

ANNUAL REPORT 2023



SIPEX COMPANY S.A.



din 1997

SIPEX
Soluții în construcții

In accordance with the provisions of Law 24/2017 and Financial Supervisory Authority Regulation No. 5/2018 on issuers of financial instruments and market operations.

CONTENT

CEO MESSAGE	5
ABOUT SIPEX	7
BUSINESS ACTIVITY	7
EXPERIENCE.....	7
COMPANY HISTORY AND ACTIVITY	8
ASPECTS RELATED TO PERSONNEL	12
THE PERSONNEL STRUCTURE.....	12
THE SHAREHOLDER STRUCTURE	13
THE EXECUTIVE LEADERSHIP.....	13
RESEARCH AND DEVELOPMENT ACTIVITY	14
THE IMPACT ON THE ENVIRONMENT	14
EVALUATION OF COMPANY ACTIVITY AND MAIN RESULTS	15
MAJOR EVENTS DURING THE REPORTING PERIOD.....	15
ACQUISITIONS AND/OR DISPOSALS OF ASSETS DURING THE ANALYSED PERIOD	16
GENERAL EVALUATION ELEMENTS. FINANCIAL PERFORMANCE.....	17
A) PROFIT/LOSS.....	17
B) NET TURNOVER.....	17
C) COSTS.....	18
D) MARKET SHARE PERCENTAGE	18
E) CASH FLOW	18
F) INDICATORS	19
VISION/STRATEGIES	20
STRUCTURE AND WEIGHT OF SALES CHANNELS FROM TOTAL REVENUE GENERATED	21
ANNUAL EVOLUTION OF SALES BY DIVISIONS (RON)	22
SUPPLY ACTIVITY	22
THE EVOLUTION OF ACQUISITIONS	244
MEDIUM AND LONG-TERM PERSPECTIVE	25
DEVELOPMENT STRATEGIES	26
CUSTOMER EVOLUTION.....	26
SALES BY PRODUCT CATEGORIES.....	27
MARKET OPPORTUNITIES / COMPETITIVE SITUATION	28
THE SHARE OF LARGE CLIENTS IN THE TOTAL TURNOVER	29

RISKS.....	300
PROPOSAL FOR THE 2024 REVENUE AND EXPENSE BUDGET	322
DIVIDEND POLICY	34
ACTIVITIES OF PURCHASING OWN SHARES	344
FINANCIAL PERFORMANCE	344
FINANCIAL POSITION	36
CORPORATE GOVERNANCE PRINCIPLES	377
MANAGEMENT STATEMENT.....	43

ANNEX 1 – BALANCE SHEET FOR THE YEAR 2023 AND ACCOMPANYING NOTES

ANNEX 2 – ADMINISTRATOR'S REPORT FOR THE FINANCIAL YEAR ENDING 31.12.2023

ANNEX 3 – INDEPENDENT AUDITOR'S REPORT ON THE RESULTS FOR THE YEAR 2023

IDENTIFICATION DATA

Annual Report 2023 - in accordance with the provisions of **Law no. 24/2017** and **Financial Supervisory Authority Regulation no. 5/2018**

Publication date: **24.04.2024.**

Issuer's name: **SIPEX COMPANY S.A.**

Registered office: **Com. Ariceștii Rahtivani, Parc Industrial Crangul lui Bot, DN 72, KM8, Jud. Prahova, România**

Mailing address / Working point: **Com. Aricestii Rahtivani, Parc Industrial Crangul lui Bot, DN 72, KM8, Jud. Prahova, România**

Phone/Fax Number: **+40 244 434 039/ +40 244 434 038**

E-mail for Investor Information: **investors@sipex.ro**

Unique registration code at the Trade Registry Office: **RO 981342**

Trade Register number: **J29/1802/2007**

Number of Issued Shares and Characteristics: **399,893,481 shares with a nominal value of RON 0.1.**

The Market on which the issued securities are traded: **MTS AeRO Premium**

Subscribed and paid-up capital: **RON 39,989,348.10**

Main features of the securities issued: **399,893,481 shares at the nominal price of RON 0.10 per share**

Symbol: **SPX**

LEI Code: **787200HYX0GJQ2PE7065**

CEO MESSAGE

Dear investors,

The year 2023, marked by significant challenges in the global and local economic context, meant adaptation and openness for the SIPEX team. We focused our attention and efforts on remaining a profitable business, an objective we achieved regardless of the economic, and social crises, or pandemics, during the over 25 years we have been active in the construction materials market.

For the construction sector in Romania, 2023 was a complex year characterized by inflation, disruptions in the global supply chain, utility price hikes, and geopolitical instability. These factors led to a significant increase in prices for essential construction materials and influenced our operations. Additional factors such as high summer temperatures slowing down outdoor works and credit restrictions contributed to a slowdown in the construction sector activity.



Nevertheless, thanks to our adaptability, we managed to maintain a growth trend in the turnover. While we experienced a decrease in the profit margins, we compensated it by strengthening the B2B segment, which now represents approximately 40% of our turnover. We expanded our product portfolio through strategic partnerships and acquired land for a future production unit for which we are evaluating financing options.

The financial results for 2023 reflect our commitment and the sustainable development strategy. We recorded operating revenues of RON 320.6 million, a turnover of RON 313.4 million, and a net profit of RON 11.1 million. In May 2023, we distributed dividends of RON 6 million. We are optimistic about our growth prospects, anticipating better results in 2024.

The inclusion in the main index of the AeRO market strengthened our partnership with the capital market and supported our enthusiasm to continue the development efforts. We are focusing on transitioning to financial reporting in accordance with IFRS standards, with the goal of transferring to the Main Market of the Bucharest Stock Exchange in the upcoming years.

We are a company focused on long-term partnerships. We have adapted our offerings to the market realities, consolidated investments, and acted prudently. Despite having well-defined strategies, unexpected changes can significantly influence our plans. It is recognized that Romania offers numerous opportunities in the construction sector, but at the same time, we, as companies active in this market, have faced and continue to face significant challenges such as tax changes and labor shortages. Adaptability and strong relationships with partners remain key factors for success in this context.

The company's development strategy has continued in the assumed directions and we will continue to expand and diversify our activities, with a focus on the B2B channel.

I am grateful for the SIPEX team, which has made sustained efforts in a challenging year. We continue to be flexible, adaptable, and focused on the long-term success of our company.

We invite you to read the report for further details about SIPEX's activities in 2023.

For questions or clarifications, please contact us at the e-mail address investitori@sipex.ro.

Thank you,

Constantin Irinel Gheorghe,

CEO SIPEX COMPANY

ABOUT SIPEX

BUSINESS ACTIVITY

SIPEX COMPANY S.A. specializes in the distribution of construction materials and finishes, offering a wide range of such products, as well as technical consultancy and related services, both for the corporate market and the retail market, while also developing a dedicated strategy for the DIY market segment.

According to the registration at the National Trade Register Office (ONRC), the company's main field of activity is "wholesale trade of timber, construction materials, and sanitary equipment" - CAEN Code 4673. This has remained the same since its establishment.

EXPERIENCE

SIPEX is one of the largest distributors of construction materials in Romania, with national distribution supported by 12 logistic centers, a fleet of 191 owned vehicles, 12 coloring laboratories, as well as a specialized technical consultancy team.

Founded in 1997 by the entrepreneur Irinel Constantin Gheorghe, **SIPEX** was listed on the AeRO Market of the Bucharest Stock Exchange in June 2022, following a private placement through which it raised RON 10.6 million from 54 investors.

The company's activity began in Prahova. Currently, **SIPEX** has approximately 300 employees and operates 12 logistic centers that function as working points and sales points: Braşov, Bucharest, Cluj, Craiova, Iaşi, Ilfov (Pantelimon), Focşani, Piatra Neamţ, Prahova (Ariceştii Rahtivani), Râmnicu Vâlcea, Suceava, and Timişoara.

The company operates with an integrated business model, organized into three business lines: sales and distribution of construction materials and finishes, services (technical consultancy), and sales of colored finished products. Sales and distribution activities are carried out through three channels: traditional retail, business to business (B2B), and online. Traditional retail consists of various-sized stores other than DIY (Do It Yourself). Sales to these stores are done through dedicated agents. The B2B market segment (corporate) includes construction companies, developers, state or private institutions, craftsman teams and individuals who build or renovate their properties themselves. Since 2019, the company has had a dedicated channel for this segment, sipexcomenzi.ro, aimed at simplifying the sales process to existing partners and reducing operational costs by offering self-service facilities.



The company provides technical consultancy services and has the capability to represent and promote the products of a new supplier in the Romanian market, both commercially, technically, and in terms of logistics and distribution. Colored finished products are made in computerized tinting laboratories from each logistic center.

The company markets a wide range of products, including both international brands, as well as private labels under the "Meșterică" and "Profit" brands since 2013. Among the brands distributed by SIPEX are: Ceresit, Rigips, Isover, Weber, Cesarom, Swisspor, Austrotherm, Baumit, Porotherm, Tondach, Brikston, Ytong, Leier, Structo, Tenco, Sapabet, Aco, Holver, Kronospan, Romstal. The main product categories sold include adhesives and mortars, hydro and thermal insulation, metals, heavy materials, and plasterboard. The own brand "Meșterică" includes products in the adhesives/plasters/mortars and expanded polystyrene (EPS) categories, as well as washable paints/primers/renderings.

SIPEX has attracted and selected since the beginning internationally recognized companies with which it has developed long-term partnerships (Henkel Romania - for over 20 years, Saint-Gobain Construction Products Romania - for over 15 years, Firos - for over 12 years, SANEX SA, Knauf, Austrotherm, Swisspor SA, Wienerberger, Tondach Romania, Brikston Construction Solutions SA, Holcim SA, ACO, Holver, Kronospan Trading, Romstal, Policolor, TeraPlast). **SIPEX** also holds licenses for Düfa and Profitec and markets washable paints, primers, and sealers under this brand in the Romanian and Bulgarian markets, following an exclusive 10-year agreement with the German group Meffert AG closed in 2017. The products included in **SIPEX**'s portfolio are produced in several factories, depending on their offerings, capacities, and services.

COMPANY HISTORY AND ACTIVITY

From its early years of activity, **SIPEX** has experienced significant growth, which supports the company's effort to open regional logistic centers, aiming at strategic regional and national representation, as well as the fast delivery of **SIPEX** products and services throughout Romania.

Currently, the company benefits from national representation and distribution through its network of 12 logistic centers located in different regions of the country, which function as working and distribution points. The company's headquarters, located in Prahova County, in the commune of Ariceștii Rahtivani, has access to the national road DN7, has a total area of 21,000 square meters, and is hosting a showroom, offices, storage spaces, platforms, as well as equipment and machinery.

The 12 logistic centers are situated in: Ariceștii Rahtivani (Prahova), Bucharest, Pantelimon (Ilfov), Focșani (Vrancea), Bosanci (Suceava), Carcea (Dolj), Budești (Vâlcea), Cluj, Dumbrava Roșie (Piatra Neamț), Iași (Iași), Timișoara (Timișoara), and Prejmer (Brașov), and were opened in the following order:

- ◆ **1997 SIPEX COMPANY** starts its activity with the first storage and office space in Ploiești, Gh. Doja 138 (operating until 2007);

- ◆ **2000** The branch in Bucharest is opened, located in Timișoara Blvd., No. 100, Sector 6, Bucharest;
- ◆ **2002** The first warehouse in Ploiești is opened, located in Vestului Highway 27, Ploiești, Prahova county;
- ◆ **2005** The Focșani branch is opened on Munteniei Road, T83P435, Focșani, Vrancea county;
- ◆ **2007** The new headquarters with the "Ceresit" showroom is inaugurated in Aricești Rahtivani, DN 72, km 8, Prahova county;
- ◆ **2011** The Cluj branch is opened on Traian Vuia Boulevard, No. 206, Cluj-Napoca, Cluj county;
- ◆ **2012** The Craiova branch is opened in Cârcea village, Crângului Street, No. 2, Dolj county, and the Piatra Neamț branch opens in Izvoare village, Dumbrava Roșie commune, Serei Street, No. 7, Neamț county;
- ◆ **2015** The Iași branch is opened on Chimiei Boulevard, No. 12, Iași, Iași county, and the Suceava branch opens in Bosanci village, Sucevei Street, No. 81, Suceava county;
- ◆ **2017** The Timișoara branch is opened on Buziașului Avenue, No. 162, Timișoara, Timiș county, and the Râmnicu Vâlcea branch is opened in Racovița village, Budești commune, No. 284, Vâlcea county;
- ◆ **2018** The Pantelimon branch is opened on Biruinței Boulevard, No. 189, Pantelimon, Ilfov, with 5,000 sqm of storage and office space. The branches in Brașov is also opened, in Prejmer village, Brașovului Street, No. 162, Brașov county, and in Ploiești, Laboratorului Street, No. 10, Prahova county.

The **SIPEX** team, structured into specialized departments, coordinates projects from beginning to completion, leveraging on a comprehensive range of resources and product packages to support continuous activity. The main directions of the company's activity are represented by the sale of products and solutions distributed by **SIPEX**, and the provision of technical consultancy for the selection and implementation of products.

The sales department's main objective is to develop business relationships and strengthen **SIPEX COMPANY's** position as a national leader in the construction materials market in Romania. The **SIPEX** Sales Department operates through 3 channels:

- ◆ **Online:** **SIPEX** is present in the e-commerce segment through its own online store. The application used distributes orders to the nearest work points, ensuring delivery in the shortest possible time. The store provides access to various campaigns launched by **SIPEX** at different time intervals. The 12 logistic centers are equipped with the necessary equipment to ensure fast deliveries at each location where orders are received.
- ◆ **Retail:** Traditional retail, consisting of stores of various sizes, other than DIY (Do It Yourself). Sales to these stores are made through dedicated agents, coordinated by area managers and the national sales director. They have at their disposal an SFA system

(tablets connected to the ERP system with real-time access to stocks), so that orders taken can quickly reach the ERP system.

◆ **B2B – this market segment consists of the following partners:**

1. Construction companies (engaged in construction works for various investors or developing their own residential or industrial projects). These partners are assigned to a dedicated team for this market segment and have access to an ordering platform, "sipexcomenzi.ro," created especially for them. The same platform provides them with information about stocks, balances, order statuses, set prices for various projects, etc.
2. Developers (investors who choose to negotiate material and construction system prices directly with a distributor). They are assigned to a dedicated team, which along with supplier representatives, offers them the best technical and commercial solutions.
3. Teams of small craftsmen (the same SIPEX sales representatives try to offer them the best solutions and services (transportation, coloring, technical solutions) so that they become promoters of the product packages SIPEX sells.
4. Individuals (who build on their own or renovate their own properties). To them, dedicated sales teams propose the purchase of various products from the **SIPEX** package.

The distribution and sales activities of construction materials are carried out at all 12 working points (warehouses).

The Sales Department is led by two National Directors, one for each sales channel: Retail and B2B. In their activity, the National Sales Directors coordinate the dedicated sales teams, Retail or B2B, at each **SIPEX COMPANY** working point.

The Logistic department

From its early years of activity, **SIPEX** experiences significant growth, which supports the company's effort to open regional logistic centers, aiming at strategic regional and national representation, as well as the fast delivery of **SIPEX** products and services throughout Romania.

The technical department's main objective is to ensure technical consultancy for customers in choosing the materials needed for their projects, both in terms of quality and quantity, by:

- ◆ Contacting and maintaining collaborative relationships with customers in the area of activity, staying up to date with ongoing projects in the area, regardless of their size.
- ◆ Promoting the products and systems sold by the company to specialized designers, contractors, and ultimately to end users.
- ◆ Developing technical and commercial offers for the **SIPEX COMPANY** product package.
- ◆ Providing the best technical solutions for each project, creating personalized offers.

The procurement department ensures optimal provisioning of specific products in the field in which the Company operates, across all working points. It maintains an optimal level of stocks with the best products, solutions, and prices, covering all customer requirements. The department

maintains constant contact with manufacturers to stay updated on the latest developments in terms of products and specific technologies.

The range of products distributed by SIPEX COMPANY includes:

- ◆ Washable paint – dispersions: Ceresit, Profitec, düfa, Meșterică, Kraft, Spor, Deko.
- ◆ Tools and accessories: Meșterică.
- ◆ Products for roof and floor renovation: Ceresit, Meșterică, Tegola, General Membrane.
- ◆ Varnishes and stains: Sadolin, Hammerite, Spor, Deko.
- ◆ Primers: düfa, Profitec, Ceresit, Meșterică, Kraft, Spor, Deko.
- ◆ Masonry products: Leier, Cemrom, Structo, Tenco, Porotherm.
- ◆ Roofing: Tondach.
- ◆ Thermal insulation systems: Ceresit, Meșterică.
- ◆ Mineral wool thermal insulation materials: Isover, Rockwool.
- ◆ Polystyrene thermal insulation materials: Swisspor, Austrotherm, Hirsch, düfa, Meșterică.
- ◆ Decorative renders: Ceresit, Meșterică, Kraft, Vinarom, Deko.
- ◆ Suspended ceilings, profiles: Rigips, Meșterică Décor.
- ◆ Metal profiles and accessories: Rigips, Meșterică.
- ◆ Polyurethane foams, silicones: Ceresit, TTK.
- ◆ Screeds: Ceresit, Meșterică, Baumit.
- ◆ Waterproofing systems: Ceresit, Meșterică, Baumit, General Membrane.
- ◆ Fillers: Ceresit, Meșterică, Rigips, Baumit, Weber.
- ◆ Grouts: Ceresit, Baumit.
- ◆ Standard and flexible adhesives: Ceresit, Meșterică, Baumit, Weber.
- ◆ Ceramic products, tiles and faience: Cesarom.
- ◆ Thermal-hydro-sanitary products: Romstal.
- ◆ Underfloor heating systems: NeoTer.
- ◆ OSB, Tego, parquet, and wooden panels: Holver.
- ◆ Wastewater and rainwater retention and cleaning systems, drainage solutions: ACO.
- ◆ Paving and curb systems: Elis Pavaje, Semmerlock.
- ◆ Welded mesh, corrugated panels: Fier CTC, Intertranscom.
- ◆ Concrete additives, sealants, repair mortars: Ceresit.

ASPECTS RELATED TO PERSONNEL

The remuneration and promotion policy aims to retain employees, as well as strengthen the unity and efficiency of the team. Since the main objective of the company regarding its personnel is to stimulate the team and ensure the cooperation of its members, salaries are fixed for all departments. However, periodically, the **SIPEX** team is rewarded according to achievements and the personal contribution of each employee to the results.

Also, through the recruitment policy, the company intends to facilitate the training of dedicated personnel who identify with the company values and direction. The selection criteria are oriented not only towards the profile of education, formal training, or candidates' experience, but especially towards values such as trust, desire for development, motivation, and commitment. The management of the company and employees in the Finance, Marketing, IT, Procurement departments have higher education, while the personnel in the Logistics and Administrative departments have medium-level education. Through leading by example, the company's leadership has transmitted values such as punctuality, discipline, and availability throughout the entire team.

Department	Number of employees
Top Management	5
Administrative	13
Finance	42
Marketing	1
Sales	64
Acquisitions	3
IT	2
Tendering and technical department	7
Logistics	150

THE PERSONNEL STRUCTURE

The average number of employees as of December 31, 2023, was 280, remaining the same as in the previous year.

Employees are the elements of a solid foundation, whose bond is the desire to progress. We take pride in a 'core' of employees (over 20 people) who have been with the company for over 15-20 years.

The employee represents the most important resource in the company, and regardless of their position, they contribute daily to its development. These aspects, among others, are recognized by the General Director, both as a form of human respect and as a basis for appreciation for the benefits brought by an employee of the company.

Personnel expenses increased by 15.63%, a fluctuation that highlights the recruitment policy adopted by the company, both qualitatively and quantitatively.

The personnel is not organized into a union, with the relationships between the company's management and employees being regulated by labor laws, the individual employment contract, the collective labor agreement, and the internal regulations.

Throughout 2023, no conflictual issues were recorded that would affect the relationship between the employer and employees. There exists a relationship between management and personnel based on communication, trust, mutual support, respect, and self-discipline.

THE SHAREHOLDER STRUCTURE

The company, a Romanian legal entity, was established under the name **SIPEX COMPANY S.R.L.**, on October 6, 1997, registered with the Trade Register under no. J29/1802/16.07.2007, unique registration code no. 9813422 (RO), with headquarters in Prahova, commune Ariceștii Rahtivani, no. 1, DN 72, Km 8. At that time, Constantin Irinel Gheorghe, the founder of the company, was the sole shareholder, holding the positions of Administrator and General Director. The initial form of organization was a limited liability company.

In September 2021, the company changed its legal form and became **SIPEX COMPANY S.A.**, transforming into a joint-stock company.

The subscribed and paid-up share capital of the company amounts to RON 39,989,348.10, divided into 399,893,481 nominative shares with a nominal value of RON 0.1 each. As of the end of 2023, the shares are held by:

- Constantin Irinel Gheorghe, who holds 91.9% of the share capital, corresponding to a total of 367,499,997 shares.
- Other individuals and legal entities, with a 8.1% stake in the share capital, totaling 32,393,484 shares.

Shareholder	Share
Constantin Irinel Gheorghe	91.9%
Other natural and legal persons	8.1%

THE EXECUTIVE TEAM

- **Constantin Irinel Gheorghe** - the majority shareholder and founder of the company. He is also the Chairman of the Board of Directors of **SIPEX** and the CEO of the company, starting from 1997, the year of the company's establishment. He is a graduate of the Faculty of Materials Science and Engineering at the Polytechnic University of Bucharest and the National Institute of Administration (INA) Bucharest, and a former assistant professor at the faculty he graduated from. Additionally, Mr. Constantin Irinel Gheorghe is the First Vice President of the Patronage of Construction Companies (PSC) and Vice President of the Federation of Patronages of Construction Companies (FPSC).
- **Constantin Gheorghe** - member of the Board of Directors of **SIPEX**, since 2004 he has been the CFO. He is a graduate of the Faculty of Finance and Accounting at Artifex University in Bucharest. He has been a member of the Body of Expert Accountants and Authorized Accountants of Romania since 2012.
- **Lucian Azoitei** - member of the Board of Directors of **SIPEX**, since 2021 he has been a non-executive Administrator. He is a graduate of the Law Faculty at the University of

Bucharest.

In 2023, the Board of Directors was evaluated by the President. Following the evaluation, it was found that the members fulfilled their obligations according to the provisions of the Constitutive Act and the applicable legal provisions. In 2023, the Board of Directors met 28 times.

The remuneration of the Board of Directors in 2023 was:

- Constantin Irinel Gheorghe – RON 61,534 lei annual net income
- Constantin Gheorghe – RON 133,715 annual net income
- Lucian Azoitei - RON 38,318 annual net income

Details about the remuneration of the Board of Directors are available in the Annual Remuneration Report, approved by the General Meeting of Shareholders and published on the company's website.

The Board of Directors and the General Director of **SIPEX** are supported in their roles by a management team consisting of the economic director, marketing director, national director of retail sales, and national director of B2B sales.

- **Sorina Macsen** – After 12 years of experience in companies such as Shell Romania and Metro Cash & Carry, Mrs. Macsen joined the **SIPEX** team in 2004, where she holds the position of Marketing Director. She attended the Faculty of Materials Science and Engineering at the Polytechnic University of Bucharest and graduated from the Faculty of Marketing and International Business, Spiru Haret University Bucharest. Other specializations include Quality Auditor and Environmental Auditor.
- **Marian Ghiță** - he joined the **SIPEX** team in September 2004 and has held various positions within the company over time, including sales representative and B2B division manager. Since 2015, he has been the National Director for the channel dedicated to clients in the construction sector. He graduated from the Faculty of Management at the Petroleum and Gas University of Ploiești.
- **Cristian Burtea** – with 21 years of experience in sales, joined the **SIPEX** team in 2017, holding the position of National Sales Director in the Retail channel. He is a graduate of the Faculty of Management - Business Administration at U.P.G Ploiești.

RESEARCH AND DEVELOPMENT ACTIVITY

SIPEX COMPANY S.A. does not conduct research and development activities for products or processes whose expenses would be capitalized, leading to the creation and registration of intangible assets representing expenses associated with research and development activities.

THE IMPACT ON THE ENVIRONMENT

The company holds all the environmental permits and authorizations necessary for its activities. There are no ongoing or anticipated legal actions for breaching environmental legislation. **SIPEX** demonstrates its capability to provide services that meet customer requirements and applicable regulations, starting from 2007 when the Integrated Quality Management System - Environment -

Health and Occupational Safety was certified according to ISO 9001, ISO 14001, and ISO 45001 by the German certification body TÜV Thüringen e.v.

EVALUATION OF COMPANY ACTIVITY AND MAIN RESULTS

The activity of the company SIPEX in the year 2023 was good.

- ◆ The results recorded as of 31.12.2023 reflect the managerial, operational, and financial efforts made by the company throughout the year 2023, complemented by its ability to assert itself in a dynamic and highly competitive market. SIPEX's strategy materialized in a gross profit of RON 12,772,608. The financial performance shows at the end of the year a revenue increase of 8.07% and a net result of RON 11,107,655. The net profit in 2023 experienced a decrease of 44.83% compared to 2022, impacted by the economic context that affected the sector in which we operate, leading to increases in the prices of the construction materials.
- ◆ The turnover, amounting to RON 313,409,086, recorded a percentage increase of 7.43% at the end of 2023 compared to the same period of the previous financial year. The fluctuation in turnover reflects the positive effects of intensifying sales activities and consolidating the position in the construction materials market through continuous diversification of the company's product portfolio.

MAJOR EVENTS DURING THE REPORTING PERIOD

- ◆ **Inclusion in BETAeRO index**
Starting from March 20, 2023, **SIPEX** was included in the BETAeRO index, nine months after being listed on the Bucharest Stock Exchange in the AeRO market (stock symbol SPX). The BETAeRO index includes the most traded companies from the Multilateral Trading System - MTS. **SIPEX** has a weight of 1.51% in the index basket, with a reference price of the share at RON 0.372 and a free-float of 0.1.
- ◆ **Conclusion of a strategic partnership with TeraPlast**
In April, **SIPEX** announced a new strategic partnership with TeraPlast that supports **SIPEX's** development direction by expanding the range of products distributed through the 12 logistic centers. **SIPEX** has thus introduced into its portfolio a complete underfloor heating system, calibrated to the current needs of consumers, developed by TeraPlast under the NeoTer brand.
- ◆ **SIPEX Investors' Day**
On May 26, 2023, the first **SIPEX Investors' Day** event took place at the company's first logistics center opened in Ariceștii Rahtivani. During the event, the **SIPEX** management team presented the company's activities, development strategy, and plans in the capital market. Participants had the opportunity to see firsthand the operations at the logistics center and the distribution of construction materials, as well as to visit the color laboratory within the center. Additionally, together with **SIPEX** partners, the company organized workshops with practical demonstrations of the distributed products.
- ◆ On June 30, 2023, the company was awarded at the Forbes Champions League Gala for its outstanding performance over the past 10 years, where it was recognized among the

companies that have consistently grown their businesses and remained profitable over the last decade.

- ◆ On August 23, 2023, the General Meeting of Shareholders took place, unanimously approving the appointment of the new Board of Directors for a period of 4 years.
- ◆ On November 16, 2023, the company received the Champions in Business award for the Muntenia region at the Gala organized by Ziarul Financiar.

STRATEGY

At the national level, the company already has a significant presence in the construction materials market through regional centers, especially in the distribution segment of the industry. The company's development strategy includes expanding the geographical reach to better cover all potential areas, while simultaneously engaging in more aggressive online sales channel promotion. With proper logistics sizing, **SIPEX** aims to expand the geographical distribution of its products. The growth potential driven by both market opportunities and the company's positioning within the industry can be realized through strategic options:

- ◆ diversification of the product portfolio;
- ◆ development of existing working locations and opening of new distribution centers;
- ◆ increase in the B2B and online sales channels;
- ◆ focus on the needs of small craftsmen teams;
- ◆ sizing of the auto transport fleet to cover as much of the national market as possible;
- ◆ development of new partnerships with established suppliers to enhance the range of services and products offered;
- ◆ identification and direct offering to construction companies of all sizes across the entire country;
- ◆ development of personalized offers for individuals undertaking construction and/or renovation projects independently;

ACQUISITIONS AND/OR DISPOSALS OF ASSETS DURING THE ANALYSED PERIOD

In 2023, the company purchased a land plot with an area of 74,996 square meters located in Ariceștii Rahtivani Commune, Prahova County, and signed a bilateral promise to buy-sell an apartment located at Bucegi Street, No. 12, Prahova County.

There were no mergers, divisions, acquisitions, significant changes in assets, or reorganization operations carried out by the company throughout the year 2023.

There were also no acquisitions or disposals of assets recorded with significant impact on the company's operations in the year 2023.

GENERAL EVALUATION ELEMENTS. FINANCIAL PERFORMANCE

The economic and financial transactions conducted by the company have been recorded based on supporting documents and highlighted in the accounting registers, in accordance with the current legal provisions, and the results obtained as of December 31, 2023, are as follows:

A) PROFIT/LOSS

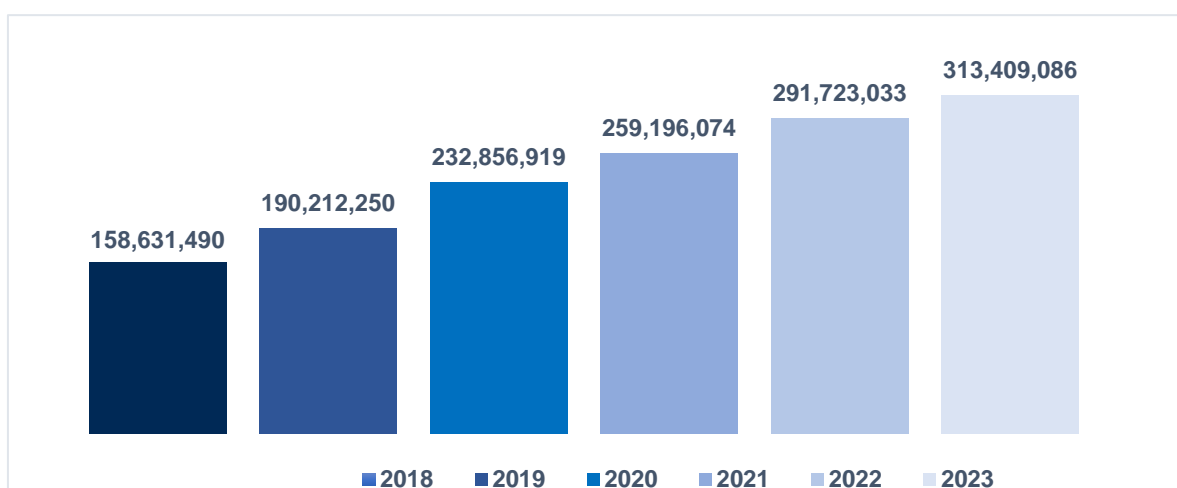
SIPEX's strategy for profitable and sustainable development materialized on December 31, 2022, in a gross profit of RON 12.7 million, and a net profit of RON 11.1 million.

B) NET TURNOVER

In 2023, the company achieved a turnover of RON 313.4 million, an increase of 7.43% compared to the previous year.

Operating revenues for the fiscal year ended December 31, 2023, amounted to RON 320.6 million, registering a growth of 7.85% compared to the fiscal year ended December 31, 2022.

RON	2018	2019	2020	2021	2022	2023
Turnover	158,631,490	190,212,250	232,856,919	259,196,074	291,723,033	313,409,086
Total revenues	160,433,992	192,598,423	236,966,633	261,722,011	297,739,310	321,781,313
Total expenses	155,394,842	182,349,982	223,099,112	242,928,738	274,530,471	309,008,705
Gross profit	5,039,150	10,248,441	13,867,521	18,743,617	23,208,839	12,772,608
Net profit	4,200,729	8,522,056	11,723,430	16,049,971	20,134,364	11,107,655



C) COSTS

Expenses related to operations followed a similar trend to operating revenues, reaching RON 308.4 million compared to RON 272.4 million recorded in the previous year. The highest expenses were generated by costs of goods sold, employee salaries, taxes and duties, and other expenses. These increases are closely aligned with business development.

In addition to sales growth, **SIPEX** management aimed to optimize the operational structure, with operating expenses increasing at a slower pace compared to operating revenues.

D) MARKET SHARE PERCENTAGE

The national market for construction materials and finishes is structured as follows:

- ◆ Modern DIY chains, with Dedeman holding the largest share, followed by Leroy Merlin, Brico Depot, and Hornbach.
- ◆ Traditional retail (small stores where distributors and manufacturers are present).
- ◆ B2B distribution, a channel dedicated to builders and small craftsman teams (direct sales made by distributors, and manufacturers through DIY or Traditional Retail stores).

Currently, **SIPEX** does not operate in the DIY (Do It Yourself) market segment. However, the development strategy includes plans to list certain imported product packages under the Düfa and TKK brands, as well as products branded under its own labels, Meșterică and Profit, in certain retail chains.

E) CASH FLOW

The cash management policy of **SIPEX** aims to ensure the payment of current liabilities: utilities, rent, taxes to the state budget, salaries, social insurance, etc.

The following is a comparative evolution of turnover, revenues, operating expenses, operating, financial, gross, net results, and financial indicators.

Income statement Indicators	31.12.2022	31.12.2023	Variation (%)
Turnover	291,723,033	313,409,086	7.43%
Operating revenues	297,319,461	320,645,691	7.85%
Operating profit	23,198,739	12,183,460	-47.48%
Financial profit	10,100	589,148	5,733.15%
Gross profit	23,208,839	12,772,608	-44.97%
Net profit	20,134,364	11,107,655	-44.83%

No.	Name of working point	2021		2022		2023	
		Turnover	No. of Employees	Turnover	No. of Employees	Turnover	No. of Employees
1	Ariceștii Rahtivani-Prahova	55,582,336	75	64,157,999	80	75,227,168	77
2	Pantelimon-Ilfov	31,444,472	25	39,213,054	24	39,577,894	24
3	Cârcea-Dolj	32,477,197	31	32,867,606	30	32,082,511	29
4	Bucharest-Sector 6	19,085,876	20	23,590,020	20	31,313,618	20
5	Cluj Napoca-Cluj	20,607,980	22	23,262,326	22	22,576,274	17
6	Dumbra Roșie-Neamț	20,507,642	24	23,698,788	25	24,768,012	23
7	Iași-Iași	16,261,430	20	22,726,756	20	22,186,625	19
8	Focșani-Vrancea	17,996,293	19	18,439,469	18	19,863,166	18
9	Prejmer-Brașov	15,552,230	21	16,557,188	22	15,473,173	22
10	Bosanci - Suceava	11,080,205	14	11,319,034	12	10,358,926	12
11	Timișoara-Timiș	9,885,486	14	7,496,146	14	10,274,269	15
12	Budești-Vâlcea	8,714,929	11	8,394,647	10	9,707,448	11
	Total	259,196,076	296	291,723,033	297	313,409,086	287

F) INDICATORS

Liquidity, Solvency and Risk Indicators	OPTIMAL INTERVAL	December 31, 2022	December 31, 2023
Current Ratio	1-2	2.68	1.94
Immediate Liquidity	>0.8	1.46	1.36
Financial Solvency	>1	2.73	2.26
Equity Solvency	> 30%	63.29%	55.84%
Indebtedness Ratio	< 50%	9.62%	4.49%
Debt Ratio (total debt / total liabilities)	< 80%	36.68%	33.16%

The current liquidity ratio, which reflects the company's ability to meet short-term financial obligations using its current assets, remains within the optimal range in the year 2023.

Immediate liquidity provides insight into the company's ability to cover current liabilities without relying on inventory sales. A value above 0.8 is preferred. The company has maintained values above this threshold, indicating a solid financial position regarding immediate liquidity.

Solvency indicators are above the minimum reference threshold. **SIPEX's** total assets cover total liabilities 2.26 times. The values indicate a decrease in solvency from 2022 to 2023, but the company remains well-positioned.

Equity solvency indicates the proportion of equity in the total financial structure. A value above 30% is considered healthy. The company showed a slight decrease in 2023 but remains well above the 30% threshold.

The company's indebtedness ratio reflects the proportion of long-term debt in equity. A value below 50% is desired. Low values indicate a low level of debt compared to equity, which is positive.

The debt-to-total-assets ratio measures the proportion of total debt to total liabilities. A threshold below 80% is considered acceptable. The company experienced a slight increase in the debt ratio in 2023 but remains below the 80% limit.

In conclusion, the company is in a solid financial position, with slight variations between the two periods analyzed. The indicators suggest prudent management of liquidity and solvency, with controlled debt levels.

VISION/STRATEGIES

The leadership's vision has always been focused on meeting customer needs through the presence of products and solutions provided by us in the projects of architects, builders, and our partner stores, regardless of the factors influencing our daily activities, such as customers, employees, partners/suppliers, profit, the environment, and competition. We consistently find dynamism and a desire for continuous evolution, regardless of what influences our daily activities. This is the only way we can meet the challenge of consolidating our position as a national leader in the distribution of construction materials and finishes.

For **SIPEX**, each day is a new day, an opportunity to be better, to learn, and another chance to discover the best solutions. Constant adaptation, seeking and providing solutions in construction that meet the needs of our partners, remains the constant call of the **SIPEX** team.

The main strategic pillars of **SIPEX's** business development that underpinned the consolidation of its market position and **financial performance throughout 2023 were:**

- ◆ **Consolidation of the B2B Segment:** development and modernization of the Business-to-Business sales portal aimed at existing partners. The B2B portal aims to simplify the sales process for partners and reduce operational costs by offering self-service facilities (order history, invoices, scheduling, etc.). The portal is fully integrated with the Senior ERP system for retrieving price and stock information, invoices, partner account information, and order processing.
- ◆ **Investments in Technology:** investments in software, licenses, and new marketing channels ensuring presence in the online sales segment through sipexonline.ro and sipex-comenzi.ro.
- ◆ **Investments in Automation:** investments in automation systems, SFA for automatic order processing in ERP.

- ◆ **Product Sales:** selling products through integrated systems, on-site technical consultancy, support in bidding provided to partners.
- ◆ **Diversity and Quality of Partner Brands:** the diversity, quality, and reputation of partner brands and products, solutions, and services. SIPEX's main strategic partners include Henkel Romania (for 23 years), Saint-Gobain Construction Products (for 16 years), SANEX SA, Knauf, Austrotherm, Swisspor SA, Baunit Romania, Wienerberger, Tondach Romania, Brikston Construction Solutions SA, Holcim SA, ACO, Holver, Kronospan Trading, Elis Pavaje, Romstal, as well as Meffert AG (European leader in the production of paints and varnishes, such as düfa and Profitec) and Firos (for the production of the own brands Meșterică and Profit).
- ◆ **Maintaining and Developing Product Range for Owned Brands:** maintaining quality and meeting legal requirements for introducing and marketing construction products; launching and developing new products under the own brand.
- ◆ **Competitive Pricing:** competitive prices to support **SIPEX's** consolidation in the top companies in the distribution segment (ranked second).
- ◆ **Own Logistics Centers:** continuous investments in the existing transport infrastructure and own fleet, which includes over 81 vans, 7 cranes, 13 Dacia Dokker vehicles, 96 cars, and 37 forklifts.
- ◆ **National Expansion:** continue territorial expansion for better coverage of all geographical areas with potential. Currently, we have 12 logistics centers nationwide located in easily accessible locations for a large number of clients.
- ◆ **Professionalism:** professionalism, experience, and loyalty of the staff represent the bond that consolidates the entire company. People are our most valuable resource, and we choose to invest in their continuous development and training. Human resources are the key to our success.

New Investments:

- ◆ Obtaining the Building Permit for the construction of a lightweight metal structure (tent) at the working point from Craiova and Iași, ensuring adequate storage space in terms of both area and conditions (covered).

STRUCTURE AND WEIGHT OF SALES CHANNELS FROM TOTAL REVENUE GENERATED

In 2023, the company's activity aimed at developing business relationships and consolidating **SIPEX's** position as a national leader in the construction materials market in Romania.

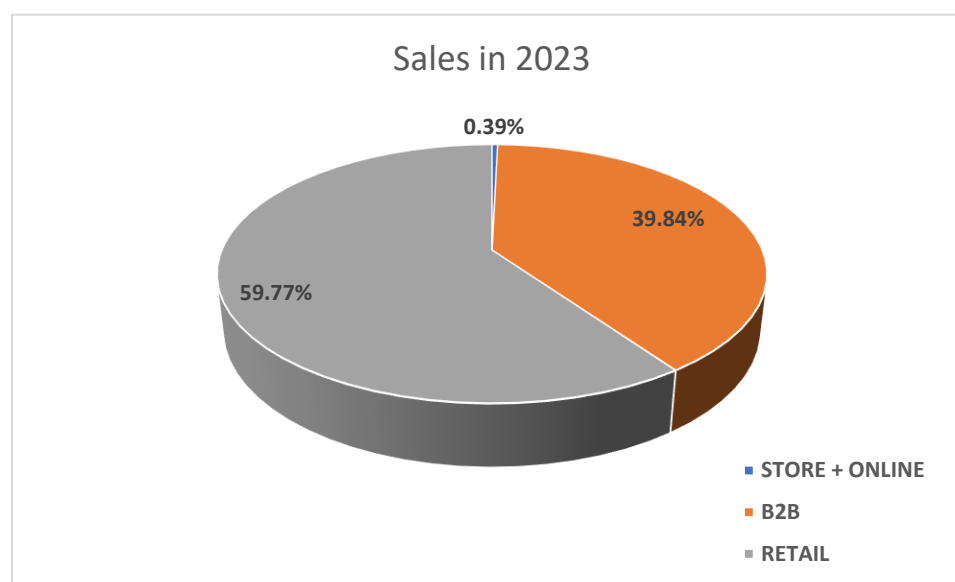
The sale of goods is carried out through three distribution channels, namely:

- ◆ Traditional Retail, consisting of stores of various sizes, other than DIY.
- ◆ B2B aimed at partners such as construction companies building for various investors or developing their own projects (residential/industrial).
- ◆ Online, through the online store.

In 2023, a favorable evolution of sales can be observed, especially in the B2B segment, where registered sales increased by 18.68% compared to 2022, and in the Retail division, sales increased by 2.69%.

ANNUAL EVOLUTION OF SALES BY DIVISIONS (RON)

Segment	Sales 2022	Sales 2023	Variation (%)
Store + Online	2,318,132	1,199,521	-48.25%
B2B	103,315,211	122,614,854	18.68%
Retail	179,099,995	183,924,033	2.69%
Total	284,733,337	307,738,408	8.08%



The promotion of the distribution channels falls under the responsibility of each regional center opened by the company, with each of them recording an annual increase in turnover. Leading in terms of turnover volume are the regional centers located in: Prahova (Ariceștii Rahtivani), Pantelimon (Ilfov), Cârcea (Dolj), Bucharest (Sector 6), and Dumbrava Roșie (Neamț).

SUPPLY ACTIVITY

For the **SIPEX** business model, the supply activity represents a key competitive advantage. In the supply chain, suppliers/manufacturers of the top brands distributed by **SIPEX** are involved. For **SIPEX**, the stages of the procurement process are designed through the succession of the following activities:

- ◆ Supplier selection.
- ◆ Negotiation of all contractual provisions.
- ◆ Ensuring contract execution while adhering to clauses regarding quality, costs, rejects, and deadlines.
- ◆ Identifying optimal logistics and transportation solutions.
- ◆ Ensuring the continuity of contractual relationships with suppliers.

SIPEX has a procurement department that operates from Ariceștii Rahtivani (the central headquarters), under the direct supervision of the General Director.

The congruence between market research activity and knowledge of suppliers dedicated to the construction domain brings top products and renowned brands into **SIPEX's** offering. These brands are associated with recognized manufacturers in the field, signifying durability and quality.

The reputation of distributed brands (Ceresit, Rigips, Isover, Weber, Cesarom, Swisspor, Austrotherm, Baumit, Porotherm, Tondach, Brikston, Ytong, Leier, Structo, Tenco, Sapabet, Aco, Holver, Kronospan, Romstal), along with attention to competitive prices, serve as tangible evidence in maintaining certain consistent standards and accessing new ones. This is beneficial for both the potential business development and the consolidation of **SIPEX COMPANY S.A.**'s position in the construction materials market in Romania.

SIPEX does not critically depend on suppliers of products or services, but in 2023, most of the products distributed by **SIPEX** that require sourcing from established manufacturers or suppliers experienced price fluctuations due to increases in raw material prices.

The company's procurement interests are constantly monitored by the procurement department, which has the role of:

- ◆ identifying manufacturers whose product offerings provide similar or complementary alternatives to **SIPEX's** offerings.
- ◆ ensuring optimal supply conditions for specific products in the industry in which the company operates, at all working points.
- ◆ constantly ensuring stocks of the best products, best solutions, at the best prices, and meeting all customer requirements.
- ◆ maintaining continuous contact with manufacturers to stay updated on the latest industry developments regarding products and specific technologies.
- ◆ mediating access to new products at competitive prices.
- ◆ exploiting timely opportunities such as limited offers or advantageous stock clearances, impossible to contract at the level of the 12 working points, ensuring:
 - flexibility and high capacity for prompt reaction to changes in the external environment.
 - continuity of contracts with strategic partners.
 - maintaining competitive cost advantages.
 - possibility of forming a rich portfolio of partners/suppliers, allowing for selection in procurement, ensuring, above all, a low degree of dependency on any one supplier.
- ◆ ensuring the quality and conformity of deliveries to the customer.

- ◆ supervising and controlling the manufacturing of products under proprietary brands (Meșterică, Profit), in accordance with contractual specifications.
- ◆ establishing contacts for the purpose of concluding strategic partnerships, which facilitate the expansion of the product portfolio.

THE EVOLUTION OF ACQUISITIONS

In 2023, the situation of acquisitions from the main suppliers and their share in the total purchased goods is as follows:

Merchandise acquisition value (RON)	2021	Weight (%)	2022	Weight (%)	2023	Weight (%)
Internal suppliers	246,190,764.35	99.32%	268,579,921.33	99.28%	283,743,254.19	99.62%
Non-EU suppliers	688,503.20	0.28%	945,665.87	0.35%	98,310.42	0.03%
Suppliers within the EU	990,141.72	0.40%	988,665.11	0.37%	995,229.83	0.35%
Total	247,869,409.27		270,514,252.30		284,836,794.44	

The brands (products) held in **SIPEX's** portfolio are manufactured in several factories, depending on their offerings, capacities, and services. The selected manufacturers are characterized by efficiency, comprehensive quality control services, and adequate production capacities tailored to the requirements of European or global markets.

- ◆ **2017** - The German group Meffert AG, a European leader in the production of varnishes and paints, becomes SIPEX's partner in the Romanian market. For 10 years, SIPEX will hold the licenses for düfa and Profitec in Romania and Bulgaria and will market washable paints, primers, and undercoats under the düfa and Profitec brands.
- ◆ **2013** - SIPEX aims to stand out in the construction materials market by choosing its own brand expression, the Mesterică brand. The Mesterică range includes products in the Adhesives/Plasters/Mortars and EPS categories, developed and produced in the FIROS S.A. production units; Washable paints/Primers/Plasters whose production is carried out on the manufacturing lines belonging to Druckfarben Romania S.R.L.
- ◆ **2018** - The expansion of the düfa product range begins, including imported products (washable paints and primers), with products in the category of fiber-reinforced adhesives for polystyrene and basaltic wool, and EPS 50, 60, 70,80, on the production lines belonging to FIROS S.A.
- ◆ **2022** - Policolor becomes **SIPEX's** partner. Policolor has been a name in the Romanian industry for over 50 years, producing varnishes and paints for various markets: for home, construction, automotive, or industrial use.
- ◆ **2023** - **SIPEX** has entered a strategic partnership with TeraPlast, the largest polymer processor in Central and Eastern Europe.

MEDIUM AND LONG-TERM PERSPECTIVE

In 2023, the company's activity took place in a challenging economic environment, which required continuous adjustment of short-term strategies to achieve the proposed objectives.

In this context, **SIPEX's short and medium-term objectives**, set at the level of 2024, are:

- ◆ Establishing new partnerships with suppliers whose products complement the product portfolio offered by SIPEX to its customers. We are currently in the process of initiating discussions with both local and external producers.
- ◆ Controlling expenses related to our daily activities and focusing on inventory turnover.
- ◆ Preparation for the transfer to the Main Market of the Bucharest Stock Exchange, including the preparation of financial reporting in IFRS format.
- ◆ Diversification of the product portfolio.
 - Market analysis: Conducting a thorough analysis of demand in the target market to identify opportunities for product diversification.
 - Partnerships with manufacturers: Establishing or expanding partnerships with new and existing manufacturers to include innovative and sustainable products in the company's offerings.
 - Customer feedback: Implementing a feedback system to understand customer needs and adjust the product offering accordingly.
- ◆ Expansion and development of working locations:
 - Location assessment: Strategically identifying locations for new distribution centers based on market demand analysis and logistical accessibility.
 - Infrastructure investments: Allocating financial resources to modernize infrastructure at existing workplace locations and establish new centers.
 - Technology and automation: Integrating advanced technologies and automation solutions to enhance operational efficiency at distribution centers.
- ◆ Adjusting the personnel policy with a focus on employee retention:
 - Professional development: Providing training and professional development programs to support employee growth and align their skills with company objectives.
 - Organizational culture: Strengthening an organizational culture that fosters engagement, innovation, and job satisfaction. The effective implementation of these action plans requires a strategic approach, properly allocated resources, and commitment from the management team.

Considering the established strategic directions, the company will focus on the following actions to achieve its short and medium-term objectives:

1. Constant monitoring of the competition to identify market trends and adjust product offerings accordingly.
2. Improving logistical processes to reduce delivery times and increase customer satisfaction.

3. Identifying and opening new distribution centers in strategic regions to cover a wider market area.
4. Developing strategic partnerships with major industry companies to increase B2B sales.
5. Replicating the successful results achieved in certain workplaces across all 12 owned locations.
6. The current context requires us to adapt our development strategy, and in the upcoming period, we aim to complement our product portfolio with some new offerings.
7. Investments in areas where we have our own logistics centers.
8. Sizing the fleet of vehicles to cover as much of the national market as possible.
9. Focusing on the needs of teams of small craftsmen.
10. Identifying and directly offering construction companies of any size across the entire country.
11. Creating personalized offers for individuals who undertake construction and/or renovation works on their own.
12. SIPEX is considering the opening of a production unit with funding from European funds in Ariceștii Rahtivani Commune, for which it has taken the first steps by acquiring a plot of land with an area of 74,996 square meters.

DEVELOPMENT STRATEGIES

The company already has a significant presence nationwide through its regional centers, especially in the distribution segment of the respective market. The company's development strategy entails a further expansion of its territorial reach to better cover all geographical areas with potential, concurrently with a more aggressive promotion of the online sales channel. With a proper logistics setup, **SIPEX** aims to extend the geographical distribution area of its marketed products. The growth potential, determined by both market potential and the company's positioning within the industry, can be realized through strategic options, among which the most important are:

- ◆ Investments in areas where there are own logistic centers. These investments will enable the offering of more diversified product packages and improved services to partners.
- ◆ Fleet sizing: sizing the fleet of vehicles to cover as much of the national market as possible.
- ◆ Construction companies: identifying and directly offering services to construction companies of any size throughout the country.
- ◆ Individuals: creating personalized offers for individuals who carry out construction and/or renovation works on their own.
- ◆ www.Sipex-online.ro: promoting the new online store, with a new format that is much more accessible and user-friendly.

CUSTOMER EVOLUTION

Depending on the product or service offered by our company, we can say that the sales process is carried out through a specialized internal team as well as through partners. Due to the wide range of products and services offered, **SIPEX** has a solid customer base, both individuals and legal

entities, generating new or recurring revenue for the company from the sale of existing product lines, as well as new revenue due to the continuously growing customer base.

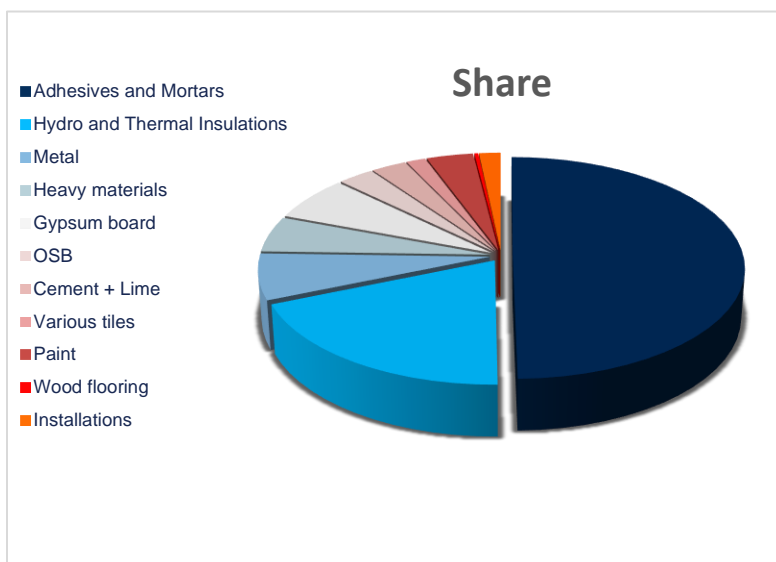
	2019	2020	2021	2022	2023
Turnover	190,212,250	232,856,919	259,196,074	291,723,033	313,409,086
% vs LY	19.9	22.4	11.3	12.5	7.43
No. Invoices	92,511	102,471	102,458	87,491	87,445
Average value./invoice (RON without VAT)	2,046.97	2,286.04	2,531.95	3,354.55	3,562.54
No. clients	3,495	3,741	4,065	4,005	4,100

SIPEX analyzes the sales situation recorded by groups and categories of products sold monthly, according to a well-established budget at the beginning of each calendar year. The sales situation recorded by groups and categories of products is evaluated from an accounting perspective through the analysis of the accounts 701 - revenues from the sale of finished products and 707 - revenues from the sale of goods.

SALES BY PRODUCT CATEGORIES

Since its establishment, **SIPEX** has attracted and selected a diversified range of internationally recognized partners for the quality of their products, efficient solutions, and the development of innovative technologies. The diversity, quality, and attractiveness of the brands and products distributed by **SIPEX** also result from the structure of sales by product categories and suppliers. In the year 2023, the share of the main categories is as follows:

Product category	Share
Adhesives and Mortars	49.78%
Hydro and Thermal Insulations	18.99%
Metal	6.72%
Heavy materials	5.22%
Gypsum board	6.49%
OSB	2.85%
Cement and Lime	2.78%
Tiles	1.53%
Paint	3.66%
Wood flooring	0.31%
Installations	1.68%



MARKET OPPORTUNITIES / COMPETITIVE SITUATION

Market trends confirm **SIPEX's** development potential. Among the most important ones are:

INS declares on February 20, 2024, that:

- ◆ In December 2023, the volume of construction works increased compared to November 2023 on a gross series by 28.1%, and on an adjusted series based on the number of working days and seasonality by 10.3%.
- ◆ In December 2023, the volume of construction works increased compared to December 2022 by 27.3% on a raw series basis, and by 25.5% on an adjusted series basis, accounting for the number of working days and seasonality.
- ◆ During the period 01.01-31.12.2023, the volume of construction works increased compared to the period 01.01-31.12.2022 by 14.2% on a raw series basis, and by 13.8% on an adjusted series basis, accounting for the number of working days and seasonality.

Comparing the period from 01.01 to 31.12.2023 with the period from 01.01 to 31.12.2022:

The volume of construction works, in gross series, increased overall by 14.2%. In terms of structure, increases occurred in major repairs (+19.7%), new construction works (+16.5%), and current maintenance and repair works (+6.0%). For construction objects, there were increases in engineering constructions (+33.2%) and non-residential buildings (+2.3%). Residential buildings decreased by 6.6%. The volume of construction works increased, in the adjusted series based on the number of working days and seasonality, by 13.8%, with noticeable growth in major repairs (+21.5%), new construction works (+15.8%), and current maintenance and repair works (+6.6%). For construction objects, there were increases in engineering constructions (+32.7%) and non-residential buildings (+2.3%). Residential buildings decreased by 5.9%.

On the distribution front, among the competitive advantages, **SIPEX's** quality as an exclusive distributor for certain manufacturers must be highlighted. Thus, as a result of its competitive position, strong collaboration relationships, and promotion policies and strategies, **SIPEX** has obtained exclusive territorial rights for the *düfa* and *Profitec* brands, being the only authorized importer and distributor in the Romanian market.

At the moment, **SIPEX** is not active in the Do It Yourself (DIY) market segment. However, the development strategy includes listing certain imported product packages (such as *Düfa* and *TKK*) as well as products under its own brands, *Meșterică* and *Profit*, in specific retail chains.

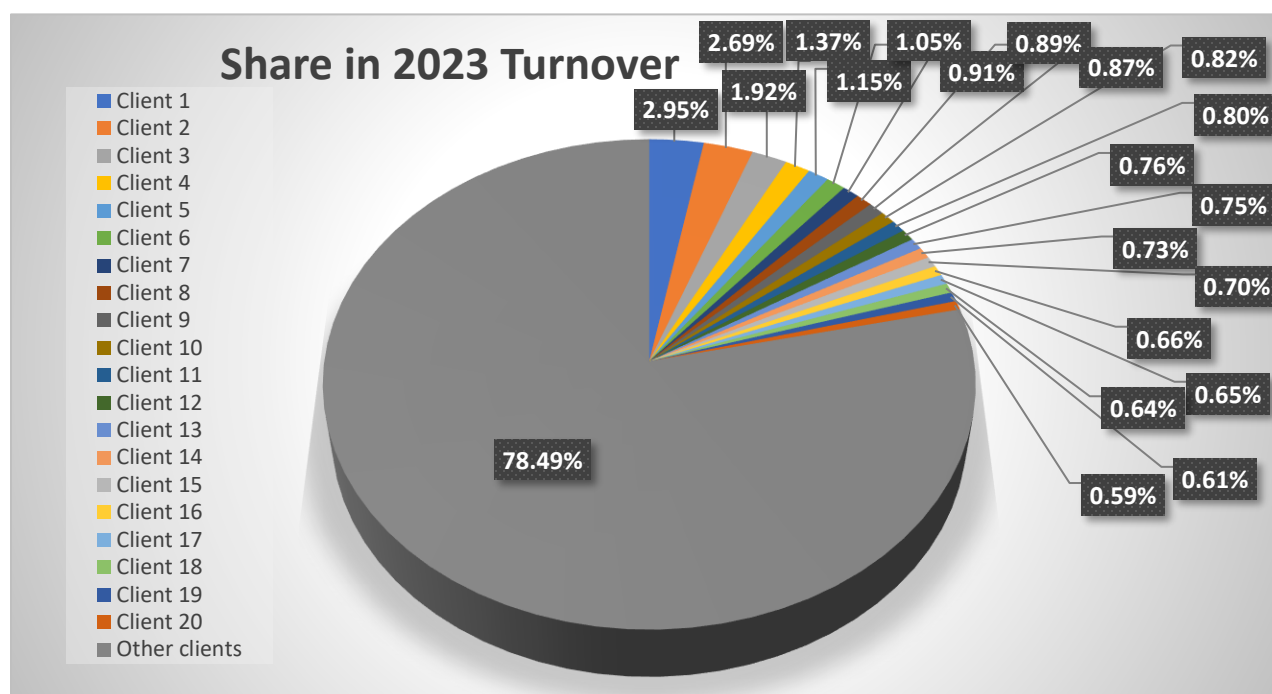
THE SHARE OF LARGE CLIENTS IN THE TOTAL TURNOVER

The continuous diversification of the product portfolio, the intensified visibility and presence of the SIPEX brand in the target market, the competitive advantage of the logistic system, and the consolidation of the B2B segment all generate favorable effects on the company's client portfolio.

The total number of clients remained approximately the same in the 2023 financial year, maintaining a balance in **SIPEX's** client portfolio.

SIPEX has a balanced distribution of turnover among different types of clients. The retail customer segment is predominant, and the share of large clients in the total turnover is low, with the company not relying on a limited number of clients. The most important client of the company generates 2.95% of the company's annual turnover.

No.	Partner	Net value (RON)	Share in 2023 turnover
1	Client 1	9,257,796.33	2.95%
2	Client 2	8,417,763.58	2.69%
3	Client 3	6,007,308.02	1.92%
4	Client 4	4,290,401.63	1.37%
5	Client 5	3,598,687.09	1.15%
6	Client 6	3,304,995.24	1.05%
7	Client 7	2,836,998.66	0.91%
8	Client 8	2,785,033.84	0.89%
9	Client 9	2,738,293.97	0.87%
10	Client 10	2,572,393.43	0.82%
11	Client 11	2,516,603.65	0.80%
12	Client 12	2,377,675.41	0.76%
13	Client 13	2,340,890.39	0.75%
14	Client 14	2,297,928.00	0.73%
15	Client 15	2,190,567.58	0.70%
16	Client 16	2,063,918.54	0.66%
17	Client 17	2,047,972.71	0.65%
18	Client 18	2,012,149.08	0.64%
19	Client 19	1,922,897.27	0.61%
20	Client 20	1,841,752.77	0.59%
21	Other clients	245,987,059.19	78.49%
Total Turnover in 2023		313,409,086.38	100.00%



The turnover in 2023, amounting to RON 313,409,086, was achieved with 97.25% coming from the sale of construction materials, 0.94% from the sale of colored finished products, and 1.81% from service provisions.

The turnover in 2022, amounting to RON 291,723,033, was achieved with 96.28% from the sale of construction materials, 1.33% from the sale of colored finished products, and 2.39% from service provisions.

The turnover in 2021, amounting to RON 259,196,074.00, was achieved with 96.57% from the sale of construction materials, 1.28% from the sale of colored finished products, and 2.15% from service provisions.

Due to the nature of trading across different channels, **SIPEX's** client portfolio reflects a low level of concentration. The dependency rate on specific clients is relatively low; in 2023, **SIPEX's** top 20 clients accounted for only 21.51% of the total sales volume. As these clients are mostly construction firms engaged in various residential or industrial projects and hold a solid market position, the risk associated with the concentration level is low.

RISKS

The main risks the company is exposed to and the policies applied are detailed below:

CREDIT RISKS

Credit risk represents an accounting loss that would be recognized if contracting parties fail to fulfill their obligations. The Company is subject to credit risk due to its trade receivables and other types

of receivables. References regarding the creditworthiness of clients are normally obtained for all new clients, the due date of debts is closely monitored, and amounts overdue are promptly pursued.

CURRENCY RISK

The Company is exposed to fluctuations in the exchange rate due to the debt generated by the financial leasing contract and commercial contracts concluded with foreign partners. The Company's management aims to maintain a balance between assets and liabilities in each currency.

INTEREST RATE RISK

The operational cash flows of the Company are affected by fluctuations in interest rates, primarily in lei. Management aims to maintain a balance between interest-bearing assets and liabilities. The loans contracted by the Company as of December 31, 2023, have a variable interest rate.

TAXATION RISK

Tax legislation in Romania and the practical application of tax measures frequently change and are subject to sometimes differing interpretations by various authorities. The Romanian Government oversees a number of agencies authorized to audit both Romanian entities and foreign entities conducting activities in Romania. These audits are largely similar to those conducted in many other countries but may extend to legal or regulatory areas in which Romanian authorities may be interested. Additionally, these authorities do not appear to be subject to strict rules, and companies subject to audits may be less protected than is customary in other countries. Tax and duty statements may be subject to audit and review for a period of five years, generally from the date of their submission. In accordance with current legal regulations in Romania, the periods under review may be subject to additional checks in the future. The Company's management believes it has recorded correct values in the accounts for taxes, duties, and other obligations to the state; however, there is a risk that the authorities may take a different position from the Company's.

ECONOMIC ENVIRONMENT RISK

In the past year, the European financial sector has faced a public debt crisis triggered by major fiscal imbalances and high public debts in several European countries. Current concerns that the deterioration of financial conditions could contribute to further erosion of confidence in a subsequent stage have prompted a joint effort by governments and central banks to adopt special measures to counteract the vicious circle of increasing risk aversion and to ensure the normal functioning of the market.

Identification and evaluation of investments influenced by a credit market lacking liquidity, analysis of compliance with credit agreements and other contractual obligations, assessment of significant uncertainties, including uncertainties related to an entity's ability to continue operating for a reasonable period of time, all raise further challenges.

The Company's debtors may also be affected by liquidity crises, which could hinder their ability to meet current obligations. Deteriorating operating conditions of creditors could also impact

management's forecasts of future cash flows, as well as estimates of the impairment of financial and non-financial assets.

As of the date of this report, the economic environment has been affected by the war between Ukraine, and sanctions imposed on Russia have led to price increases. We are witnessing an exceptional situation given the recent geopolitical events, but the experience accumulated by the SIPEX team will greatly assist in achieving the established objectives.

The Company's management cannot estimate events that could impact the financial sector in Romania and subsequently their financial statements.

The Company's management believes it is taking all necessary measures to support business growth in the current market conditions by:

- ◆ Constant monitoring of liquidity.
- ◆ Forecasting of current liquidity.
- ◆ Daily monitoring of cash flows and evaluation of the effects on its creditors of limited access to funds and the possibility of expanding operations in Romania.

Due to the current market conditions and ongoing uncertainties expected to persist into 2024, additional effects beyond the data presented in these financial statements may be experienced.

RISKS RELATED TO HUMAN RESOURCES

These risks typically involve the probability of the Company experiencing a high turnover of qualified personnel or encountering a shortage of personnel in conditions of business development. SIPEX has built its organizational values and leadership style to foster employee loyalty and reduce the risk of high staff turnover.

SYSTEMATIC RISKS

The risks mentioned above are mostly interdependent and significantly influenced by economic, political, and social developments at both national and, especially, international levels.

PROPOSAL FOR THE 2024 REVENUE AND EXPENSE BUDGET

To support and further develop the company's position, **SIPEX** aims to expand its team and its material base in 2024. Taking these directions into account, the following revenue and expense budget has been projected for the year 2024.

Indicator	2024
RON	
Revenues from product sales	377,720,000
Commercial discounts granted	-17,000,000

Revenue from services	2,621,534
Revenue from rents	205,000
Revenue from different activities	5,000,000
Total Revenues	368,546,534
Cost of goods sold	336,880,232
Commercial discounts received	-34,000,000
Fuel expenses	5,500,000
Repair expenses	1,450,000
Insurance expenses	1,180,000
Fee expenses	60,000
Personnel expenses	24,653,000
Other taxes and duties expenses	950,000
Travel expenses	46,564
Telephone expenses	181,000
Protocol expenses	139,688
Advertising and promotional expenses	200,000
Spare parts expenses	400,000
Consumables and non-stock materials expenses	380,000
Energy and water expenses	350,000
Rent expenses	2,501,200
Interest expenses	200,000
Bank commission expenses	160,000
Services/ consultancy expenses	1,260,000
Depreciation of fixed assets	3,201,200
Total expenses	345,692,885
Gross profit	22,853,649
Income tax expenses	3,456,584
Net profit	19,397,065

The Income and Expenses Budget has been designed based on previous years' results, the anticipated taxation level for this year, the values of ongoing projects, discussions regarding potential project contracts, as well as considering the dynamics of the company's team, salary dynamics, and projected investments. Additionally, it takes into account the marketing and sales activities already engaged/planned, as well as sales targets for both our own products and the portfolio of services offered, in the unpredictable context of the armed conflict and energy crisis.

DIVIDEND POLICY

Through the dividend policy proposed by the Company's management and supported by the shareholders through the General Meeting of Shareholders, **SIPEX** aims to distribute the net profit in a manner that meets both the shareholders' expectations and the needs of development.

SIPEX acknowledges the shareholders' rights to be remunerated through dividends as a form of participation in the accumulated net profits from operations, as well as an expression of the remuneration of the capital invested in the Company. When determining the distribution of the net profit realized during a financial year, the Board of Directors considers a fair and balanced distribution of the net profit between the portion due to the shareholders in the form of dividends and the portion retained for the Company's investments, aiming to ensure sustainable medium and long-term development.

Additionally, in distributing dividends, **SIPEX** considers the company's capitalization and its economic and financial situation.

At the meeting held on April 22, 2024, the allocation of the accounting profit in the amount of RON 11,107,655 was approved as follows: legal reserves RON 638,630, and the remaining amount of RON 10,469,025 is retained at the company's disposal.

ACTIVITIES OF PURCHASING OWN SHARES

In the year 2021, the Company implemented a stock option plan program aimed at retaining its employees by purchasing a total of 625.000 shares from the majority shareholder. The shares under the Stock Option Plan were granted partially in 2022, with the second part of these shares to be granted in 2023.

FINANCIAL PERFORMANCE

At the end of the 2023 financial year, **SIPEX** recorded a turnover of RON 313.4 million, 7.43% higher than the value recorded in the previous financial year.

Income Statement (RON)	December 31,2022	December 31,2023	Variation (%)	Share in the relevant category (12.31.2022)
Turnover	291,723,033	313,409,086	7.43%	100.00%
Sold production	10,869,038	8,627,803	-20.62%	2.69%
Revenue from goods sold	280,853,670	304,794,424	8.52%	95.06%
Other operating income	5,596,753	7,223,464	29.07%	2.25%
OPERATING INCOME - TOTAL	297,319,461	320,645,691	7.85%	100.00%
Raw materials and consumables expenses	9,521,741	8,266,416	-13.18%	2.68%

Other material expenses	667,115	498,645	-25.25%	0.16%
Other external expenses (for energy and water)	386,796	559,093	44.54%	0.18%
Cost of goods sold	225,569,856	259,493,164	15.04%	84.12%
Personnel expenses	19,244,681	22,253,014	15.63%	7.21%
Impairment adjustments for tangible and intangible assets	3,214,717	3,321,364	3.32%	1.08%
Other operating expenses, of which:	12,678,626	13,366,071	5.42%	4.33%
Outsourcing expenses	6,728,384	6,905,876	2.64%	51.67%
Expenses for taxes, duties, and similar levies	901,395	880,742	-2.29%	6.59%
Other expenses	5,048,847	5,579,453	10.51%	41.74%
Adjustments to the carrying value of current assets	2,746,130	795,524	-71.03%	0.26%
Provisions adjustments	91,060	-91,060	-200.00%	-0.75%
OPERATING EXPENSES - TOTAL	274,120,722	308,462,231	12.53%	100.00%
Operating profit or loss	23,198,739	12,183,460	-47.48%	
Interest income	376,843	956,048	153.70%	84.19%
Other financial income	43,006	179,574	317.56%	15.81%
FINANCIAL INCOME – TOTAL	419,849	1,135,622	170.48%	100.00%
Impairment adjustments for financial fixed assets and financial investments held as current assets	0	0		0.00%
Interest expenses	358,215	495,675	38.37%	90.70%
Other financial expenses	51,534	50,799	-1.43%	9.30%
FINANCIAL EXPENSES – TOTAL	409,749	546,474	33.37%	100.00%
FINANCIAL PROFIT OR LOSS:	10,100	589,148	5,733.15%	
TOTAL INCOME	297,739,310	321,781,313	8.07%	
TOTAL EXPENSES	274,530,471	309,008,705	12.56%	
GROSS PROFIT OR LOSS:	23,208,839	12,772,608	-44.97%	
Income tax	3,074,475	1,664,953	-45.85%	
NET PROFIT OR LOSS	20,134,364	11,107,655	-44.83%	

The increase in turnover reflects the intensification of the marketing activity, the consistency in the implementation of the assumed strategic directions, the strengthening of the competitive position, the reduction of the order processing time and delivery to the advantage of the customers. Operating expenses for the reporting period increased by 12.53% compared to the same period last year. The operating revenues recorded in the current year are 7.85% higher than last year's achievements. The fluctuation in the value of operating expenses was lower than the increase in operating income, realizing an operating result in the amount of RON 12.1 million.

Considering the specifics of the activity, the main category of operational expenses is represented by expenses regarding goods. Their share is 84.12% of total operating expenses on 31.12.2023. The development strategy in accordance with good inventory management generates a gross profit of RON 12.7 million on 31.12.2023.

FINANCIAL POSITION

SIPEX has identified and implemented growth strategies aimed at contributing to the long-term development of the company while also aiming to preserve its competitive advantage.

Balance sheet indicators (RON)	December 31, 2022	December 31, 2023	Relative variation (2023 / 2022)	Proportion in Total Assets / Liabilities 2023
FIXED ASSETS, of which:	19,595,989	25,227,983	28.74%	18.52%
Intangible assets	132,622	85,534	-35.51%	0.06%
Tangible assets	19,454,367	25,142,449	29.24%	18.45%
Financial assets	9,000	0	-100.00%	0.00%
CURRENT ASSETS, of which:	91,777,428	110,255,388	20.13%	80.93%
Inventories	41,733,019	33,343,657	-20.10%	24.47%
Receivables	40,322,012	52,851,686	31.07%	38.79%
Short-term investments	7,000,000	2,000,000	0.00%	0.00%
Cash and cash equivalents	2,722,397	22,060,045	710.32%	16.19%
Prepayments	700,552	758,439	8.26%	0.56%
TOTAL ASSETS	112,073,969	136,241,810	21.56%	100.00%
Short-term liabilities	34,288,226	56,749,975	65.51%	41.65%
Long-term liabilities	6,817,401	3,412,461	-49.94%	2.50%
TOTAL LIABILITIES	41,105,627	60,162,436	46.36%	44.16%
Provisions	91,060	0	-100.00%	0.00%
Deferred revenues	0	0	0.00%	0.00%
Treasury shares	31,250	19,177	-38.63%	0.01%
Losses related to equity instruments	-6,250	0	-100.00%	0.00%
Share capital	39,989,348	39,989,348	0.00%	29.35%
Share premiums	7,480,655	7,480,655	0.00%	5.49%
Reserves	3,615,067	4,248,839	17.53%	3.12%
Profit or loss carried forward	855,790	13,910,684	1,525.48%	10.21%

Profit (or loss) for the financial year	20,134,364	11,107,655	-44.83%	8.15%
Profit distribution	1,160,442	638,630	0.00%	0.47%
EQUITY - TOTAL	70,877,282	76,079,374	7.34%	55.84%

The company's fixed assets, located at the company's headquarters and working point, consist of computer equipment, office equipment, furniture, digital platforms, licenses, and specific software. Additionally, the company has a number of small vehicles and freight transportation means, as well as lifting installations (forklifts), which are used in sales and warehouse logistics activities.

SIPEX does not have any issues regarding ownership rights over its tangible assets.

Current assets represent the category with the highest proportion of total assets, at the end of 2023, these assets recorded an increase of 20.13% compared to the same period of the previous year. The increase in the value of current assets is mainly due to the growth of inventories and bank accounts.

The value of intangible assets decreased by 35.51% compared to the same period last year, while the value of tangible assets increased by 29.24%.

Short-term liabilities increased by 65.51% compared to the same period last year, while long-term liabilities decreased by 49.94%.

CORPORATE GOVERNANCE PRINCIPLES

The statement regarding alignment with the Corporate Governance Principles of the BVB for the multilateral trading system - the AeRO market.

CODE	PROVISIONS	COMPLIANT	NON-COMPLIANT	EXPLANATIONS
SECTION A - RESPONSIBILITIES OF THE BOARD OF DIRECTORS (THE BOARD)				
A1.	The company must have an internal Board Charter that includes terms of reference regarding the Board and key executive functions of the company. Managing conflicts of interest at the Board level should also be addressed in the Board Charter.	yes		

A2.	Any other professional commitments of the Board members, including positions as executive or non-executive members of the Board in other companies (excluding subsidiaries of the company) and non-profit institutions, shall be disclosed to the Board before appointment and during their term of office.	yes		
A3.	Each member of the Board shall inform the Board of any relationship with a shareholder holding directly or indirectly shares representing not less than 5% of the total voting rights. This obligation encompasses any relationship that may affect the position of the respective member on matters relating to decisions of the Board.	yes		
A4.	The annual report will inform whether an evaluation of the Board has been conducted under the leadership of the chairman. The annual report must contain the number of Board meetings.	yes		
A5.	The procedure regarding cooperation with the Authorized Consultant for a period during which this cooperation is applicable shall include at least the following:	yes		
A5.1	Contact person with the Authorized Consultant;	yes		

A.5.2	The frequency of meetings with the Authorized Consultant, which will be at least once a month and whenever new events or information require the transmission of current or periodic reports, so that the Authorized Consultant can be consulted;	yes		
A.5.3	The obligation to inform the Bucharest Stock Exchange regarding any dysfunctionality that arises in the cooperation with the Authorized Consultant, or the change of the Authorized Consultant;	yes		

SECTION B - INTERNAL CONTROL / AUDIT

B1.	The Board will adopt a policy so that any transaction of the company with a subsidiary representing 5% or more of the company's net assets, according to the most recent financial reporting, shall be approved by the Board.	yes		
B2.	The internal audit must be carried out by a separate organizational structure (internal audit department) within the company or through the services of an independent third-party reporting to the Board and, within the company, reporting directly to the General Manager.	yes		

SECTION C - FAIR REWARDS AND MOTIVATION

C1.	The company will publish in its annual report a section that will include total revenues of the Board members and the Chief Executive Officer and the total amount of all bonuses or any	yes		
------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----	--	--

	variable compensation, including key assumptions and principles for calculating them.			
--	---------------------------------------------------------------------------------------	--	--	--

SECTION D - BUILDING VALUE THROUGH INVESTOR RELATIONS

D1.	The company must organize an investor relations service made known to the general public by the person in charge. 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, presenting all relevant information of interest to investors, including:	yes		
D1.1	The main regulations of the company, in particular the articles of association and the internal regulations of the statutory bodies;	yes		
D1.2	CVs of members of statutory bodies;	yes		
D1.3	Current reports and periodic reports;	yes		
D1.4	Information on general meetings of shareholders: agenda and related materials; resolutions of general meetings;	yes		
D1.5	Information on corporate events such as the payment of dividends or other events that result in obtaining or limiting a shareholder's rights, including deadlines and principles for such transactions;	yes		
D1.6	Other information of an extraordinary nature that should be made public: cancellation, modification, initiation of cooperation with an Authorized consultant; or signing, renewal or termination of an agreement with a Market Maker.	yes		
D1.7	The company must have an Investor Relations function and include in the dedicated section of the company's website the name and contact details of a person who is able to provide appropriate information on request.	yes		

D2.	The company must have adopted a dividend policy as a set of guidelines/principles regarding the distribution of net profit. The dividend policy should be published on the company's website.	yes		
D3.	The company must adopt a policy on forecasts, indicating whether they will be provided or not. Forecasts are quantified conclusions of studies aimed at determining the total impact of a list of factors relating to a future period (assumptions). The policy must state the frequency, the period considered and the content of the forecast. If published, forecasts will be part of annual, half-yearly or quarterly reports. The forecast policy will be published on the company's website.		no	The company follows developments in the market, what is happening in our area of interest, the results are not translated as forecast policy.
D4.	The company must fix the date and place of a general meeting to allow as many shareholders as possible to attend.	yes		
D5.	The financial reports must include information in both Romanian and English on the main factors influencing changes in sales, operating profit, net profit or any other relevant indicator.	yes		
D6.	The company must hold at least one meeting/conference call with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the Company's website at the time of the respective meeting/conference call.	yes		

MANAGEMENT STATEMENT

In 2023 the Articles of Association were amended. We attach as an annex its updated version. Contracts entered by the company are subject to Non-Disclosure Agreement clauses and may not be published.

During the period under review there were no acts of resignation/dismissal among members of the Board of Directors and Executive Management.

The annual accounting report has been prepared in accordance with the applicable accounting standards, gives a true and fair view of SIPEX's assets, liabilities, financial position, profit and loss account. Please note that the accounting report has been audited and the audit report accompanies this report. To the best of our knowledge, this report presents fairly and completely the information about the company.

Constantin Irinel Gheorghe

Chairman of the Board of Directors