2023 is RON 4,537,241 (31 December 2022: RON 4,731,087) (see Note 26c). Fully depreciated Property plant and equipment items still in use as of 31 December 2023 amounts RON 142,230,941 (31 December 2022: RON 134,156,987).

*Refers mainly to coffee machines which are used by the Company or sold to sundry customers. They are depreciated over a period of 7 years (HoReCa professional types) or 2 to 3 years (office-use types). The balance as at 31 December 2023 includes only machines acquired in 2023.

20. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Brands	Other intangible assets	Total
Gross book value				
Balance at 1 January 2022	**5,011,706**	**2,698,926**	**160,750**	**7,871,382**
Additions	-	-	-	-
Disposals	-	-	(160,750)	(160,750)
Balance at 31 December 2022	**5,011,706**	**2,698,926**	**160,750**	**7,871,382**
Additions	-	-	-	-
Disposals	-	-	(160,750)	(160,750)
Balance at 31 December 2023	**5,011,706**	**2,698,926**	**-**	**7,710,632**
Accumulated amortization				
Balance at 1 January 2022	**-**	**1,156,683**	**160,750**	**1,317,433**
Amortization	-	385,560		385,560
Accumulated depreciation of disposals	-			-
Balance at 31 December 2022	**-**	**1,542,243**	**160,750**	**1,702,993**
Amortization	-	385,560	-	385,560
Accumulated depreciation of disposals	-	-	(160,750)	(160,750)
Balance at 31 December 2023	**-**	**1,927,803**	**-**	**1,927,803**
Net carrying amounts				
At 31 December 2022	**5,011,706**	**1,156,683**	**-**	**6,168,389**
At 31 December 2023	**5,011,706**	**771,123**	**-**	**5,782,829**

Following the acquisition of AGRIROM SRL by AQUILA PART PROD COM SA, the Company mainly recognised goodwill of RON 5,011,706 and brands of RON 2,698,926 (Agrirom's brands for food products: Gradena, Yachtis, LaMasa and Frisco). Gradena is a brand of frozen vegetables and fruits, LaMasa is a brand of frozen semi-finished products, and Yachtis is a brand of frozen fish and seafood products. Brands have been recognised at fair value at the acquisition date. As a result of the legal merge in 2021, the carrying amount of goodwill and brand has been recognised in the separate financial statements.

As at 31 December 2023 and as at 31 December 2022, the Company performed an impairment analysis for the goodwill, which allocated to the CGU formed by the distribution and trade with food, beverages and tobacco performed by AGRIROM SRL.

Based on the analysis, the goodwill is not impaired as at 31 December 2023 and as at 31 December 2022.

Key assumptions used in calculations and sensitivity to changes in assumption

The recoverable amount of the goodwill is determined based on a value in use calculation for uses cash flow projections based on financial projections covering a three-year period and a pre-tax WACC of 14% per cent per annum, growth rate of 2.5% (2022: pre-tax WACC of 12.6% p.a., growth rate of 2.5%).

The key assumptions used by management in setting the financial projections for the initial three-year period were as follows:
i) WACC
ii) Growth rates used to extrapolate cash flows beyond the forecast period

WACC - considers both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. A rise in the pre-tax WACC to 15% or to 16% would not result in impairment.

20. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Growth rate estimates - according to specialized studies, the frozen products market increased by 2.5% between 2020 and 2021 being on an upward trend, especially vegetables. Based on the need for efficiency, demand for frozen products increased in 2023 with growth prospects for the coming years.

Management used a cautious approach, using the same growth rate as in 2020, 2.5% respectively. Even if this rate falls and it will be 1.5% or 2% no impairment will result.

21. INVESTMENT PROPERTY

(a) Reconciliation of carrying amounts

	2023	**2022**
Gross book value		
Balance at 1 January	**12,430,539**	**12,106,888**
Transfer from property, plant and equipment	845,315	-
Other Adjustments	-	461,794
Disposals	-	(138,142)
Balance at 31 December	**13,275,854**	**12,430,539**
Accumulated depreciation and impairment		
Balance at 1 January	**1,619,945**	**918,310**
Other Adjustments	-	461,794
Transfer from property, plant and equipment	133,841	
Depreciation charge	429,931	239,841
Balance at 31 December	**2,183,717**	**1,619,945**
Carrying amount		
Balance at 1 January	**10,810,594**	**11,188,577**
Balance at 31 December	**11,092,139**	**10,810,594**

Investment property comprises of land and buildings of AQUILA PART PROD COM SA which are rented to third parties. The company performs internal valuations to determine if the fair values of investment properties are materially different versus the cost less accumulated depreciation and any impairment losses whenever conditions could imply a significant change in values.

As of 31 December 2023, a valuation was performed by an external specialist, and the fair value of investment property is RON 21,478,787.

As of 31 December 2022, the Company performed internal valuation and determined that the fair value was not significantly changed in 2022 and is not significantly different compared to carrying amount.

The fair value of investment property is measured and disclosed in the financial statements is based on a valuation by an independent valuer who Is authorized and holds a recognised and relevant professional qualification and who has recent experience in the location and category of the investment property being valued.

(b) Amounts recognised in profit or loss

	2023	**2022**
Rental income	1,205,893	984,575

22. LOANS TO RELATED PARTIES AND LONG-TERM RECEIVABLES FROM RELATED PARTIES

The Company has loans to related parties and long term receivables from receivables which are considered purchased or originated credit-impairment financial assets ("POCI").

Loans to related parties

	31-Dec-23	31-Dec-22
Novadex	11,138,748	12,645,536
Aquila Agricola	6,483,263	6,660,195
Best Coffee Solutions	2,468,226	2,937,655
Nordexim	-	14,981,815
Total	**20,090,237**	**37,225,201**
Short-term portion	**2,934,588**	**3,591,648**
Long-term portion	**17,155,648**	**33,633,553**

i. Novadex – contract with Novadex was concluded in 2007 for an original amount of RON 2,500,000 and an original maturity of 2 years. Subsequently the contract's maturity was extended annually with another 12 months. Also, the loan limit amount was increased multiple times up to the current limit of RON 25,000,000. The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment).

   On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2028. As per addendum the loan the loan has been converted in EUR and is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2023 the loan was collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

ii. Nordexim - On 31 December 2020, the Company converted the trade receivables into a loan with a maturity of 10 years, until 31 December 2030, repayable in quarterly tranches, with an interest of 1.8 %. The loan is not secured and is denominated in EUR. For the year ended 31 December 2023, Nordexim's financial evolution and related results was assessed as not in line with prior expectations. Considering the significant decrease in equity value, which was computed considering a WACC of 13.6% and a growth rate of 1% for the terminal value, a loan review was performed. The Expected Credit Loss calculation indicated additional cash shortfalls discounted at the original credit adjusted effective interest rate of RON 14,987,180, which lead to full impairment of the loan balance.

iii. Aquila Agricola - contract with Aquila Agricola was concluded in 2007 for an original amount of RON 150,000 and original maturity of 31 December 2008. Subsequently the contract's maturity was extended annually with another 12 months. Also the loan limit amount was increased multiple times up to the current limit of RON 15,000,000.

   The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment).

   On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2030. As per addendum the loan has been converted in EUR is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2023 the loan was partially collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

iv. Best Coffee Solutions - the contract was concluded in 2016 for an original amount of RON 1,000,000 and original maturity of 30 June 2013. Subsequently the contract's maturity was extended annually with another 12 months. Also the loan limit amount was increased multiple times up to the current limit of RON 7,000,000.

   The loan purpose was financing of operating and investing activities (acquisition of property, plant and equipment). On 31 December 2020, an addendum was signed to the contract for extension of maturity to 31 December 2030. As per addendum the loan has been converted in EUR is payable in quarterly tranches, with an interest of 1.8 % and it is not secured. In 2023 the loan was collected according to the repayment schedule. For the year ended 2023, no additional ECL have been booked after a review of the loan.

22. LOANS TO RELATED PARTIES AND LONG-TERM RECEIVABLES FROM RELATED PARTIES (CONTINUED)

Additional impairment loss recognised in 2023 and carrying value of the Nordexim loan:

	31-Dec-23	31-Dec-22
Opening balance	**14,981,816**	**32,774,621**
Repayment	(50,488)	(2,955,525)
Additional loss recognized	(14,987,180)	(14,808,372)
Impact of re-evaluation (foreign exchange)	55,852	(28,908)
Closing balance	**-**	**14,981,816**

23. CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2023, the share capital is of RON 180,590,088 (31 December 2022: 180.590.088) and includes the effect of restatement required by the application of IAS 29 Financial Reporting in Hyperinflationary Economies until 31 December 2003. The reconciliation of share capital is as follows:

Share capital (nominal value)	180,000,360
Restatement adjustment in accordance with IAS 29	589,728
Restated share capital balance as at 31 December 2023	**180,590,088**

Share capital (nominal value)	180,000,360
Restatement adjustment in accordance with IAS 29	589,728
Restated share capital balance as at 31 December 2022	**180,590,088**

The number of shares of the Company was as follows:

		RON		Ordinary shares	
Number of shares	**Note**	**2023**	**2022**	**2023**	**2022**
In issue at 1 January		**180,590,088**	**30,589,788**	**1,200,002,400**	**200,000,400**
Share increase from incorporation of share premium	12		150,000,300		1,000,002,000
In issue at 31 December – fully paid	**12**	**180,590,088**	**180,590,088**	**1,200,002,400**	**1,200,002,400**

The par value of the shares is RON 0.15 as at 31 December 2023 and 31 December 2022. New shares issued in 2022 were presented in Note 1. All ordinary shares rank equally with regard to the above companies' residual assets.

Holders of ordinary shares are entitled to dividends as declared from time to time, distributed from the statutory profits and are entitled to one vote per share at general meetings of the above companies. The Company recognize changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register.

23. CAPITAL AND RESERVES (CONTINUED)

(b) Legal reserves

Legal reserves are set up as 5% of the gross profit for the year as per statutory individual financial statements of the Romanian companies, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable. As of 31 December 2023, in line with net profits achieved, the Company increased legal reserve with 5% out of the profit before tax representing RON 5,384,640.

Legal reserves were restated according to IAS 29 Financial Reporting in Hyperinflationary Economies until 31 December 2003 (the adjustment for the effect of hyperinflation amounts to RON 110,255 RON as at 31 December 2023 (same for 31 December 2022).

(c) Own Shares

The balance of RON 991,972 relates to 1,080,000 shares, out of which: 180,000 own purchased shares and 900,000 premium shares issued in 2022.

(d) Dividends

The Company may distribute dividends from statutory earnings only, as per separate financial statements prepared in accordance with statutory accounting regulations. The dividends declared by the Company were as follows:

	31 December 2023	**31 December 2022**
To the owners of the Parent	48,880,066	84,548,003
Total	**48,880,066**	**84,548,003**
Weighted-average number of ordinary shares at 31 December (Note 8)	1,198,922,400	1,198,922,400*
Dividend per share	**0.041**	**0.071**

**Weighted average number of ordinary shares adjusted for the effect of the issuance of premium and treasury shares in February 2022.*

Out of the dividends declared by the Company, the dividends paid were RON 48,876,014 in 2023 and RON 84,548,003 in 2022.

In 2022 the shareholders of the Parent approved the distribution of dividends of RON 84,548,003. In 2023 the shareholders of the Parent approved the distribution of dividends of RON 48,880,066

(e) Capital management

The Company manages its capital such as to make sure that the Company entities will be able to continue as a going concern and to maximize the profits for the shareholders, by optimization of the balances of liabilities and equity.

The structure of the Company's capital comprises liabilities, which include borrowings, cash and cash equivalents, and equity attributable to the owners of the Company. Equity comprises share capital, reserves and retained earnings.

The Company's capital risk management includes a regular review of the equity structure. As part of this review, management considers the cost of equity and the risk associated to each class of equity. The Company balances its general structure of capital by the payment of dividends, by issuance of new shares, as well as by contracting new liabilities or extinguishing the existent ones.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

23. CAPITAL AND RESERVES (CONTINUED)

In RON	Note	31-Dec-23	31-Dec-22
Borrowings and lease liabilities	26	192,010,501	125,241,512
Less: Cash and bank balances	18	(14,327,643)	(15,683,671)
Net debt		**177,682,858**	**109,557,841**
Total equity		**527,823,873**	**486,128,716**
Gearing ratio		**0.34**	**0.23**

24. TRADE PAYABLES

	31-Dec-23	31-Dec-22
Trade payables to third parties	247,400,807	212,242,377
Trade payables to related parties	6,475,266	6,329,177
Accruals for discounts to be received*	(18,425,509)	(23,757,133)
Total	**235,450,563**	**194,814,421**
Current	235,433,501	194,754,754
Non-current	17,063	59,667

Trade payables to related parties are presented in Note 30.

*Accruals for discounts to be received represent discounts accrued as at year end to be received from suppliers based on the accomplishment of the acquired volumes of inventories and contractual enforcements. For details regarding the classification and net presentation, please refer to Note 4 and Note 6.

25. OTHER PAYABLES

	31-Dec-23	31-Dec-22
VAT payable	8,240,805	7,010,989
Dividends payable	5,329	1,276
Sundry creditors	2,127,170	2,128,680
Other payables	174,654	1,906,239
Total	**10,547,958**	**11,047,184**

Other payables to related parties are presented in Note 30.

26. LOANS AND BORROWINGS

(a) Long- term bank borrowings

	31-Dec-23	31-Dec-22
Balance at 1 January	**2,050,921**	**4,512,666**
Reimbursements	(2,048,036)	(2,453,463)
Foreign exchange impact	(2,885)	(8,283)
Balance at 31 December	**-**	**2,050,921**
Current portion	-	2,050,921
Long term portion	-	-

In February 2019, AQUILA PART PROD COM SA contracted a long-term loan of EUR 2,280,000 with Raiffeisen Bank to finance the acquisition of AGRIROM SRL. The loan is re-payable in 55 equal monthly instalments until 31 October 2023. The interest rate is 1M EURIBOR + 2.75%. The balance of the loan is nil as at 31 December 2023 and as at 31 December 2022 was EUR 414,545.

The loan is guaranteed with AQUILA PART PROD COM SA's bank accounts with Raiffeisen Bank

In December 2021 AQUILA PART PROD COM SA contracted a long-term loan of EUR 5,000,000 with BERD to finance various projects (Software – 28%, Equipment – 36%, Marketing Spending – 13% and working Capital - 23%). As at 31 December 2023 and 31 December 2022 no amount was drawn from this loan. In December 2022 the period the loan can be used was extended to 22 December 2024.

The loan is guaranteed with 5% from the value of shares of the founding members.

All covenants are complied with as at 31 December 2023 and 31 December 2022.

(b) Short- term bank borrowings

As at 31 December 2023 the balance of short-term credit facilities is shown below. As at 31 December 2022 the balance was nil.

	31-Dec-23	31-Dec-22
Lender		
Raiffeisen Bank	9,883,898	-
Total	**9,883,898**	**-**

The Company has the following short-term credit facilities:

AQUILA PART PROD COM SA

i. Unicredit Bank: multicurrency (RON, EUR) credit line contracted in 2015 with a limit of EUR 24,200,000. The credit includes 2 facilities:

- Facility A with a limit of EUR 13,350,000 for general expenses, and issuance of bank letters of guarantee and letters of credit. This facility is valid until 31 May 2024. The interest rate is ON EURIBOR + 2.25% for EUR and ON ROBOR + 2% for RON. The amount used from this facility as at 31 December 2023 is 0 (31 December 2022: EUR 0).

- Facility B (non-cash) with a limit of EUR 10,850,000 for issuance of bank letters of guarantee. This facility is valid until 31 May 2025. The amount used from this facility as at 31 December 2023 is EUR 10,278,797; 31 December 2022 is EUR 10,033,728.

The credit is guaranteed by AQUILA PART PROD COM SA with trade receivables from certain customers, bank accounts with Unicredit Bank, vehicles, and certain goods for resale. The credit is also guaranteed by, Novadex, a related party. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

26. LOANS AND BORROWINGS (CONTINUED)

ii. EximBank: multi-currency (RON, EUR) credit facility contracted in 2014 including a revolving credit line and a facility for issuance of bank letters of guarantee, with a limit of EUR 10,000,000.

- Credit line (cash) with a limit of EUR 2,000,000, for which the interest rate is 1M EURIBOR + 2.25% for EUR and 1M ROBOR + 1.5% for RON. The facility is valid until 1 August 2024. The amount used as at December 31, 2023 is of EUR 0 and at 31 December 2022: EUR 0.
- Facility for issuance of bank letters of guarantee (non-cash) with limit of EUR 8,000,000. This facility is valid until 12th of July 2025. The amount used from this facility as at 31 December 2023 is EUR 6,560,068 and December 2022 is EUR 7,964,909.

The total credit facilty is guaranteed by AQUILA PART PROD COM SA with the bank accounts with EximBank, certain goods for resale, and trade receivables from certain customers. The non-cash facility is also guaranteed by a state counter-guarantee of RON 31,496,960. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

iii. Raiffeisen Bank:

- credit facility contracted in 2005, which as at 31 December 2023 has a limit of EUR 17,500,000 which includes the following.
  - facility 1 – overdraft with limit of EUR 11,000,000, valid until 30 June 2024.
  - facility 2 – facility for issuance of letters of guarantee with limit of EUR 3,500,000, valid until 30 June 2025.
  - facility 3 – overdraft and letters of guarantee issuance option with limit of EUR 3,000,000, valid until 30 September 2024.

  The interest rate is O/N EONIA + 2% for EUR and O/N ROBOR + 1.5% for RON. The amount used for issuance of letters of guarantee as at 31 December 2023 is EUR 6,500,000 (31 December 2022 is EUR 3,000,000). As at 31 December 2023 the overdraft balance is EUR 1,986,873 (RON: 9,883,898) and as at 31 December 2022 is 0.

  The loan is guaranteed by AQUILA PART PROD COM SA with bank accounts with Raiffeisen Bank, goods for resale, trade receivables from certain customers, and certain land and buildings. The loan is also guaranteed by, PRINTEX SA, a subsidiary of Aquila, Novadex, Nordexim and Aquila Agricola, related parties. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

- non-cash credit facility for issuance of bank letters of guarantee contracted with Raiffeisen Bank in 2014, with a limit of EUR 1,000,000 as at 31 December 2023 and, respectively, at 31 December 2022, valid until 30 June 2025. The facility was fully used as at 31 December 2023 and 31 December 2022.

iv. Banca Transilvania: credit line contracted in 2018 to finance working capital, in amount of EUR 4,000,000.

The interest rate is 1M EURIBOR + 2.45%. The credit is valid until 27 September 2024. The loan balance as at 31 December 2023 is EUR 0 ; 31 December 2022 is EUR 0.

The loan is guaranteed by AQUILA PART PROD COM SA with inventories, trade receivables from certain customers, and existing and future cash collections and bank accounts with Banca Transilvania. The carrying amount of assets pledged as collateral is presented in Note 26 (c).

The credit lines and the letters of guarantees issued by the bank (presented at Note 32) are pledged with certain buildings and inventories.

(c) Guarantees and pledges

In relation to the borrowings presented above, the Company entities have the following pledges on assets made in favour of the banks for loans and letters of guarantees bank facility as part of the agreements with the banks:

26. LOANS AND BORROWINGS (CONTINUED)

(c) *Guarantees and pledges (continued)*

	31-Dec-23	31-Dec-22
Property, plant and equipment and investment property*	4,537,241	4,731,087
Inventories	141,594,693	125,883,878
Trade receivables	180,172,360	164,503,375
Cash and cash equivalents	2,652,720	15,279,232
TOTAL	**328,957,014**	**310,397,572**

*Property, plant and equipment and investment property is presented at net carrying value amount.

(d) *Reconciliation of movements of liabilities to cash flows arising from financing activities*

	Liabilities		
	Long-term borrowings	**Short-term borrowings**	**Leases**
Balance at 1 January 2023	**-**	**2,050,921**	**123,190,590**
Proceeds from short-term bank loans		9,883,898	-
Repayment of borrowings	-	(2,048,036)	-
Payment of lease liabilities	-	-	(39,343,671)
Total changes from financing cash flows	**-**	**7,835,862**	**(39,343,671)**
The effect of changes in foreign exchange rates	-	(2,885)	-
New leases	-	-	65,502,187
Interest expense	64,838	94,700	6,314,269
Interest paid	(64,838)	(94,700)	(6,314,269)
Modifications to the leasing contract	-	-	32,777,497
Balance at 31 December 2023	**-**	**9,883,898**	**182,126,603**

	Liabilities		
	Long-term borrowings	**Short-term borrowings**	**Leases**
Balance at 1 January 2022	**4,512,666**	**-**	**66,791,494**
Changes from financing cash flows			
Repayment of borrowings	(2,453,463)	-	-
Payment of lease liabilities	-	-	(41,793,299)
Total changes from financing cash flows	**(2,453,463)**	**-**	**(41,793,299)**
The effect of changes in foreign exchange rates	(8,283)	-	-
Liability-related			
New leases	-	-	13,590,998
Interest expense	87,413	-	1,984,358
Interest paid	(87,413)	-	(1,984,358)
Modifications to the leasing contract	-	-	84,601,397
Balance at 31 December 2022	**2,050,921***	**-**	**123,190,591**

*Balance of long term borrowing as at 31 December 2022 is fully : RON 2,050,921 current portion.

As at 31 December 2023 new leases refer to RON 58,949,486 agreements for buildings (31 December 2022: RON 85,593,933) and RON 39,330,198 (31 December 2022: RON 12,598,462) for equipment.

In 2023 modifications to the leasing contract refers mainly to extension of lease agreements, in the same time the monthly rent being increased due to inflation or renegotiated annually for most of the them.

27. LEASES

(a) Leases as lessee

On assessing the application of IFRS 16 Leases, the Company considered the following criteria to determine whether the arrangements contain any leases:

a) The lessee has the right to obtain substantially all of the economic benefits from using the asset throughout the period of use;

b) The lessee has the right to direct the use of the identified asset throughout the period of use.

The Company leases warehouse and office space. The leases typically run for a period of 5 to 10 years. Additionally, the Company leases transport vehicles. The leases typically run for a period of 5 years. Majority of these leases transfer the ownership of the underlying asset at the end of the lease term.

In case of leases without transfer of ownership of underlying asset at the end of the lease term, only part of these leases include renewal options, which may be applied if the Company announces the lessor with at more than 12 months in advance of the original lease term. The renewal and the extension of the term has to be agreed by both parties through signing an addendum to the contract. Considering that both the renewal and the additional lease term has to be approved also by the lessor, the Company did not consider any renewal option when determining the lease term.

The Company determined the incremental borrowing rate based on the interest rate applied by the financial institution to similar entities for loans with the same characteristics as the lease contracts (in terms of currency and term). The Company does not include in the lease payments costs incurred in connection with the lease that are not part of the cost of the right-of-use asset (such as maintenance or insurance).

Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

In 2023 and 2022 the term several rent contracts classified as leasing under IFRS was extend (and/or rented surface change) with a new term period, this resulted in recognition of additional right of use assets as presented below:

2023	**Land and buildings**	**Equipment**	**Total**
Balance at 1 January	**101,256,283**	**28,379,276**	**129,635,559**
Depreciation charge for the year	(25,405,786)	(14,282,442)	(39,688,228)
Additions to right-of-use assets	58,949,486	39,330,198	98,279,684
Disposals	-	(4,921,643)	(4,921,643)
Balance at 31 December	**134,799,983**	**48,505,389**	**183,305,372**

2022	**Land and buildings**	**Equipment**	**Total**
Balance at 1 January	**41,482,745**	**31,552,896**	**73,035,641**
Depreciation charge for the year	(25,369,728)	(14,981,330)	(40,351,058)
Additions to right-of-use assets*	85,593,933	12,598,463	98,192,396
Decrease**	-	(1,726,869)	(1,726,869)
Balance at 31 December	**101,256,283**	**28,379,276**	**129,635,559**

27. LEASES (CONTINUED)

*For the lease liability balance and the related changes (new leases and modifications), please refer to Note 26 (d).

**The decrease in right-of-use asset refers to vehicles for which the Company became owner at the end of the leasing agreement.

(ii) Amounts recognised in profit or loss

	Note	2023	2022
Interest on lease liabilities	**11**	6,314,269	2,617,125
Expenses related to short term lease and low value lease	**10**	2,966,911	2,090,875

(iii) Amounts recognised in statement of cash flows

	31-Dec-23	31-Dec-22
Total cash outflows for leases	(39,343,671)	(41,751,176)
Total interest paid	(6,314,269)	(1,984,358)

(b) Leases as lessor

The Company leases out its investment property consisting of its owned properties. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The Company ensures via contractual clauses that property rights are retained by the lessor and lessees are required to return the assets leased in the same condition as when taken under lease.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	31-Dec-23	31-Dec-22
Less than one year	1,279,655	984,575
One to two years	1,285,624	787,321
Two to three years	1,229,749	783,464
Three to four years	1,157,518	723,589
Four to five years	854,098	723,589
More than five years	1,770,861	1,414,494
Total	**7,577,506**	**5,417,031**

28. INVESTMENTS IN SUBSIDIARIES

	31-Dec-23	31-Dec-22
Investment in Printex	95.75%	95.75%
Investment in Trigor	100%	100%
Investments in subsidiaries	**25,923,057**	**25,923,057**

The investments in subsidiares are represented by the Company’s investments in Printex S.R.L and Trigor AVD S.R.L.

At 19 May 2021 the Company obtained control over Trigor AVD S.R.L. while Printex was the Company subsidiary since transition to IFRS, as adopted by EU. At 31 December 2023 and at 31 December 2022, the Company's management conducted a review of the indicators of impairment of subsidiaries. Following this analysis, no impairment indicators were identified for any of the subsidiaries.

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

(a) Accounting classifications and fair values

For the purchased or originated credit-impaired financial assets, loans to related parties and long-term trade receivables from related parties, the net carrying amount of the financial assets represents an approximation of fair value. For the bank borrowings, the incremental costs are not material, interest is based on variable interest rates and carrying amount approximates fair value.

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

(i) credit risk;
(ii) liquidity risk;
(iii) market risk
(iv) non-financial risks.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, long term trade receivables from related parties and loans granted to related parties and.

The gross carrying amounts of financial assets represent the maximum credit exposure.

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have an overdue of more than 30 days past due.	Lifetime ECL (simplified model)– provision matrix
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL (simplified model)– provision matrix
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (simplified model)– provision matrix
POCI	Purchased or originated credit impaired financial assets	Lifetime ECL
Write off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.	Amount is written off

There are no significant movements between stages as of end of reporting dates. The tables below detail the credit quality of Company's financial assets, as well as the Company's maximum exposure to credit risk:

31-Dec-23	Note	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans to related parties	22	Lifetime ECL (credit impaired)	49,885,790	(29,795,551)	20,090,238
Trade receivables	16	Lifetime ECL (simplified model)	293,341,882	(25,131,615)	268,210,267
			343,227,671	**(54,927,166)**	**288,300,504**

31-Dec-22	Note	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Loans to related parties	22	Lifetime ECL (credit impaired)	52,033,573	(14,808,372)	37,225,201
Trade receivables	16	Lifetime ECL (simplified model)	249,611,780	(14,991,076)	234,620,704
			301,645,353	**(29,799,448)**	**271,845,905**

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk

For loans to related parties and long-term trade receivables from related parties, which are classified as POCI financial assets, the Company has determined the loss allowance based on the expected cash inflow to be obtained from each debtor until the end of 2030, based on the projected future cash flows of the debtors. Note 22 includes further details on the loss allowance for these assets.

The loans contracts were concluded during 2007 – 2013, initially with a maturity of 12 months. Subsequently, the loans were prolonged annually for another 12 months. On 31 December 2020, the Company concluded an addendum with each debtor for restructuring of the loans – modifying the maturity to 31 December 2030 and changing the currency of the loans from RON to EUR.

The Company's cash equivalents and short-term deposits are placed with reputable financial institutions with a high credit rating.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Company maintains credit facilities for financing of the operating expenses (please see Note 26).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross, undiscounted and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cashflow				
Financial liabilities	**Note**	**Total**	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**More than 5 years**
31-Dec-23						
Short-term bank borrowings	**26**	9,883,898	9,883,898	-	-	-
Lease liabilities	**27**	212,785,733	40,539,868	36,647,905	93,027,003	42,570,957
Trade payables	**24**	235,450,563	235,433,501	17,063	-	-
Total		458,120,194	285,857,267	36,664,968	93,027,003	42,570,957
31-Dec-22						
Long-term bank borrowings	**26**	2,050,921	2,050,921	-	-	-
Lease liabilities*	**27**	131,451,702	35,256,820	27,075,743	52,291,108	16,828,031
Trade payables	**24**	194,814,421	194,754,755	59,666	-	-
Total		328,317,043	232,062,495	27,135,409	52,291,108	16,828,031

*As at 31 December 2022, lease liabilities did not include contractual interest payments and the comparatives were adjusted, accordingly.

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (continued)

Liquidity risk ratios

	31-Dec-23	31-Dec-22
Current assets (a)	700,144,901	596,122,723
Current liabilities (b)	320,963,691	270,768,774
Current ratio (a)/(b)	**2.18**	**2.2**

	Note	31-Dec-23	31-Dec-22
Cash and cash equivalents (c)	**18**	14,327,643	15,683,671
Trade receivables (d)	**16**	268,210,267	234,620,704
Current liabilities (e)		320,963,691	270,768,774
Quick ratio ((c)+(d))/(e)		**0.88**	**0.92**

(iii) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company companies. The functional currency of all Company entities is the Romanian Leu (RON).

The currency in which these transactions are primarily denominated is the functional currency. Certain liabilities are denominated in foreign currency (EUR). The Company also has deposits and bank accounts denominated in foreign currency (EUR and USD). The Company 's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk is as follows:

Amounts in RON	Note	RON	EUR	USD	GBP	CHF	PLN	HUF	Total
31-Dec-23									
Cash and cash equivalents	**18**	14,174,173	139,053	1,532	10,630	490	1,776	(10)	14,327,643
Short term deposits	**18**	185,000,000	-	-	-	-	-	-	185,000,000
Trade receivables	**16**	251,574,053	16,631,464	-	4,750	-	-	-	268,210,267
Loans to related parties	**22**	-	20,090,237	-	-	-	-	-	20,090,237
Long-term bank borrowings	**26**	-	-	-	-	-	-	-	-
Lease liability	**26**	(709,344)	(181,417,260)	-	-	-	-	-	(182,126,604)
Short-term bank borrowings	**26**	-	(9,883,898)	-	-	-	-	-	(9,883,898)
Trade payables	**24**	(168,600,551)	(64,487,966)	(2,337,897)	-	(24,150)	-	-	(235,450,563)
Net statement of financial position exposure		**281,438,331**	**(218,928,371)**	**(2,336,365)**	**15,380**	**(23,659)**	**1,776**	**(10)**	**60,167,081**

Amounts in RON	Note	RON	EUR	USD	GBP	CHF	PLN	HUF	Total
31-Dec-22									
Cash and cash equivalents	**18**	13,915,776	1,736,540	8,792	12,737	-	9,826	-	15,683,671
Short term deposits	**18**	160,000,000	-	-	-	-	-	-	160,000,000
Trade receivables	**16**	221,025,565	13,595,139	-	-	-	-	-	234,620,704
Loans to related parties	**22**	-	37,225,201	-	-	-	-	-	37,225,201
Long-term bank borrowings	**26**	-	(2,050,921)	-	-	-	-	-	(2,050,921)
Lease liability	**26**	(595,628)	(122,594,963)	-	-	-	-	-	(123,190,591)
Trade payables	**24**	(126,170,115)	(64,967,320)	(1,439,091)	-	(22,630)	(287,991)	(1,927,273)	(194,814,421)
Net statement of financial position exposure		**268,175,957**	**(137,056,324)**	**(1,430,299)**	**12,737**	**(22,630)**	**(278,165)**	**(1,927,273)**	**127,473,643**

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Currency risk (continued)

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
RON	**2023**	**2022**	**2023**	**2022**
EUR 1	4.9465	4.9315	4.9746	4.9474
USD 1	4.5743	4.6885	4.4958	4.6346
GBP 1	5.6869	5.7867	5.7225	5.5878
CHF 1	5.0917	4.9096	5.3666	5.0289
PLN 1	1.0896	1.0528	1.1444	1.0557
HUF 1	1.2960	1.2648	1.2995	1.2354

Sensitivity analysis

A reasonably possible strengthening (weakening) of RON against EUR, PLN, USD, GBP, HUF and CHF as at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit of loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in RON	Profit or loss before tax	
	Strengthening	**Weakening**
31-Dec-23		
EUR (3% movement)	6,567,851	(6,567,851)
USD (6% movement)	141,878	(141,878)
GBP (5% movement)	(695)	695
CHF (10% movement)	2,455	(2,455)
PLN (4% movement)	(63)	63
HUF (7% movement)	1	(1)
31-Dec-22		
EUR (3% movement)	4,524,209	(4,524,209)
USD (6% movement)	87,283	(85,818)
GBP (5% movement)	(582)	637
CHF (8% movement)	1,875	(1,810)
PLN (3% movement)	8,624	(8,345)
HUF (7% movement)	134,909	(134,909)

The above profit and loss impact, net of tax, will implicitly impact equity position.

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management (continued)

(iii) Market risk (continued)

Interest rate risk

The Company is exposed to interest rate risk mainly in relation to loans and borrowings bearing variable interest rate.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

In RON	**Note**	**31-Dec 2023**	**31-Dec 2022**
Fixed-rate instruments			
Financial liabilities (leases)	**26**	(182,126,605)	(123,190,591)
Variable-rate instruments			
Financial liabilities (borrowings)	**26**	(9,883,898)	(2,050,921)

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at FVTPL and the Company does not use derivatives. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Effect in RON	**Profit or loss before tax**	
	100 bp increase	**100 bp decrease**
31-Dec-23		
Variable-rate instruments	(98,839)	98,839
Cash flow sensitivity	**(98,839)**	**98,839**
31-Dec-22		
Variable-rate instruments	(20,509)	20,509
Cash flow sensitivity	**(20,509)**	**20,509**

Refinancing risk

Refinancing risk refers to the possibility that a borrower will not be able to replace an existing debt with new debt. Company management assessed the risk as low and considers that its credit quality didn't deteriorate due to market conditions.

29. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(iv) Non-financial risks

Cyber-security risk

In 2022, the Company was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Company continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Company continuously educates their employees and partners about cyber security risk and supports them to act in a responsible way.

Climate change risk

The Company constantly monitors the latest government legislation in relation to climate related matters, as well as the developments in the sector with respect to green energy.
The separate Financial Statements take into account the main climate-related developments and risks associated with the transformation, which also include the climate targets for 2026 agreed at IPO – 10% reduction in carbon footprint

The main measure taken by the Company to reduce the impact on the environment:

- new 162 units of cars with lower polluting emissions (LPG, hybrid, gasoline) in amount of RON 17,922,208.
- a new photovoltaic plant: investments of RON 1,090,000 in the expansion of photovoltaic plants inaugurated in the spring of 2022

The Company considers within its investments plans for the next 3 years the installation of photovoltaic panels and at the Aquila administrative headquarters and replacement of car fleet with lower polluting emissions in amount of RON 54 million.Given the complexity of climate modelling, the investment scenarios are reviewed periodically to reflect new information, with developments in the periods between updates being reflected in updated internal long-term price outlooks.

In this context, estimates and management judgements relate in particular to assumptions regarding future legal regulations and developments in the market green energy utilisation.

As per Company's management assessment, there is no need for additional provisions arising from the climate risk to be aligned with current requirements.

30. RELATED PARTIES

(a) Main shareholders

As of December 31, 2023, the shareholders of AQUILA PART PROD SA are Mr. Vasile Constantin Catalin and Mr. Dociu Alin Adrian, each with a shareholding of 33.3% and a number of other shareholders holding 33.4% of the shares.

(b) Management remuneration

	2023	2022
Executive management compensation	12,350,380	9,934,870

(c) Balances with related parties

Parties are considered to be related If one party has the ability to control the other party of to exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of relationship, not merely the legal form.

The table below presents the nature of the related parties relationship and transactions for those related parties with whom the Company entered into significant transactions or had significant balances outstanding:

Related Party	Relationship	Nature of transactions
Aquila Construct SRL	Common shareholder	Rent, receiving of services
Best Coffee Solutions SRL	Common shareholder	Loan granting, sales of goods
Best Distibution	Common shareholder	Purchases or sales of goods
Aquila Agricola SRL	Common shareholder	Loan granting, rendering of services
Novadex&CA SRL	Common shareholder	Loan granting, rent
Nordexim Coffee Services SRL	Common shareholder	Loan granting, purchases or sales of goods
Aquila Asig-– Agent de Brokeraj SRL	Common shareholder	Rendering of services
Total Green Energy SRL	Common shareholder	No transactions in current period
Potential Construct SRL	Common shareholder	No transactions in current period
Aquila Trade Solution SRL	Common shareholder	No transactions in current period
Aquila Ag SRL	Common shareholder	Rent
Epernon Limited	Common shareholder	No transactions in current period
Aquila Property Management SRL	Common shareholder	No transactions in current period
Standard AVD	Common shareholder	No transactions in current period
ICS TRIGOR AVD SRL	Subsidiary of Aquila Part Prod Com SA	Purchases of goods, receiving of services
PRINTEX SA	Subsidiary of Aquila Part Prod Com SA	Rent
Lorac Impex SRL	Member of key management personnel	Consulting Services, sales of goods
Sobain Management SRL	Member of key management personnel	Consulting Services, sales of goods
Just Blvck Corporation SRL	Member of key management personnel	Purchases or sales of goods

30. RELATED PARTIES (CONTINUED)

(c) Balances with related parties (continued)

For loans granted to related parties and long term receivables please refer to Note 22.

Balances: Trade Payables	**31-Dec-23**	**31-Dec-22**
Aquila Construct	10,544	4,733
Printex SA	5,592,662	5,120,561
ICS Trigor AVD SRL	35,340	17,672
Novadex	86,720	57,994
Sobain Management	-	1,119,000
Lorac Impex S.R.L.	750,000	9,217
Total	**6,475,266**	**6,329,177**

Balances: Trade Receivables	**31-Dec-23**	**31-Dec-22**
Aquila Construct	169,032	174,116
Best Coffee Solutions	2,127,127	521,571
Aquila Agricola	62,894	18,896
Aquila Asig	4,108	3,377
Nordexim*	11,509,599	10,052,007
Standard AVD	415,546	-
Lorac Impex S.R.L.	9,244	11,963
ICS Trigor AVD SRL	7,629	30,872
Sobain Management	8,960	11,283
Aquila Ag	-	11,730
Just Blvck Corporation S.R.L.	480	
Total	**14,314,618**	**10,835,814**

***** Net impairment recognized at 31 December 2023 for Nordexim SRL is RON 8,474,061 (31 December 2022: RON 4,016,174), while net value of the receivable balance is 3,035,537 (31 December 2022: 6,035,833).

Balances: Prepayment	**31-Dec-23**	**31-Dec-22**
Lorac Impex S.R.L.	759,217	9,217
Sobain Management	500	1,119,000
Total	**759,717**	**1,128,217**

(d) Transactions with related parties

Purchases (without VAT)	**31-Dec-23**	**31-Dec-22**
Aquila Construct	4,883	3,977
Best Coffee Solutions	48,163	59,735
Nordexim	1,940,953	2,048,312
Lorac Impex S.R.L.	7,076,731	4,917,155
Printex SA	1,224,959	1,285,378
ICS Trigor AVD SRL	433,970	277,628
Sobain Management	3,968,080	3,192,133
Novadex	170,005	147,288
Total	**14,867,746**	**11,931,606**

30. RELATED PARTIES (CONTINUED)

(d) Transactions with related parties

Sales (without VAT)	**31-Dec-23**	**31-Dec-22**
Aquila Construct	1,950,102	1,677,840
Best Coffee Solutions	2,175,584	599,238
Aquila Agricola	36,973	36,955
Aquila Asig	10,014	10,383
Nordexim	7,485,071	12,361,808
Standard AVD	440,036	-
Lorac Impex S.R.L.	15,317	14,761
Sobain Management	8,208	9,814
Aquila Ag	-	3,600
Printex SA	14,834	14,811
ICS Trigor AVD SRL	575,574	628,936
Just Blvck Corporation S.R.L.	5,877	-
Total	**12,717,590**	**15,358,145**

(e) Loans to related parties

The Company has significant loans granted to related parties. Related balances, finance income and losses are disclosed in Note 22.

31. CONTINGENCIES

Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of tax payers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law.

Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed. Romanian tax authorities carried out controls on the Company entities related to income tax by the end of 2022 for AQUILA PART PROD COM SA.

The management of the Company believes that all the tax obligations included in the Company 's separate financial statements are adequate. The fiscal audit of AQUILA PART PROD COM SA started in prior year has been finalized during 2023. The additional taxes claimed by the authorities and related penalties have been recorded and paid, however, the Company does not agree with the result of the fiscal audit and have started the legal contestation procedures.

Transfer pricing

In accordance with relevant tax law in Romania, the tax treatment of a transaction carried out with related parties is based on the concept of the market price of that transaction. Based on this concept, transfer prices should be adjusted to reflect market prices that would be established between parties which are not affiliates or related parties and which act independently on the basis of "arm’s length” principle.

Transfer pricing audits are likely to be performed in the future by the tax authorities to determine whether these prices follow the "arm’s length" principle and that the taxpayer's taxable base is not distorted.

The management of the Company is not able to quantify the result of such audits and believes that the Company 's transactions with related parties are conducted at arm’s length.

32. COMMITMENTS

Guarantees and pledges

As at 31 December 2023 the Company have bank letters of guarantee issued in favour of third parties with a total amount of EUR 24,488,865 (31 December 2021: EUR 21,866,079). The letters of guarantee issued in favour of the subsidiary Trigor is EUR 750,000 (31 December 2022: 600.000 EUR) and in favour of Nordexim is EUR 120,000 (31 December 2022: 120.000 EUR).

As at 31 December 2023 the Company have bank letters of guarantee received with a total amount of RON 1,200,000 (31 December 2022: RON 1,200,000).

As at 31 December 2023 and 31 December 2022 the Company has no significant contractual commitments.

33. SEGMENTS REPORTING

The Company has analysed the segments of operations such as distribution of goods, transportation and logistics services and determined the segments based on management organization by types of revenues obtained. The Company has determined as reportable segments distribution of goods, logistic services and external transport services considering the nature of similarities of the activities. Distribution of goods refers to sales of consumer goods products (FMCG).

Goods and services revenues are mostly related to internal market sales in Romania, as presented in Note 8.

Statement of profit or loss for the year ended 31 December 2023:

	Distribution	Logistics	Transport	Unallocated	Total
Revenues	2,245,209,374	87,603,416	65,206,995	-	2,398,019,785
Other income	5,159,898	851,495	2,428,281	-	8,439,674
Cost of goods sold	(1,792,216,583)	(1,204,864)	(163,268)	-	(1,793,584,714)
Cost of fuel and transport services	(40,845,454)	(10,381,932)	(20,764,675)	-	(71,992,062)
Salaries and other employee benefits	(186,882,031)	(31,537,456)	(21,565,220)	-	(239,984,708)
Repairs, maintenance and materials cost	(14,950,397)	(2,383,671)	(6,001,687)	-	(23,335,755)
Depreciation and amortisation	(41,312,904)	(2,182,485)	(3,606,374)	-	(47,101,762)
Charge of Expected credit losses	(25,783,616)	-	-	-	(25,783,616)
Other operating expenses	(66,465,991)	(30,060,982)	(15,090,436)	-	(111,617,409)
Operating profit/ (loss)	**81,912,296**	**10,703,521**	**443,617**	**-**	**93,059,434**
Finance income				17,200,323	17,200,323
Finance income - other				4,759,819	4,759,819
Finance costs				(7,243,199)	(7,243,199)
Net finance (cost)/income					**14,716,943**
Profit before tax					**107,776,377**
Income tax expense				(17,201,153)	(17,201,153)
Profit for the year					**90,575,224**

33. SEGMENTS REPORTING (CONTINUED)

Statement of profit or loss for the year ended 31 December 2022:

	Distribution	Logistics	Transport	Unallocated	Total
Revenues	1,964,677,091	78,868,663	68,252,073	-	2,111,797,827
Other income	5,019,331	1,264,859	1,082,699	-	7,366,889
Cost of goods sold	(1,560,028,815)	(1,094,276)	(191,528)	-	(1,561,314,618)
Cost of fuel related to transport services	(39,442,235)	(13,813,508)	(23,274,433)	-	(76,530,176)
Salaries and other employee benefits	(164,047,944)	(25,103,118)	(19,795,561)	-	(208,946,623)
Repairs, maintenance and materials cost	(13,160,389)	(2,699,861)	(6,157,527)	-	(22,017,777)
Depreciation and amortisation	(25,329,091)	(16,986,393)	(5,115,601)	-	(47,431,084)
Impairment loss on trade and other receivables, net	(19,807,565)	-	-	-	(19,807,565)
Other operating expenses	(69,234,996)	(11,707,625)	(14,056,953)	-	(94,999,574)
Operating profit/ (loss)	**78,645,389**	**8,728,741**	**743,169**	**-**	**88,117,299**
Finance income	-	-	-	7,570,116	7,570,116
Finance costs	-	-	-	(3,420,603)	(3,420,603)
Net finance (cost)/income					**4,149,513**
Profit before tax					**92,266,812**
Income tax expense	-	-	-	(14,263,449)	(14,263,449)
Profit for the year					**78,003,363**

The Company does not allocate assets and liabilities per segments, as the management doesn't use such information for decision making process.

During 2023 and 2022, the Company had no distribution clients that exceeded 10% of goods sales.

34. SUBSEQUENT EVENTS

(a) Acquisition of new companies

A. **Romtec**

On 26 February 2024, the Company perfected the transaction for the acquisition of 100% of the shares of Romtec. Europa SRL ("Romtec") previously owned by Green Ideas Group MTC SRL (80%) and by FLM Group Green MTC SRL (20%), after receiving the approval from the Competition Council.

The primary reason for Aquila's acquisition of Romtec was to expand the Company in Romania and increase global operational profitability. With this initial investment in manufacturing capacity, it is intended to contribute to the development of the local industry and diversify the portfolio with products from over 20 brands manufactured in Romania.

i) Identifiable assets acquired and liabilities assumed

	RON
Property, plant and equipment	13,917,611
Intangible assets	1,155
Other non-current assets	20,040
Inventories	3,178,383
Trade receivables	4,219,273
Other receivables	36,041
Cash and cash equivalents	2,492,369
Prepayments	933,546
Lease liabilities	(26,166)
Short-term bank borrowings	(5,482,513)
Trade payables	(6,719,885)
Current tax liabilities	98,933
Deferred revenue	(20,131)
Employee benefits	(622,450)
Other payables	(1,118,753)
Total identifiable net assets acquired	**10,907,454**

ii) Consideration as per agreement

The total consideration as per agreement consists of transaction price in amount of EUR 3.2 million, subject to sale and purchase price agreement provisions.

34. SUBSEQUENT EVENTS (CONTINUED)

(a) Acquisition of new companies

B. Parmafood companies

On 10 January the Board of Directors of the Company approved the signing of a preliminary transaction agreement to acquire a package consisting of 100% of the shares of Parmafood Trading SRL and Parmafood Group Distribution SRL, together "Parmafood companies", two leading distributors of fast-moving consumer goods. The total agreed price for the acquisition of both companies will be a maximum of EUR 16.5 million, from which debts will be deducted, based on a price mechanism established by the parties, the company said. The amount will be paid from Aquila's own sources.The agreed payment method consists of paying 80% of the total amount upon closing the transaction and 10% after 1 year, respectively 2 years from the deal's closing. The transaction will take place subject to obtaining the necessary approvals from the Competition Council and the Commission for the Examination of Foreign Direct Investments, and after the prior approval of the main terms and conditions by Aquila's Extraordinary General Shareholders Meeting.The acquired companies provide distribution activities in HoReCa, Modern Retail and Traditional Retail channels and operate logistics warehouses with integrated inventory management systems.

(b) Changes in shareholders' structure

In January 2024 Alin Adrian Dociu reduced his percentage of its stock in Aquila (AQ) from 33.33% to 25%, the new structure being the following:

Shareholder	**Number of shares**	**Par value (RON)**	**Statutory Share capital (RON)**
Mr. Vasile Constantin Catalin	400,000,800	0.15	60,000,120
Mr. Dociu Alin Adrian	300,000,600	0.15	45,000,090
Other shareholders	500,001,000	0.15	75,000,150
Total	**1,200,002,400**		**180,000,360**

(c) Economic environment

At present, we are monitoring very closely the current situation and developments of sanctions applied to Russia and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region, which also enables us to identify any impact on our business and supply chains at an early stage and act accordingly.
The war in the Ukraine is still creates increased geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months, however, this stage Management doesn't expect that future possible economic evolution will have a significant negative impact on the Company operations and on the recoverable value of the Company long term assets and considers that the Going concern basis of preparation of the financial statements is appropriate. No other significant subsequent events occurred until date of the financial statements which require disclosures. Also, recent conflict from Israel does not affect the Company's activities.

(d) Changes in corporate income tax legislation

Starting 1 January 2024, a minimum tax on turnover is introduced for taxpayers who record a turnover higher than 50,000,000 EUR during the previous year, taxpayers that, for the reporting year, compute a corporate income tax cumulated from the beginning of the fiscal year/modified fiscal year to the end of the quarter/year of calculation, lower than the tax on turnover determined based on a specific formula provided by the legislation are obliged to pay corporate income tax at the level of the minimum tax on turnover. Based on the preliminary assessment, starting January 1, 2024 there will be additional taxes payable in accordance with the above-mentioned changes.

Signed and approved at March 29, 2024

Chief Executive Officer
Vasile Constantin Catalin

Chief Financial Officer
Bascau Sorin