

*Translation for information purposes only*

**VRANCART S.A.**

Consolidated financial statements  
as at December 31<sup>st</sup>, 2021

drawn up in accordance with  
the Order of the Ministry of Public Finances no. 2844/2016 for the approval of  
the Accounting regulations compliant with the International Financial Reporting  
Standards, applicable to trade companies whose securities are admitted to  
trading on a regulated market

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Vrancart S.A.

## Consolidated statement of financial position

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

	Note	December 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020
<b>ASSETS</b>			
Tangible assets	5	338.408.016	315.908.406
Intangible assets	6	5.850.271	6.788.609
Financial assets		39.594	41.094
Goodwill	6	8.526.391	8.526.391
<b>Total non-current assets</b>		<b>352.824.272</b>	<b>331.264.500</b>
Inventories	7	72.156.949	53.013.513
Trade receivables	8	101.927.129	71.841.836
Prepaid expenses		1.115.940	870.819
Receivables related to current profit tax		242.518	-
Other receivables	10	3.856.477	1.212.397
Cash and cash equivalents	9	2.368.775	5.558.078
<b>Total current assets</b>		<b>181.667.788</b>	<b>132.496.643</b>
<b>TOTAL ASSETS</b>		<b>534.492.060</b>	<b>463.761.143</b>
<b>EQUITY</b>			
Share capital	11	120.363.081	103.168.355
Reserves	11	115.453.878	114.957.240
Retained earnings		4.689.698	9.652.131
<b>Total equity – the Parent-company</b>		<b>240.506.657</b>	<b>227.777.726</b>
Non-controlling interests		(1.040)	281
<b>Total equity</b>		<b>240.505.617</b>	<b>227.778.007</b>
<b>LIABILITIES</b>			
Long-term loans	15	58.706.910	43.766.905
Long-term liabilities under leasing contracts	14	17.870.254	10.570.722
Long-term loans from bond issues	15	37.949.400	37.627.000
Deferred income	18	9.620.784	12.851.179
Long-term debts to employees	16	422.307	453.855
Liabilities related to deferred profit tax	17	5.128.351	5.503.412
Other long-term liabilities	13	323.422	645.822
<b>Total long-term liabilities</b>		<b>130.021.428</b>	<b>111.418.895</b>
Short-term trade liabilities	12	74.347.087	39.683.654
Short-term loans	15	71.301.775	66.709.792
Short-term liabilities under leasing contracts		5.864.025	4.011.256
Deferred income	18	2.219.654	2.726.759
Debts to employees	16	5.104.218	5.411.426
Liabilities related to current profit tax		-	966.800
Other liabilities	13	5.128.256	5.054.554
<b>Total current liabilities</b>		<b>163.965.015</b>	<b>124.564.241</b>
<b>TOTAL LIABILITIES</b>		<b>293.986.443</b>	<b>235.983.136</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>534.492.060</b>	<b>463.761.143</b>

The financial statements have been approved by the Board of Administrators.

General Manager  
Ionel-Marian Ciucioi

Financial Manager  
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

## Consolidated statement of comprehensive income

as at December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

	Note	2021	2020
Income from turnover	19	453.888.676	349.656.944
Other income	20	8.596.073	5.402.360
Variation of finished products inventories and production in progress		7.873.449	(7.569.998)
Expenses related to raw materials and consumables	21	(271.358.232)	(161.404.382)
Expenses related to commodities		(16.052.868)	(12.929.903)
Third party expenses	22	(40.434.950)	(27.931.900)
Personnel-related expenses	24	(82.610.222)	(71.963.147)
Expenses related to amortisation and impairment of tangible assets	5	(35.138.123)	(34.834.216)
Other expenses	23	(12.351.068)	(13.725.893)
<b>Operating result</b>		<b>12.412.735</b>	<b>24.699.865</b>
Financial income	25	588.277	925
Financial expenses	25	(5.233.951)	(6.062.153)
<b>Profit before taxation</b>		<b>7.767.061</b>	<b>18.638.637</b>
Profit tax expense	26	(1.422.806)	(2.025.331)
<b>Profit for the year</b>		<b>6.344.255</b>	<b>16.613.306</b>
- of the Parent-company		<b>6.345.576</b>	<b>16.613.325</b>
- of non-controlling interests		<b>(1.321)</b>	<b>(19)</b>
<b>Other comprehensive income items</b>			
Changes in the reserve from revaluation of tangible assets, net of deferred tax (Note 2 b1)		(804.041)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5.540.214</b>	<b>16.613.306</b>
- of the Parent-company		<b>5.541.535</b>	<b>16.613.325</b>
- of non-controlling interests		<b>(1.321)</b>	<b>(19)</b>
<b>Earnings per share</b>	27		
Base earnings per share		0,0053	0,0161
Diluted earnings per share		0,0055	0,0142

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Vrancart S.A.

## Consolidated statement of changes in equity

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Non-controlling interests	Total equity
<b>Balance as at January 1<sup>st</sup>, 2020</b>	<b>103.168.355</b>	<b>55.006.148</b>	<b>55.263.072</b>	<b>9.694.356</b>	-	<b>223.131.932</b>
<b>Comprehensive income for the period</b>						
Comprehensive income for the period	-	-	-	16.613.325	(19)	16.613.306
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	(84.534)	-	84.534	-	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(3.252.903)	-	3.252.903	-	-
<b>Total comprehensive income for the year</b>	-	<b>(3.337.437)</b>	-	<b>19.950.762</b>	<b>(19)</b>	<b>16.613.306</b>
Distribution of reserves	-	-	8.025.456	(8.025.456)	-	-
Distribution of dividends	-	-	-	(11.967.531)	-	(11.967.531)
Changes in the group structure – non-controlling interests	-	-	-	-	300	300
<b>Balance as at December 31<sup>st</sup>, 2020</b>	<b>103.168.355</b>	<b>51.668.712</b>	<b>63.288.528</b>	<b>9.652.131</b>	<b>281</b>	<b>227.778.007</b>
<b>Balance as at January 1<sup>st</sup>, 2021</b>	<b>103.168.355</b>	<b>51.668.712</b>	<b>63.288.528</b>	<b>9.652.131</b>	<b>281</b>	<b>227.778.007</b>
<b>Comprehensive income for the period</b>						
Comprehensive income for the period	-	-	-	6.345.576	(1.321)	6.344.255
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	(960.575)	-	156.534	-	(804.041)
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(1.525.265)	-	1.525.265	-	-
<b>Total comprehensive income for the year</b>	-	<b>(2.485.840)</b>	-	<b>8.027.375</b>	<b>(1.321)</b>	<b>5.540.214</b>
Distribution of reserves	-	-	2.982.478	(2.982.478)	-	-
Distribution of dividends	-	-	-	(10.007.330)	-	(10.007.330)
Share capital increase	17.194.726	-	-	-	-	17.194.726
<b>Balance as at December 31<sup>st</sup>, 2021</b>	<b>120.363.081</b>	<b>49.182.872</b>	<b>66.271.006</b>	<b>4.689.698</b>	<b>(1.040)</b>	<b>240.505.617</b>

General Manager  
Ionel-Marian Ciucioi

Financial Manager  
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

## Consolidated statement of cash flows

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

	Note	2021	2020
<b>Cash flows from operating activities</b>			
Amounts collected from customers		494.782.114	400.037.149
Payments to suppliers		(344.444.838)	(230.364.017)
Payments to employees		(56.334.135)	(46.401.229)
Payments to the state budget		(62.360.626)	(55.125.576)
Profit tax paid		(2.850.515)	(2.171.302)
<b>Net cash flows from operating activities</b>		<b>28.792.000</b>	<b>65.975.025</b>
<b>Cash flows from investment activities</b>			
Payments for the purchase of tangible and intangible assets		(47.392.125)	(39.342.622)
Amounts collected from the sale of tangible assets		380.648	10.282.717
Guarantees to obtain authorisation licenses		(2.000.000)	-
Interests collected		934	400
<b>Net cash flows from investment activities</b>		<b>(49.010.543)</b>	<b>(29.059.505)</b>
<b>Cash flows from financing activities</b>			
Amounts collected from loans		48.473.525	18.582.699
Share capital increase		16.736.768	-
Cash contribution to shares		-	300
Payments under leasing contracts		(4.660.190)	(5.068.315)
Interests paid and loans reimbursed		(33.683.401)	(35.695.646)
Dividends paid		(9.837.462)	(11.661.645)
<b>Net cash flows from financing activities</b>		<b>17.029.240</b>	<b>(33.842.607)</b>
		<b>(3.189.303)</b>	<b>3.072.913</b>
<b>Net increase/ (reduction) of cash and cash equivalents</b>			
<b>Cash and cash equivalents at the financial year beginning</b>	9	<b>5.558.078</b>	<b>2.485.165</b>
<b>Cash and cash equivalents at the financial year end</b>	9	<b>2.368.775</b>	<b>5.558.078</b>

General Manager  
Ionel-Marian Ciucioi

Financial Manager  
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

### 1. The reporting entity

Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branches Rom Paper S.R.L. (“Branch 1”), based in Braşov locality, 30 Cristianului Road, Braşov county, Vrancart Recycling S.R.L. (“Branch 2”), based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and Ecorep Group S.A. (“Branch 3”), based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The consolidated financial statements of the Group for the financial year ended on December 31<sup>st</sup>, 2021 are formed of the financial statements of Vrancart S.A. and of its branches, that form together the Group.

Branch	Field of activity	Shareholding as at	Shareholding as at
		December 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020
Rom Paper SRL	Production of napkins and tissue paper products	100%	100%
Vrancart Recycling SRL	Treatment and disposal of non-hazardous waste	100%	100%
Ecorep Group SA	Business support services n.e.c.	99,6%	99,6%

The Group operates in the field of non-hazardous waste collection and recycling, in the paper, corrugated cardboard and tissue paper industry.

#### **VRANCART S.A.**

Vrancart S.A. (“the Company”) is a joint-stock trade company operating in Romania under the provisions of Law no. 31/1990 on trade companies.

The company is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County.

The company has working points opened in the following localities: Bucharest, Călimăneşti, Ungheni, Iaşi, Focşani, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureş, Brăila and Piatra Neamţ.

The company’s main object of activity is represented by the manufacture and trading of the following products:

- single-wall, double-wall and double-double wall corrugated cardboard, corrugated cardboard with micro-flutes;
- corrugated cardboard packaging;
- paperboards;
- tissue papers in various assortments.

**Vrancart S.A.**

## **Notes to the consolidated financial statements**

*for the financial year ended on December 31<sup>st</sup>, 2021*

*(all amounts expressed in RON, unless otherwise stated)*

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### **1. The reporting entity (continued)**

The company's number of employees as at December 31<sup>st</sup>, 2021 was 1193 (December 31<sup>st</sup>, 2020: 1104 employees).

The company's shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005. The Group posts its consolidated financial statements on its website [www.vrancart.ro](http://www.vrancart.ro).

As at December 31<sup>st</sup>, 2021, the company is owned 75% by SIF Banat – Crişana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

The record of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

#### ***ROM PAPER S.R.L.***

**Rom Paper S.R.L.** ("Branch 1") was established in 2002 and it is a Romanian privately-owned company, which produces tissue paper products, such as: napkins, folded paper towels, tissue paper, professional rolls, tissues for cosmetic use and facial tissues. Its products are traded in 7 countries, both on the territory of Romania, and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

On January 20<sup>th</sup>, 2017, the Company completed the purchase of the majority stake (70%) in Rom Paper S.R.L.

As at December 31<sup>st</sup>, 2021, the Group held 100% of the company's shares, following the purchase in June 2017 of 15%, respectively in June 2018 of the last tranche of 15% of the shares in Rom Paper S.R.L.

As at December 31<sup>st</sup>, 2021, the Branch had a number of 188 employees (December 31<sup>st</sup>, 2020: 172 employees).

#### ***VRANCART RECYCLING S.R.L.***

Vrancart Recycling S.R.L. ("Branch 2") was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste.

The company is at the beginning of its activity and had a number of 45 employees as at December 31<sup>st</sup>, 2021 (December 31<sup>st</sup>, 2020: 9 employees).

#### ***ECOREP GROUP S.A.***

Ecorep Group S.A. ("Branch 3") was established in November 2020 and it is a Romanian privately-owned company. The main activity of this branch consists of the provision of services regarding the implementation of the obligations related to the producer's extended liability for environmental targets.

The company is at the beginning of its activity and has obtained the authorisation from the Ministry of Environment. The number of employees as at December 31<sup>st</sup>, 2021 is 19 employees (December 31<sup>st</sup>, 2020: 8 employees).



## **Notes to the consolidated financial statements**

*for the financial year ended on December 31<sup>st</sup>, 2021*

*(all amounts expressed in RON, unless otherwise stated)*

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### **2. Basis for preparation**

#### **(a) Statement of conformity**

The consolidated financial statements are drawn up by the Group in accordance with the requirements of the Finance Minister Order no. 2844 from 2016, for the approval of the Accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016). The International Financial Reporting Standards (IFRS) are the standards adopted according to the procedure provided by the (EC) Regulation no. 1606/2012 of the European Parliament and of the Council of July 19<sup>th</sup>, 2002 on the application of the International Accounting Standards.

#### **(b) Submission of financial statements**

The financial statements are presented in accordance with the provisions of IAS 1 “Submission of financial statements”. The Group adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and expenses according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

#### **(c) The functional and presentation currency**

The Group’s management considers that the functional currency, as defined by IAS 21 “The effects of currency exchange rate variation” is the Romanian leu (lei/RON). The consolidated financial statements are presented in RON, rounded to the closest amount in RON.

#### **(d) Basis for evaluation**

The consolidated financial statements were prepared based on the historical cost, except for tangible assets from the category of land, constructions and technological equipment that are assessed using the re-evaluation model.

The accounting policies defined below were applied consistently for all the periods presented in these financial statements. These financial statements were prepared based on the business continuity principle.

In 2021, the Group recorded a net profit of RON 6.344.255 (2020: RON 16.613.306). As at December 31<sup>st</sup>, 2021, the net working capital is positive, of RON 17.702.773 (December 31<sup>st</sup>, 2020: RON 7.932.402).

The Group gives particular importance to profitability indicators, by optimizing the operational and liquidity processes, through the effective use of resources.

In the context of the situation generated by the COVID-19 virus, the Company made its own assessment regarding the effects that it may have on the activity carried out, analysing the uncertainties and risks that the Company is exposed to in the following period. The major areas that were analysed and on which measures were taken in order to reduce the impact on the Company's activity were: employees, analysis of the demand for products and services, contracts to be met, supply, financial commitments, the effect of announced or expected fiscal measures and the valuation of future earnings.

Although the economic effects of the COVID-19 pandemic cannot be fully estimated, the Company considers that its very good financial situation, the access to financing and the markets where it operates are a solid basis for ensuring business continuity and limiting the negative effects of the COVID-19 pandemic crisis.

Based on these analyses, the management considers that the Group will be able to continue its business in the foreseeable future, but not limited to the following 12 months and therefore, the application of the business continuity principle in the preparation of the financial statements is justified.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 2. Basis for preparation (continued)

#### (e) The use of estimates and judgements

The preparation of the consolidated financial statements in accordance with OMFP 2844 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The judgements and assumptions associated to these estimates are based on the historical experience, as well as on other factors deemed reasonable in the context of these estimates.

The results of these estimates form the basis of the judgements relating to the accounting values of the assets and liabilities that cannot be obtained from other sources of information. The results obtained may be different from the values of the estimates.

The judgements and assumptions underlying these are regularly revised by the Group. The revisions of the accounting estimates are recognised during the period when the estimates are revised, if the revisions affect only that period, or during the period when the estimates are revised and the next periods if the revisions affect both the current period and the next period.

The information on estimates, judgments and assumptions with increased risk of resulting in a material adjustment to the amount of assets and liabilities as at December 31<sup>st</sup>, 2021 is included in the following notes:

- Note 3 (a) (v), describing the accounting policy chosen by the Group to recognise the acquiring of Rom Paper S.R.L.
- Note 6, presenting:
  - the recognition of the fair values of the net assets purchased from Rom Paper S.R.L.
  - the recognition of the goodwill following the acquiring of Rom Paper
  - the allotment of some lifetimes for the intangibles purchased

### 3. Significant accounting policies

#### (a) Basis for consolidation

##### (i) Combinations of entities

Combinations of entities are accounted for through the acquisition method on the date when the Group obtains control over the purchased entity. The control requires exposure or rights onto the variable results of the entity invested in, as well as the capacity to influence those results by exercising authority on that entity.

The Group evaluates goodwill as at the purchase date as follows:

- the fair value of the counterperformance transferred, including
- the value of non-controlling interests in the entity purchased, including
- if that combination is performed in stages, the fair value as at the acquisition date of the participation in the equity held by the purchased entity, less
- the net value recognised (in general, the fair value) of the identifiable assets acquired and of the liabilities assumed

The profit from a purchase under advantageous conditions is immediately recognised in the profit and loss account when the fair value of the transferred counterperformance is higher than the recognised net value of the identifiable assets acquired.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

The transferred counterperformance does not include the amounts related to the cessation of some pre-existing relations between the Group and the purchased entity. These amounts are generally recognised in the profit and loss account.

The trading costs, other than those related to the issuance of bonds or shares, related to combinations of entities are recognised in the profit and loss account when incurred.

Any contingent counterperformance owed is evaluated at fair value as at the purchase date. If the contingent counterperformance is classified as equity, then it is not re-evaluated, and the discounting is accounted for in equity. Alternatively, the subsequent changes of fair value of the contingent counterperformance are recognised in the profit or loss account.

#### (ii) Branches

Branches are entities controlled by the Group. The financial statements of the branches are included in the consolidated financial statements from the date when control starts to be exercised until the date when it ceases.

#### (iii) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the branch, any non-controlling interests and other equity items attributable to the branch. Any surplus or deficit arising out of the loss of control is recognised on the profit and loss account. If the Group maintains any interest in the former branch, then this interest is evaluated at fair value as at the date when control is lost. Subsequently, this interest is accounted for through the equity method or as a financial asset, according to the degree of influence maintained.

#### (iv) Transactions removed from consolidation

The balances and the transactions within the Group, as well as any unachieved revenues or expenses resulting from transactions within the Group are entirely removed from the consolidated financial statements. The unachieved losses are removed in the same way as the unachieved revenues, but only to the extent that there are no indications of impairment of the transferred value.

#### (v) Non-controlling interests

Non-controlling interests are related to the minority shareholding by third parties in Ecorep Group and resulted from the capital contribution to the establishment of this subsidiary. The amounts attributable to these shareholdings, respectively the proportion of the equity held and the proportion related to the annual results are presented separately in the financial statements.

### (b) Transactions in foreign currencies

The operations expressed in foreign currencies are recorded in RON at the official exchange rate on the date of discounting of the transactions. Monetary assets and liabilities recorded in foreign currencies on the date of preparation of the balance sheet are converted into the functional currency at the currency exchange rate of that day.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***3. Significant accounting policies (continued)**

The gains or losses from their discounting and from the conversion using the currency exchange rate at the end of the financial year of the monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The currency exchange rates of the main foreign currencies were:

<b>Currency</b>		<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>	<b>Variation</b>
Euro (EUR)		4.9481	4.8694	+1,62%
American (USD)	dollars	4.3707	3.9660	+10,2%

**(c) Accounting of the effect of hyperinflation**

In accordance with IAS 29 “Financial reporting in hyperinflationary economies”, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current measurement unit on the balance closing date (non-monetary elements are restated using a general price index on the date of purchase or contribution).

According to IAS 29, an economy is considered as hyperinflationary if, besides other factors, the cumulated rate of inflation for a period of three years exceeds 100%.

The Romanian economy ceased being hyperinflationary, with an effect onto the periods of the financial statements starting from January 1<sup>st</sup>, 2004.

Thus, the values expressed in the current measurement unit as at December 31<sup>st</sup>, 2003 are treated as the basis for the accounting values reported in the individual financial statements and do not represent evaluated values, replacement costs or any other measurement of the current value of the assets or prices at which the transactions would take place now.

For the purpose of drafting its individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31<sup>st</sup>, 2003.

**(d) Financial instruments***Non-derivative financial instruments*

The group recognises initially the financial assets (loans, receivables and deposits) on the date when they were initiated. All the other financial assets are initially recognised on the date of trading, when the Group becomes part of the contractual conditions of the instrument.

The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All the standard purchases or sales of financial assets are recognised and de-recognised on the trading date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a time interval established through a market regulation or convention.

The Group derecognises a financial asset only when the contractual rights on the cash flows generated by the assets expire or it transfers the financial asset and substantially all the rights and benefits of ownership of the asset to another entity. If the Group neither transfers, nor retains substantially all the risks and benefits related to the ownership and continues to control the transferred asset, the Group recognises its interest retained in the asset and the related liability for the amounts that it would have to pay. If the Group does not retain substantially all the risks and benefits related to the ownership of a transferred financial asset, then the Group will continue recognising the financial asset and also, will recognise the collateralised indebtedness for the collections received.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

Upon the entire derecognising of a financial asset, the difference between the book value of the asset and the amount of the equivalent value received and to be received and the cumulated gains or losses that have been recognised in other comprehensive income items and cumulated in equity are recognised at profit or loss.

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part does it no longer recognises based on the fair values corresponding to those parts as at the transfer date.

The difference between the book value allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

A financial asset is classified at fair value through the profit and loss account if it is classified as held for trading or if it is assigned as such on the original recognition. Financial assets are assigned as evaluated at fair value through the profit and loss account if the Group manages these investments and makes purchase or sales decisions based on fair value in accordance with the investment and risk management strategy described in the Group's documentation. The attributable trading costs are recognised in the profit and loss account when incurred. The financial instruments at fair value in the profit and loss account are evaluated at fair value and the subsequent changes that consider any income from dividends is recognised in the profit and loss account.

If the Group has the intention and the capacity to keep the debt instruments until the maturity date, then these financial assets can be classified as investments held until the maturity date. The financial assets held until the maturity date are initially recognised at fair value plus the directly attributable trading costs. Subsequently to the recognition, the financial assets held until the maturity date are evaluated at amortised cost using the actual interest method, less the amount of impairment losses.

The financial assets held until the maturity date include debt instruments.

#### *Derivative financial instruments*

Derivative financial instruments included in contracts are separated from the contracts and separately accounted for if the contract in question is not a financial asset and certain criteria are met.

Derivative financial instruments are initially recorded at fair value. Subsequently to their initial recognition, these are measured at fair value and the changes in this value are recognised in the profit and loss account.

#### *Receivables*

Receivables are financial assets with fixed or determinable payments that are not traded on an active market. Such assets are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, the receivables are evaluated at amortised cost using the effective interest rate method less the value of impairment losses. Receivables include trade receivables and other receivables.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, current accounts and reimbursable deposits with maturities of up to three months from the date of purchase and are subject to an insignificant risk of change in their fair value and are used by the Group to manage short-term commitments.

#### *Financial assets held for sale*

Financial assets available for sale are the non-derivative financial assets that are designated as available for sale. The financial assets available for sale are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, these are evaluated at cost less any impairment losses.

#### *Share capital – ordinary shares*

Ordinary shares are classified as part of equity. The additional costs directly attributable to the issuance of ordinary shares and share options are recognized as a reduction of equity at value net of tax effects.

#### *Financial liabilities*

Financial liabilities include financial leasing liabilities, interest-bearing bank loans, loans from bond issues, overdrafts and trade liabilities and other liabilities. For each item, the accounting policies related to recognition and measurement are presented in this note.

Loans are initially recognised at fair value less the costs incurred in relation to the operation in question. Subsequently, these are recorded at amortised cost. Any difference between the input value and the reimbursement value is recognised in the profit and loss account during the loan period, using the actual interest method.

Financial instruments are categorised as liabilities or equity according to the substance of the contractual arrangement. Interests, dividends, gains or losses related to a financial instrument categorised as liability are reported as expense or income. The distributions to the holders of financial instruments categorised as equity are recorded directly at equity. Financial instruments are offset when the Company has an applicable legal right to offset and intends to discount either on a net basis, or to achieve the asset and to extinguish the liability simultaneously.

#### **(e) Tangible assets**

##### *(i) Recognition and evaluation*

Tangible assets recognised as assets are initially evaluated at cost by the Group. The cost of a tangible assets item is formed of the purchase price, including non-recoverable taxes, after the deduction of any price reductions of commercial nature and any costs that can be directly attributable to bringing the asset to the location and under the conditions necessary for it to be used for the purpose intended by the management, such as: employee-related expenses resulting directly from the construction or purchase of the asset, the costs of site preparation, the initial delivery and handling costs, the costs related to erection and assembly, professional fees.

The cost of a tangible asset item built by the Group includes:

- the cost of materials and direct personnel-related expenses;
- other costs directly attributable to bringing the assets to the state necessary for its intended use;
- when the Group has the obligation to move the asset and to restore the corresponding space, an estimate of the costs for the disassembly and movement of items and for the restoration of the area where they have been capitalized

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

When certain components of a tangible asset have different useful lifetime durations, they are accounted as different elements (major components) of tangible assets.

Tangible assets are classified by the Group in the following classes of assets of the same nature and with similar uses:

- land;
- constructions;
- equipment, technical installations and machines;
- means of transport;
- other tangible assets.

Land, constructions and equipment are highlighted at re-evaluated value and this represents the fair value on the date of re-evaluation less any amortisation accumulated previously and any accumulated impairment losses.

Fair value is based on market prices quotations, adjusted, if necessary, so as to reflect the differences related to the nature, location or condition of that asset, except for the equipment for which fair value was determined based on the replacement cost.

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR).

The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value as at the balance sheet date.

The expenses related to the maintenance and repairs of tangible assets are recorded by the Group in the statement of comprehensive income upon their occurrence, and the significant improvements brought to tangible assets, that increase their value or lifetime duration or that increase to a significant extent their capacity to generate economic benefits are capitalised.

#### *(ii) Subsequent expenses*

Subsequent expenses are capitalised only when they increase the value of the future economic benefits incorporated into the asset they are intended for. The expenses related to repairs and maintenance are recognised in the profit and loss account as they are incurred.

#### *(iii) Amortisation*

Tangible assets items are amortised from the date when they are available for use or are in operating condition and for the assets built by the entity, from the date when the asset is completed and ready for use.

Amortisation is calculated using the linear method throughout the estimated useful lifetime of the assets, as follows:

- |                                       |             |
|---------------------------------------|-------------|
| – Constructions                       | 30-60 years |
| – Equipment                           | 2-16 years  |
| – Means of transport                  | 4-8 years   |
| – Furniture and other tangible assets | 4-10 years  |

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***3. Significant accounting policies (continued)**

Land is not subject to amortisation.

Amortisation is usually recognised in the profit and loss account, except for the case when the amount is included in the book value of another asset.

The amortisation methods, the estimated useful lifetimes and the residual values are revised by the Group on every reporting date and are adjusted, if necessary.

*(iv) The sale/ cassation of tangible assets*

The tangible assets that are quashed or sold are removed from the balance sheet together with the corresponding cumulated amortisation. Any profit or loss resulting from such operation are included in the current profit or loss.

**(f) Rights of use (Leasing)**

As of January 1<sup>st</sup>, 2019, the Company adopted IFRS 16 using the amended retrospective approach, recognizing the transitional adjustments at the date of the initial application (January 1<sup>st</sup>, 2019), without restating the comparative figures. The Company has chosen to apply the practical exception in order not to re-evaluate whether it is or contains a lease agreement at the date of the initial application. Contracts entered into before the transition date that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not restated. The definition of a lease in accordance with IFRS 16 applied only to contracts entered into or amended on or after January 1<sup>st</sup>, 2019.

IFRS 16 provides certain practical optional exceptions, including those related to the initial adoption of the standard. The Company has applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

- (a) it applied a single discount rate to a rental portfolio with reasonably similar characteristics;
- (b) it excluded the initial direct costs from the evaluation of assets from the right of use on the date of initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the start date;
- (c) it relied on previous assessments as to whether the leases are onerous compared to preparing a revision of impairment in accordance with IAS 36 at the date of the initial application; and
- (d) it applied the exemption from not recognizing the rights to use the assets and liabilities for leases with less than 12 months of lease remaining on the date of the initial application.

As a user, the Company previously classified the lease as an operating or financial lease based on its assessment on whether the lease transferred substantially all the risks and benefits of the right of ownership. In accordance with IFRS 16, the Company recognizes the leased assets and liabilities for the majority of the leases.

However, the Company has chosen not to recognize leasing assets and liabilities for some low value leases based on the new value of the underlying asset for short-term leases with a lease term of 12 months or less.

In adopting IFRS 16, the Company recognized the rights to use the leased assets and liabilities as follows:

<b>Classified according to IAS 17</b>	<b>Rights of use</b>	<b>Debts under leasing contracts</b>
Operational leasing	Assets from rights of use are measured at an amount equal to the lease liability, adjusted by the amount of any amounts paid in advance or preliminary.	Measured at the current value of the remaining leasing payments, updated using the Company's incremental loan rate as at January 1 <sup>st</sup> , 2019. The company's incremental loan rate is the rate at which a loan could be obtained from an independent financier, on comparable terms and conditions. The average rate applied was 1% p.a.
Financial leasing	Measured on the basis of the carrying amounts for leasing assets and liabilities immediately before the date of the initial application (carrying amounts, unadjusted).	



## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

Following the application of the provisions of IFRS 16 during the current financial year, the Company recognized usage rights at assets, at the same time with the increase of the total debts by the same amount. No determinations were made for the periods prior to the financial year ended on December 31<sup>st</sup>, 2019.

#### (g) Intangible assets and goodwill

##### (i) Recognition and evaluation

The intangible assets purchased by the Group that have determined useful lifetimes are evaluated at cost less the cumulated amortisation and the cumulated impairment losses. Goodwill is not depreciated, and this is regularly tested, at least on an annual basis, for impairment indicators, and recognised at initial value, less the cumulated impairment losses. Impairment losses recognised in relation to goodwill cannot be subsequently reversed.

##### (ii) Research and development

The expenses related to the research activities, performed for the purpose of gaining knowledge or for new scientific or technical interpretations are recognised in the profit and loss account when incurred.

The development activities involve a plan or project aimed at new or substantially improved products or processes. The development costs are capitalized only if they can be reliably measured, the product or process is technically and commercially feasible, the future economic benefits are probable and the Group intends and has sufficient resources to complete the development and to use or sell the asset. The capitalized expenditures include the cost of materials, the direct personnel-related costs and the administrative costs that are directly attributable to preparing the asset for its intended use and the capitalized borrowing costs. Other development costs are recognized in the profit or loss account when they are incurred.

##### (iii) Brands and commercial relations

Brands and commercial relations are registered in the intangible assets accounts at contribution value or purchase cost, as applicable. These are recognised on the date of purchase of the branches, based on their fair value estimate on the date of purchase of the branch by authorised assessors.

##### (iv) Subsequent expenses

Subsequent expenses are capitalised only when they increase the value of the future economic benefits incorporated into the asset they are intended for. All the other expenses, including the expenses related to goodwill and the internally generated brands, are recognised at profit or loss when incurred.

##### (v) Amortisation of intangible assets

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill, from the date of availability for use.

Amortisation is calculated using the linear method throughout the estimated useful lifetime of the assets, as follows:

- |                           |            |
|---------------------------|------------|
| – Customer relations      | 2-10 years |
| – Brands                  | 7-10 years |
| – Other intangible assets | 2-4 years  |

The amortisation methods, the useful lifetime durations and the residual values are revised at the end of each financial year and are adjusted if necessary.

#### (h) Financial assets

Financial assets include the shares held in affiliated entities, the loans granted to affiliated entities, the shares held in associated entities and jointly-controlled entities, the loans granted to associated entities and jointly-controlled entities, other investments held as assets, other loans.

*The initial evaluation* – The financial assets recognised as assets are evaluated at purchase cost.

*The evaluation as at the balance sheet date* – The financial assets are presented in the balance sheet at input value less the cumulated value adjustments for impairment.

#### (i) Inventories

Inventories are evaluated at the minimum value between cost and the net achievable value.

The net achievable value represents the estimated sale price during the normal performance of the activity less the estimated costs for completion and the costs necessary to perform the sale.

The cost of inventories is based on the first-in-first-out (FIFO) principle and includes the expenses incurred for the purchase of inventories, the production or converting costs and other costs incurred to bring the inventories in the current form and location.

In case of inventories manufactured by the Group and the production in progress, the cost includes the corresponding share of the administrative expenses related to production based on the normal operating capacity.

#### (j) Impairment of assets

The book values of the Group's assets of non-financial nature, other than the assets of the type of deferred taxes, are revised on each reporting date in order to identify the existence of impairment indicators. If there are such indicators, the recoverable value of those assets is estimated.

An impairment loss is recognised when the book value of the asset or of its unit generating cash exceeds the recoverable value of the asset or of the unit generating cash. A unit generating cash is the smallest identifiable group that generates cash and that has the ability to generate cash flows independently from other assets or groups of assets. Impairment losses are recognised in the statement of comprehensive income.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

The recoverable value of an asset or of a unit generating cash represents the maximum amount between the usage value and its fair value, less the costs for the sale of that asset or unit.

To determine the usage value, the future cash flows forecasted are updated using an update rate before taxation, reflecting the current market conditions and the specific risks of that asset.

Impairment losses recognised during the previous periods are evaluated on each reporting date in order to determine whether they have decreased or ceased to exist. Impairment loss is reproduced if a change in the estimated uses to determine the recoverable value has occurred.

Impairment loss is reproduced only if the book value of the asset does not exceed the book value that would have been calculated, net of amortisation and depreciation, if the impairment loss had not been recognised.

The Group has defined impairment adjustment policies for trade receivables and inventories, as follows:

#### *Impairment adjustments for trade receivables*

The Group analyses on an individual basis the need to record an impairment adjustment for the customers whose balances at the year-end exceed RON 100.000 and that have either started court proceedings to recover their balances, or that have invoices overdue for more than one year, calculated for the oldest invoice of the balance. Also, the Group calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

For the customers whose balances do not meet the individual analysis criteria, a collective impairment adjustment is calculated, based on the division of their balances by length intervals, according to the maturity date for the oldest invoice of the balance. A percentage calculated based on the Group's historical experience on the degree of recoverability of overdue balances from each length interval used for analysis is allotted to each length interval.

#### *Impairment adjustments for inventories*

By the nature of its object of activity, the Group does not hold any perishable inventories or inventories posing a short term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events, but may also result from inventories with a low market demand.

The Group performs a regular assessment of inventories in order to identify the existence of any indications of their impairment, taking into consideration the following aspects:

- For inventories older than 180 days, impairment adjustment is established after an individual analysis, for each product, performed by a commission formed of representatives of the sales and production departments;
- For all finished products, the Group compares the cost of inventories with the sale prices less the distribution costs for the immediately following period, to present the inventories remained in balance at the minimum value between the production cost and the sale price less the distribution costs, according to the provisions of the policy (g).

#### **(k) Dividends to be distributed**

Dividends are treated as a distribution of profit during the period when they were declared and approved by the General Meeting of the Shareholders. The dividends declared before the reporting date are registered as liabilities as at the reporting date.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### (l) Re-evaluation reserves

Re-evaluations are made with sufficient regularity, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. In this respect, the Group has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31<sup>st</sup>, 2019.

The difference between the value resulting from re-evaluation and the net book value of tangible assets is presented in the re-evaluation reserve, as a distinct sub-element of "Equity".

If the result of re-evaluation is an increase from the net book value, then it shall be treated as follows: as an increase of the re-evaluation reserve presented in equity, if there was not a previous reduction recognised as expense related to that asset or as an income that would compensate the expense by the decrease previously recognised for that asset.

If the result of re-evaluation is a decrease of the net book value, it is treated as an expense for the entire amount of depreciation when an amount relating to that asset (re-evaluation surplus) is not recorded in the re-evaluation reserve or as a reduction of the re-evaluation reserve by the minimum value between the amount of that reserve and the amount of reduction, and the potential difference remained uncovered shall be recorded as an expense.

The re-evaluation surplus included in the re-evaluation reserve is transferred to retained earnings when this surplus represents an income achieved. The income is considered to be achieved upon the decommissioning of the fixed asset as a result of its sale or cassation. No part of the re-evaluation reserve can be distributed, either directly or indirectly, except for the case when the re-evaluated asset has been capitalized, in which case the re-evaluation surplus represents an actually achieved income.

Starting from May 1<sup>st</sup>, 2009, as a result of the changes occurred in the fiscal legislation, the re-evaluation reserves recorded after January 1<sup>st</sup>, 2004 become taxable as the fixed asset is amortised. Therefore, the Group recorded a liability related to deferred tax related to this re-evaluation difference that is included in the fixed asset amount.

#### (m) Legal reserves

The legal reserves of each Group entity are established in a proportion of 5% of the gross profit as at the year end until the total legal reserves reach 20% of the paid-up nominal share capital in accordance with the legal provisions. These reserves are deductible at the calculation of the profit tax and are not distributable except for the case of the entities' liquidation.

#### (n) Affiliated parties

Branches are entities controlled by the Group. Control is obtained where the parent-company holds the power to govern the financial and operating policies to obtain benefits from its activities. The consolidated financial statements include the financial statements of the parent-company and of the entities controlled by the parent-company (its branches) from the time when control starts being exercised until its cessation.

The parties are considered to be affiliated if one of the parties has the possibility to control either directly or indirectly or to influence to a significant extent the other party by ownership or based on contractual rights, family relationships or other kind of relationships. Affiliated parties also include the persons that are the main shareholders, the management and the members of the Board of Administrators and their family members.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### (o) Employee benefits

##### (i) Short-term benefits

The liabilities related to short term benefits given to employees are not updated and are recognised in the statement of comprehensive income as the related service is provided.

Short term benefits of employees include salaries, premiums and social security contributions.

##### (ii) Determined contribution plans

The Group makes payments on behalf of its own employees to the pension system in Romania, to the health insurance fund and to the unemployment fund in the course of its normal activity.

All of the Group's employees are members of the pensions system in Romania (a determined contribution plan of the State) and also have the legal obligation to contribute to it (by means of social contributions). All the related contributions are recognised in the profit or loss for the period when incurred. The Group has no additional liabilities.

The Group is not engaged in any independent pensions system, therefore it has no liabilities in this respect. The Group is not engaged in any other system for post-retirement benefits. The Group does not have the obligation to provide subsequent services to former or current employees.

##### (iii) Long-term benefits of employees

The Group's net liability in relation to the benefits corresponding to long-term services is represented by the amount of future benefits that the employees have earned in exchange of the services provided by them during the current period and in the previous periods.

The parent-company has the obligation to grant benefits to employees upon retirement, in accordance with the collective employment agreement.

#### (p) Provisions

A provision is recognised if, after a previous event, the Group has a current legal or implied liability that can be credibly estimated and is likely that an outflow of economic benefits is required to extinguish the liability. Provisions are determined by updating the future forecasted cash flows using a rate before taxation that reflects the current market evaluations in relation to the value of money over time and the risks specific to the liability. The amortisation of the update is recognised as a financial expense.

#### (q) Income

##### (i) The sale of goods

The Company concludes agreements with its customers. These are usually framework-agreements establishing the payments terms, the delivery and acceptances conditions related to the goods sold, the parties' rights and obligations. The sale price of the goods is usually established for each order launched by the customer and accepted by the Company.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

The shipment services related to the goods are usually included in the agreements for the sale of goods. These shipment services are not recognised as a separate obligation due to the specifics of the industry where the Company operates, which involves the need for the customers to organise the shipment as a measure to streamline the logistic and storage activities.

The revenues from the sale of goods are recognised when control is transferred to the customer. Most of the sales agreements provide that the delivery will be made FOB buyer or according to the delivery condition CPT (Carriage Paid To, according to Incoterms).

The Company offers its customers the right to return the products sold if these fail to meet the quality conditions stated in the agreements concluded with the customers. The Company assesses the value related to such returns from customers and recognises these as an adjustment of income. For the current financial year, the amount of such returns is deemed insignificant.

The Company concluded agreements with a part of its customers, usually great retailers, under which these undertake to provide a non-monetary counterperformance in the form of services, including logistic services, as well as marketing and promotion services. These services are recognised as a reduction of the transaction price, as long as the following conditions are met:

- the customer provides a good or service which is distinct, separable from the other elements of the agreement;
- the fair value of such services can be reasonably determined;
- the actually paid amount does not exceed the fair value of such services.

The Company recognises a reduction of the transaction price for the services invoiced by great retailers for most of these services, as it does not hold the information required to credibly assess their fair value.

#### *(ii) The provision of services*

The revenues from the provision of services are stated in the accounting records as they are incurred. The provision of services includes the performance of works and any other operations that cannot be considered as deliveries of goods.

The stage of execution of the work is determined based on work progress reports which accompany the invoices, the reception protocols or other documents certifying the stage of completion of the services provided.

#### **(r) Financial income and expenses**

Financial income includes the interest-related income corresponding to the funds invested and other financial income. Interest-related income is recognised at profit or loss based on accrual accounting, using the actual interest method.

Financial expenses include the expense related to the interest for loans and other financial expenses.

The currency exchange gains or losses related to the financial assets and liabilities are reported on a net basis, either as financial revenues or as financial expenses depending on currency exchange fluctuations: net profit or loss.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

The borrowing costs that are directly attributable to the purchase, construction or generation of eligible assets, that require a significant period of time to be ready for use or sale, are added to the cost of those assets until the assets are significantly ready for use or sale.

The revenues from the temporary investment of the specific loans obtained for the purchase or construction of eligible assets are deducted from the costs of loans that can be capitalised. All the other borrowing costs are recognised in the consolidated profit or loss, where they are incurred.

#### (s) Profit tax

Profit tax expenses include the current and deferred tax.

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

##### (i) Current tax

Current tax is the tax to be paid related to the profit achieved during the current period, determined based on the percentages applied on the reporting date and on all the adjustments related to the previous periods.

For the financial year ended on December 31<sup>st</sup>, 2021, the profit tax rate was 16% (December 31<sup>st</sup>, 2020: 16%).

##### (ii) Deferred tax

Deferred tax is determined by the Group using the balance sheet method for those temporary differences occurring between the tax base for the calculation of tax for assets and liabilities and their book value, used for reporting purposes in the consolidated financial statements.

Deferred profit tax is not recognised for the temporary differences occurring on the initial recognition of goodwill.

Deferred tax is calculated based on the taxation percentages that are expected to be applicable to the temporary differences at their resumption, under the legislation in force on the reporting date.

Deferred tax receivables and liabilities are offset only if there is the legal right to offset the current liabilities and receivables by the tax and if they are related to the tax collected by that tax authority for the same entity subject to taxation or for different tax authorities that want to discount the current tax-related receivables and liabilities by the tax using a net basis or the assets and liabilities in question are to be achieved simultaneously.

The receivables related to deferred tax are recognised by the Group only to the extent that it is likely to achieve future profits that can be used to cover the fiscal loss.

The receivables related to deferred tax are revised at each financial year end and are reduced to the extent that the related fiscal benefit is unlikely to be achieved. Additional taxes occurring out of the distribution of dividends are recognised on the same date as the obligation to pay the dividends.

##### (iii) Fiscal exposures

To determine the amount of the current and deferred tax, the Group takes into consideration the impact of the uncertain fiscal positions and the likelihood of occurrence of additional taxes and interests.

## **Notes to the consolidated financial statements**

*for the financial year ended on December 31<sup>st</sup>, 2021*

*(all amounts expressed in RON, unless otherwise stated)*

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### **3. Significant accounting policies (continued)**

This evaluation is based on estimates and hypotheses and may involve a series of judgements on the future events. New information may become available, thus leading the Group to change its reasoning in reference to the accuracy of the estimation of the existing financial liabilities; such changes of the fiscal liabilities have effect onto the tax-related expenses in the period during which such determination is made.

#### **(t) Earnings per share**

The Group presents the base earnings per share and the diluted earnings per ordinary shares. The base earnings per share are determined through the distribution of the profit or loss attributable to the Group's ordinary shareholders to the weighted average number of ordinary shares for the reporting period. The diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

#### **(u) Government subsidies**

Government subsidies for investments are initially recognised as deferred revenues, at fair value when there is the certainty that they will be received and the Group will meet the related conditions. The subsidies that compensate the Group's expenses related to the cost of an asset are recognised in the statement of comprehensive income in "Other income" systematically throughout the useful lifetime of the asset, as the subsidised asset is amortised. The subsidies that compensate the expenses incurred by the Group are recognised in the statement of comprehensive income, in "Other income" systematically during the same periods when the expenses are recognised.

#### **(v) Contingent assets and liabilities**

Contingent liabilities are not recognised in the financial statements. They are presented, except for the case when the likelihood of a resource outflow that represents economic benefits is removed. A contingent asset is not recognised in the financial statements, but is presented when an inflow of economic benefits is likely.

#### **(w) Subsequent events**

The financial statements reflect the events subsequent to the year end, that provide additional information on the Group's position on the reporting date or those indicating a potential breach of the business continuity principle (events leading to adjustments). The events subsequent to the year-end that do not represent events leading to adjustments are presented in notes when considered significant.

#### **(x) Comparative statements**

The financial statements drawn up as at December 31<sup>st</sup>, 2021 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.



## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 3. Significant accounting policies (continued)

#### (y) New standards and interpretations, valid as at December 31<sup>st</sup>, 2021

The European Union adopted a series of standards the application of which is mandatory, for the year ended on December 31<sup>st</sup>, 2021 and these were applied in the drafting of these individual financial statements:

- The IBOR reform and its effects onto the financial reporting - Phase 2 - In August 2020, IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments supplement those made in 2019 ("IBOR - phase 1 ") and focus on the effects on entities when an existing reference interest rate is replaced by a new reference rate as a result of the reform.
- Covid 19-related Rent Concessions after June 30<sup>th</sup>, 2021 (Amendments to IFRS 16) - In May 2020, the IASB issued an amendment to IFRS 16 COVID 19-related Rent Concessions. This amendment provided a practical opportunity in accounting for the reduction of leasing payments on account of COVID-19. The practical opportunity in 2020 was available for reductions of leasing payments that affect only payments initially due by or before June 30<sup>th</sup>, 2021. On March 31<sup>st</sup>, 2021, the IASB issued the amendment "COVID 19-related Rent Concessions after June 30<sup>th</sup>, 2021", which extended the eligibility period for practical measures from June 30<sup>th</sup>, 2021 to June 30<sup>th</sup>, 2022. This amendment is in force for annual reporting periods starting on or after April 1<sup>st</sup>, 2021. Earlier application is permitted, including in financial statements not authorized for publication on March 31<sup>st</sup>, 2021.

These changes did not have a significant impact onto the financial statements.

#### (z) New standards and interpretations, which are not applicable as at December 31<sup>st</sup>, 2021

There are a series of standards, changes to standards and interpretations issued by the IASB that are effective in the future accounting periods that the Company has decided not to adopt in advance. The most important of these are the following, which are applicable for the period beginning on January 1<sup>st</sup>, 2022:

- Annual Improvements of IFRS: Cycle 2018-2020 - In May 2020, the IASB issued minor amendments to IFRS 1 First Adoption of the International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples accompanying IFRS 16 Leasing.
- The conceptual financial reporting framework (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Financial Reporting Framework without changing the accounting requirements for business combinations. The amendments shall become effective for annual reporting periods beginning on or after January 1<sup>st</sup>, 2022. Earlier application is permitted.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts – Cost of fulfilment of a contract) - In May 2020, the IASB issued amendments to IAS 37, which specify the costs that a company includes when assessing whether a contract will generate a loss and is therefore recognized as an onerous contract. These changes are expected to result in more contracts being considered as onerous contracts, as they increase the scope of costs that are included in the evaluation of the onerous contracts.
- IAS 16 Property, plant and equipment (amendment - Receipts before intended use) - In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting from the cost of property, plant and equipment the proceeds from the sale of manufactured items while the company is preparing the asset for its intended use. Instead, a company will recognize such sales revenues and any related costs in profit or loss.

The company is currently assessing the impact of these new accounting standards and changes.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 4. Fair value determination

Certain accounting policies and requirements for the submission of information by the Group require the determination of the fair value for financial and non-financial assets and liabilities.

The Group has an established control framework on the evaluation at fair value. This includes an evaluation team that is responsible for the supervision of significant fair value evaluations, including the 3<sup>rd</sup> level fair values, and reports directly to the financial manager.

The evaluation team revises on a regular basis the unobservable entry data and the significant evaluation adjustments. If data provided by third parties, for example quoted prices, provided by brokers or by price establishment services is used, the evaluation team assesses whether this data complies with the requirements imposed by the International Financial Reporting Standards, including the level in the hierarchy of fair values where these evaluations should be categorised.

Upon the evaluation of assets or liabilities at fair value, the company uses to the maximum extent possible observable market information. The hierarchy of fair value classifies the entry data for the evaluation techniques used to evaluate the fair value on three levels, as follows:

- 1<sup>st</sup> level: quoted (unadjusted) price on identical active markets for assets or liabilities that the Company can access at the evaluation date;
- 2<sup>nd</sup> level: entry data, other than quoted prices included in 1<sup>st</sup> level, that is observable for assets or liabilities, directly or indirectly;
- 3<sup>rd</sup> level: unobservable entry data for assets or liabilities.

If the entry data for the fair value evaluation of an asset or liability can be classified on several levels of the fair value hierarchy, the evaluation at fair value is classified entirely at the same level of fair value hierarchy as the entry data with the lowest level of uncertainty that is significant for the entire evaluation.

The Group recognises the transfers between the levels of fair value hierarchy at the end of the reporting period when the modification took place.

Additional information on the hypotheses used for the evaluation at fair value are included in Note 3 (d) (i) for tangible assets.

Vrancart S.A.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<b>5. Tangible assets</b>					
<i>Cost or re-evaluated value</i>					
<b>As at January 1<sup>st</sup>, 2021</b>	<b>16.243.613</b>	<b>82.423.701</b>	<b>260.896.419</b>	<b>21.936.370</b>	<b>381.500.103</b>
Purchases	165.630	1.637.568	52.220	48.183.896	50.039.314
Assets related to the rights of use of leased assets	-	11.964.541	4.246.177	-	16.210.718
Transfers from assets in progress	-	2.234.068	16.761.135	(21.965.066)	(2.969.863)
Transfers to intangible assets	-	-	-	(430.672)	(430.672)
Outflows	-	(2.292.166)	(7.252.759)	-	(9.544.925)
<b>As at December 31<sup>st</sup>, 2021</b>	<b>16.409.243</b>	<b>95.967.712</b>	<b>274.703.192</b>	<b>47.724.528</b>	<b>434.804.675</b>
<i>Cumulated amortisation and impairment losses</i>					
<b>As at January 1<sup>st</sup>, 2021</b>	<b>222.851</b>	<b>7.638.396</b>	<b>58.953.887</b>	<b>-</b>	<b>66.815.134</b>
Amortisation expense	222.850	2.567.759	26.475.914	-	29.266.523
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	1.927.802	2.496.203	-	4.424.005
Outflows	-	(8.359)	(2.064.928)	-	(2.073.287)
<b>As at December 31<sup>st</sup>, 2021</b>	<b>445.701</b>	<b>12.125.598</b>	<b>85.861.076</b>	<b>-</b>	<b>98.432.375</b>
<i>Net book value</i>					
<b>As at December 31<sup>st</sup>, 2021</b>	<b>15.963.542</b>	<b>83.842.114</b>	<b>188.842.116</b>	<b>47.724.528</b>	<b>336.372.300</b>

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31<sup>st</sup>, 2021 was RON 2.035.716.

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## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

<b>5. Tangible assets (continued)</b>	<b>Land and land improvements</b>	<b>Special buildings and constructions</b>	<b>Equipment and other fixed assets</b>	<b>Tangible assets in progress</b>	<b>Total</b>
<i>Cost or re-evaluated value</i>					
<b>As at January 1<sup>st</sup>, 2020</b>	<b>18.576.079</b>	<b>81.222.852</b>	<b>234.754.680</b>	<b>16.454.505</b>	<b>351.008.116</b>
Purchases	-	47.618	65.236	35.347.280	<b>35.460.134</b>
Assets related to the rights of use of leased assets	-	1.513.985	5.194.873	-	<b>6.708.858</b>
Transfers from assets in progress	-	4.755.726	24.676.967	(29.432.693)	-
Transfers to intangible assets	-	-	-	(432.722)	<b>(432.722)</b>
Outflows	(2.332.466)	(5.116.480)	(3.795.337)	-	<b>(11.244.283)</b>
<b>As at December 31<sup>st</sup>, 2020</b>	<b>16.243.613</b>	<b>82.423.701</b>	<b>260.896.419</b>	<b>21.936.370</b>	<b>381.500.103</b>
<i>Cumulated amortisation and impairment losses</i>					
<b>As at January 1<sup>st</sup>, 2020</b>	-	<b>2.282.815</b>	<b>33.193.043</b>	-	<b>35.475.858</b>
Amortisation expense	224.914	2.571.388	26.442.409	-	29.238.711
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	2.955.352	1.300.021	-	4.255.373
Outflows	(2.063)	(171.159)	(1.981.586)	-	(2.154.808)
<b>As at December 31<sup>st</sup>, 2020</b>	<b>222.851</b>	<b>7.638.396</b>	<b>58.953.887</b>	-	<b>66.815.134</b>
<i>Net book value</i>					
<b>As at December 31<sup>st</sup>, 2020</b>	<b>16.020.762</b>	<b>74.785.305</b>	<b>201.942.532</b>	<b>21.936.370</b>	<b>314.684.969</b>

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31<sup>st</sup>, 2020 was RON 1.223.433.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***5. Tangible assets (continued)**

The main purchases of tangible assets in 2021 of the parent-company consisted of constructions and warehouses for corrugated cardboard production, as well as equipment and lines for the production of paperboards, tissue paper and corrugated cardboard. For the branch Rom Paper SRL, production equipment was purchased in 2021, to increase the existing capacities and to diversify the assortment range.

The unamortised value of fixed assets that were no longer part of the patrimony following the sale and/or cassation as at December 31<sup>st</sup>, 2021 was RON 3.523.045 (see note 5) (December 31<sup>st</sup>, 2020: RON 9.220.579).

The net book value of the fixed assets purchased through government subsidies received until December 31<sup>st</sup>, 2021 is RON 31.639 thousand (see note 17) (December 31<sup>st</sup>, 2020: RON 47.923 thousand).

As at December 31<sup>st</sup>, 2019, based on some reports drafted by authorised appraisers, the Group recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines amounting to RON 14.136.498 and a net increase amounting to RON 179.496 (in revenues). The fair value of the fixed assets that were subject to revaluation was determined by applying the market comparison method, where market information is available, respectively through the net replacement cost method. Prior to this revaluation, the latest revaluation of those categories of tangible assets had been performed as at December 31<sup>st</sup>, 2017 for Vrancart S.A.

In Rom Paper SRL, the assets were taken over at fair value as at the acquisition date based on a purchase price allocation report drafted by authorised appraisers.

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 166.262 thousand as at December 31<sup>st</sup>, 2021 (December 31<sup>st</sup>, 2020: RON 182.045 thousand). The value of the rights of use related to the assets held through leasing contracts is presented in the Note 14.

**6. Intangible assets and goodwill**

<i>in RON</i>	<b>Customer relations</b>	<b>Brands</b>	<b>Other intangible assets</b>	<b>Total intangible assets</b>	<b>Goodwill</b>
<i>Cost</i>					
<b>As at January 1<sup>st</sup>, 2021</b>	<b>6.133.926</b>	<b>3.094.411</b>	<b>3.103.867</b>	<b>12.332.204</b>	<b>8.526.391</b>
Purchases	-	-	69.029	<b>69.029</b>	-
Transfer from assets in progress	-	-	440.278	<b>440.278</b>	-
Outflows	-	-	(16.293)	<b>(16.293)</b>	-
<b>As at December 31<sup>st</sup>, 2021</b>	<b>6.133.926</b>	<b>3.094.411</b>	<b>3.596.881</b>	<b>12.825.218</b>	<b>8.526.391</b>
<i>Cumulated amortisation and impairment losses</i>					
<b>As at January 1<sup>st</sup>, 2021</b>	<b>2.608.376</b>	<b>1.237.764</b>	<b>1.623.349</b>	<b>5.469.489</b>	-
Impairment expense	652.094	309.441	560.166	<b>1.521.701</b>	-
Outflows	-	-	(16.243)	<b>(16.243)</b>	-
<b>As at December 31<sup>st</sup>, 2021</b>	<b>3.260.470</b>	<b>1.547.205</b>	<b>2.167.272</b>	<b>6.974.947</b>	-
<i>Net book value</i>					
<b>As at December 31<sup>st</sup>, 2021</b>	<b>2.873.456</b>	<b>1.547.206</b>	<b>1.429.609</b>	<b>5.850.271</b>	<b>8.526.391</b>

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***6. Intangible assets and goodwill (continued)***Intangible assets*

Customer relations and brands have been recognized on the basis of an acquisition price allocation report drawn up by an authorized appraiser contracted by Vrancart S.A. The fair value of these intangibles is based on detailed business plans of Rom Paper S.R.L., which include estimates of the future evolution of key indicators such as customer income and margins or brand royalty rates, as well as the choice of an adequate update rate.

The duration of customer relations recognized as a result of the acquisition of Rom Paper S.R.L. range between 6 and 10 years. These are estimated on the basis of the remaining duration of deliveries to these, and correlated with the turnover generated by those customers (customers with higher shares in turnover will collaborate for a longer period with Rom Paper S.R.L. compared those with lower shares), as well and by reference to the lifetime of brands.

The lifetime of the purchased brands is 10 years, estimated on the basis of the analysis of the following determinants: (1) market demand for products made and sold under these brands; (2) the average period of license agreements for brands used in paper production; (3) the remaining useful lifetime of the machinery used for paper production and of other underlying assets; and (4) the legal protection period of the brand, which may be renewed for a further period of 10 years from expiry.

These lifetimes are based on the Group's estimate related to the period during which these intangible assets are expected to generate future economic benefits.

*Goodwill*

Goodwill related to the branch Giant Prodimpex SRL was taken over following the merger at the value recognised as at the acquisition date, namely RON 3.380.811.

Goodwill related to the acquisition of Rom Paper SRL was recognised as at the completion of acquisition of 70% of the shares of Rom Paper SRL, namely on January 20<sup>th</sup>, 2017, as follows:

1	Payment made on the acquisition date by Vrancart SA		18.630.018
2	Payment made on the acquisition date by Giant Prodimpex SRL		1.767
3=1+2	Total payments made by the Group		18.631.785
4	Book value of the existing net assets		(16.640.576)
5	Customer relations recognised as at the acquisition date		(6.133.926)
6	Brands recognised as at the acquisition date		(3.094.411)
7	Debts related to deferred profit tax		2.461.229
8=5+6+7	Total adjustments of net assets at fair value		(6.767.108)
9	Value of the put options acquired	Note 1	10.444.225
10	Value of the call options acquired	Note 1	(522.746)
<b>11=3+4+8+9+10</b>	<b>Goodwill</b>		<b>5.145.580</b>

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***6. Intangible assets and goodwill (continued)**

On July 19<sup>th</sup>, 2017, Vrancart S.A. exerted its option to purchase an additional stake of 15% of the shares in Rom Paper S.R.L., for which it paid the amount of RON 5.160.670. In 2018, Vrancart acquired the remaining 15% of the shares in Rom Paper SRL for the amount of RON 5.076.040, so that as at the end of 2018, the shareholding is 100%.

The total payments made by the Group during the period between 2017 - 2018 for the acquisition of 100% of the shares in Rom Paper S.R.L. is RON 28.866.728.

There are no impairments related to goodwill, given that the income, the results and the net assets taken over are in line with the Group's expectations.

**7. Inventories**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Raw materials and consumables	38.768.487	28.312.670
Finished products and commodities	16.743.080	12.509.756
Production in progress	16.423.582	12.660.729
Advances paid for inventories	867.652	121.532
Adjustments for the impairment of inventories	(645.852)	(591.175)
<b>Total</b>	<b>72.156.949</b>	<b>53.013.513</b>

**8. Trade receivables**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Customers	102.631.179	79.209.880
Suppliers - debtors for goods/ services	358.562	35.239
Other receivables	2.650.630	343.273
Adjustments for the impairment of receivables – customers	(3.713.242)	(7.746.555)
<b>Total</b>	<b>101.927.129</b>	<b>71.841.836</b>

**Adjustments for the impairment of receivables – customers**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Balance as at the beginning of the period	7.746.555	6.484.282
New adjustments during the period	2.998.449	4.124.318
Cancellation of adjustments during the period	(7.031.762)	(2.862.045)
Balance as at the end of the period	3.713.242	7.746.555

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***9. Cash and cash equivalents**

	<u>December 31<sup>st</sup>, 2021</u>	<u>December 31<sup>st</sup>, 2020</u>
Current accounts at banks and other values	2.298.492	5.540.281
Petty cash	70.283	17.797
<b>Total cash and cash equivalents</b>	<b><u>2.368.775</u></b>	<b><u>5.558.078</u></b>

**10. Other receivables**

	<u>December 31<sup>st</sup>, 2021</u>	<u>December 31<sup>st</sup>, 2020</u>
Other personnel-related receivables	568.497	605.544
Sundry debtors	2.426.504	743.892
VAT to be recovered	827.673	61.032
Suppliers-debtors	310.049	24.969
Other receivables related to the state budget	134.579	259.682
Adjustments for the impairment of other receivables	(410.825)	(482.722)
<b>Total</b>	<b><u>3.856.477</u></b>	<b><u>1.212.397</u></b>

**11. Share capital****Group's shareholding structure**

<b>December 31<sup>st</sup>, 2021</b>	<b>Number of shares</b>	<b>Amount (RON)</b>	<b>(%)</b>
SIF Banat Crişana	774.416.054	77.441.606	75.06%
Paval Holding	176.375.700	17.637.570	17.10%
Other shareholders	80.891.793	8.089.179	7.84%
<b>Total</b>	<b><u>1.031.683.547</u></b>	<b><u>103.168.355</u></b>	<b><u>100%</u></b>

<b>December 31<sup>st</sup>, 2020</b>	<b>Number of shares</b>	<b>Amount (RON)</b>	<b>(%)</b>
SIF Banat Crişana	774.416.054	77.441.606	75.06%
Paval Holding	176.375.700	17.637.570	17.10%
Other shareholders	80.891.793	8.089.179	7.84%
<b>Total</b>	<b><u>1.031.683.547</u></b>	<b><u>103.168.355</u></b>	<b><u>100%</u></b>

In 2020, there were changes in the share capital and the Paval Holding Group holds as at the year-end over 17% of the total shares. On December 31<sup>st</sup>, 2021, stage 1 of the share capital increase was completed, and in January 2022 the process was finalised. The increased amount was RON 17.194.726.



**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***11. Share capital (continued)****Dividends**

Through the Decision no. 4 dated April 27<sup>th</sup>, 2021, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31<sup>st</sup>, 2020, amounting to RON 10.007.331, respectively a gross amount of a dividend of RON 0,0097/share.

**Other reserves**

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2021, the parent-company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve related to reinvested profit as at December 31<sup>st</sup>, 2021 is RON 50.327.211 (December 31<sup>st</sup>, 2020: RON 48.882.943).

According to the legal requirements, the Group establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31<sup>st</sup>, 2021 was RON 11.717.311 (December 31<sup>st</sup>, 2020: RON 11.140.485). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

**Reserves from the revaluation of tangible assets**

These reserves include the cumulated net changes of the fair values of the land, buildings, special constructions and of the technological equipment. Revaluation reserves are presented at value net of the related deferred tax (16%).

**12. Trade liabilities**

<b>Short-term trade liabilities</b>	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Trade liabilities	73.689.479	39.421.765
Advances received	657.608	261.889
<b>Total</b>	<b>74.347.087</b>	<b>39.683.654</b>

**13. Other liabilities**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Debts to the state budget	3.456.963	3.508.640
Dividends to be paid	1.168.705	1.035.163
Sundry creditors	502.588	510.752
<b>Other short-term liabilities</b>	<b>5.128.256</b>	<b>5.054.555</b>
Provisions for disputes	22.822	22.822
Options related to the bonds issued (Note 15)	300.600	623.000
<b>Other long-term liabilities</b>	<b>323.422</b>	<b>645.822</b>

Provisions for disputes are estimated based on the likelihood that in the future it will be necessary to consume economic resources to extinguish this obligation.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)*

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
<b>Reconciliation of provisions for disputes</b>		
Balance as at the beginning of the period	22.822	40.608
Provisions established during the period	-	-
Provisions used during the period	-	(17.786)
<b>Balance as at the end of the period</b>	<b>22.822</b>	<b>22.822</b>

**14. Debts under leasing contracts**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Long-term liabilities under leasing contracts	17.870.254	10.570.722
Long-term liabilities under leasing contracts	5.864.025	4.011.256
<b>Total liabilities under leasing contracts</b>	<b>23.734.279</b>	<b>14.581.978</b>

The reconciliation of debts under leasing contracts and of the rights of use recognised following the application of IFRS 16 is presented in the following tables:

	<b>Buildings and special constructions</b>	<b>Equipment and other fixed assets</b>	<b>Total</b>
<b>Debts under leasing contracts</b>			
<b>As at January 1<sup>st</sup>, 2021</b>	<b>9.138.201</b>	<b>5.443.777</b>	<b>14.581.978</b>
Inflows	11.784.789	4.426.463	16.211.252
Outflows	(2.233.541)	(567.073)	(2.800.614)
Interest and currency exchange differences	335.927	99.625	435.552
Payments under leasing contracts	(2.565.665)	(2.128.224)	(4.693.889)
<b>As at December 31<sup>st</sup>, 2021, out of which:</b>	<b>16.459.711</b>	<b>7.274.568</b>	<b>23.734.279</b>
Long-term liabilities under leasing contracts	12.706.155	5.164.099	17.870.254
Short-term liabilities under leasing contracts	3.753.556	2.110.469	5.864.025

	<b>Buildings and special constructions</b>	<b>Equipment and other fixed assets</b>	<b>Total</b>
<b>Debts under leasing contracts</b>			
<b>As at January 1<sup>st</sup>, 2020</b>	<b>10.530.120</b>	<b>1.943.746</b>	<b>12.473.866</b>
Inflows	2.447.222	5.433.463	7.880.685
Outflows	(1.107.780)	-	(1.107.780)
Interest and currency exchange differences	390.547	12.974	403.521
Payments under leasing contracts	(3.121.908)	(1.946.407)	(5.068.315)
<b>As at December 31<sup>st</sup>, 2020, out of which:</b>	<b>9.138.201</b>	<b>5.443.777</b>	<b>14.581.978</b>
Long-term liabilities under leasing contracts	6.480.487	4.090.235	10.570.722
Short-term liabilities under leasing contracts	2.657.715	1.353.541	4.011.256

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***14. Debts under leasing contracts (continued)**

<b>Rights of use</b>	<b>Buildings and special constructions</b>	<b>Equipment and other fixed assets</b>	<b>Total</b>
<b>As at January 1<sup>st</sup>, 2020</b>	<b>10.274.339</b>	<b>2.775.726</b>	<b>13.050.066</b>
Inflows	2.447.222	5.132.907	7.580.129
Outflows	(1.107.780)	-	(1.107.780)
Amortisation	(2.780.448)	(1.282.553)	(4.063.001)
<b>As at January 1<sup>st</sup>, 2021</b>	<b>8.833.333</b>	<b>6.670.216</b>	<b>15.503.548</b>
Inflows	11.905.285	4.305.431	16.210.715
Outflows	(3.425.059)	(774.546)	(4.199.605)
Amortisation	(1.894.059)	(2.529.946)	(4.424.005)
<b>Net values as at December 31<sup>st</sup>, 2021</b>	<b>15.419.499</b>	<b>7.671.154</b>	<b>23.090.653</b>

**15. Loans**

	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Bank loans	58.706.910	43.766.905
Loans from bond issues	37.949.400	37.627.000
<b>Total long-term loans</b>	<b>96.656.310</b>	<b>81.393.905</b>
Bank loans	71.301.775	66.709.792
<b>Total short-term loans</b>	<b>71.301.775</b>	<b>66.709.792</b>

The Group has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans can lead to the declaring of early maturity and other sanctions.

A part of the financial and non-financial conditions related to the loan contracts existing in balance of the branch Rom Paper SRL as at December 31<sup>st</sup>, 2020 have not been met, therefore the amount of RON 9.122.273 for the previous year was reclassified as a short-term liability.

Regarding the reference date December 31<sup>st</sup>, 2021, the financier confirmed that it will not request the early repayment due to the non-fulfilment of the conditions.

The interest rate for RON loans is determined as Robor + margin, the final interest being in the range of 2% - 4%.

The interest rate for loans in EUR is determined as Euribor + margin, the final interest being in the range 2% - 4%.

To guarantee its loans, the Group established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising from current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31<sup>st</sup>, 2019, tangible assets are mortgaged in favour of banks (see Note 5).

**Notes to the consolidated financial statements**for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

**15. Loans (continued)**

Details regarding the loans:

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 <sup>st</sup> , 2021 – RON equivalent	Principal in balance as at December 31 <sup>st</sup> , 2020 – RON equivalent
1	31.07.2021	EUR RON	Variable	overdraft	30.07.2022	6.526.765	27.551.754
2	15.03.2021	RON	Variable	overdraft	15.03.2022	10.780.971	2.729.526
3	09.05.2018	RON	Variable	long-term	20.04.2025	6.642.414	8.839.870
4	29.11.2017	RON	Variable	long-term	29.11.2024	13.196.722	17.721.311
5	14.09.2018	RON	Variable	long-term	14.09.2022	920.192	2.147.115
6	08.07.2021	RON	Variable	overdraft	08.07.2022	3.132.457	964.409
7	23.05.2016	RON	Variable	long-term	30.04.2021	-	374.306
8	15.07.2021	RON	Variable	overdraft	15.07.2022	281.368	-
9	30.08.2016	RON	Variable	long-term	31.08.2021	-	2.764.017
10	28.05.2021	RON	Variable	long-term	31.12.2022	5.698.530	-
11	27.07.2016	RON	Variable	long-term	27.07.2023	4.013.974	6.549.113
12	03.11.2017	RON	Variable	long-term	29.11.2023	2.398.572	3.650.000
13	16.09.2021	RON	Variable	overdraft	09.09.2022	5.332.835	5.090.730
14	18.12.2018	RON	Variable	long-term	12.12.2028	3.800.121	4.342.995
15	27.12.2021	RON	Variable	overdraft	27.12.2022	9.957.651	-
16	27.12.2021	RON	Variable	long-term	27.12.2025	4.000.000	-
17	23.08.2021	RON	Variable	long-term	29.07.2026	7.266.184	-
18	27.07.2021	RON	Variable	long-term	27.07.2024	969.966	-
19	21.12.2021	RON	Variable	long-term	21.12.2024	16.875.541	-
20	26.09.2019	RON	Variable	long-term	20.09.2026	2.923.078	3.581.548
21	03.01.2019	RON	Variable	long-term	02.01.2024	387.712	573.814
22	29.10.2019	EUR	Fixed	long-term	20.11.2024	1.550.884	2.049.285
23	14.02.2019	RON	Variable	long-term	16.07.2022	2.369.863	3.305.235
24	06.11.2019	RON	Variable	long-term	05.11.2029	3.973.019	3.221.076
25	06.11.2019	RON	Variable	long-term	04.11.2022	360.381	576.919
26	23.10.2020	RON	Variable	long-term	23.10.2025	3.631.579	4.500.000
27	21.12.2020	RON	Variable	long-term	21.12.2027	6.497.200	7.309.350
28	18.05.2021	RON	Variable	overdraft	18.05.2022	4.431.724	1.383.619
29	20.12.2020	RON	Variable	long-term	20.12.2026	2.088.983	1.250.704
<b>Total</b>						<b>130.008.685</b>	<b>110.476.697</b>

**Bonds**

During the first months of 2017, the Company issued a number of 382.500 bonds with a nominal value of RON 100/bond. The bond issuance was entirely subscribed and the Company collected RON 38.250.000 from the bondholders.

The bonds were issued in two stages:

- in the first stage, to the Company's shareholders, proportionally to their shareholding in relation to the total number of shares;
- in the second stage, only the bonds not subscribed during the first stage, to qualified investors.

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 17<sup>th</sup>, 2024. The bonds can be reimbursed in advance by the Company at any time after 2 years from their issuance. Bonds can be converted into shares by the bondholders in each of the years between 2019 – 2023 at a price equal to the average share price in the past 12 months previous to the date when the conversion price is determined. Reimbursement can only be initiated if at least 10% of the bonds issued are requested to be converted into shares.

As at December 31<sup>st</sup>, 2021, SIF Banat-Crişana holds 96,4% of the bonds.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)*

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IFRS 9, as none of the options are strictly connected to the bond contract.

February 15<sup>th</sup>, 2022 was the fourth term for exerting the right of conversion of bonds into shares. As the company did not receive any notifications on the exertion of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

**16. Debts to employees**

	<u>December 31<sup>st</sup>, 2021</u>	<u>December 31<sup>st</sup>, 2020</u>
Debts related to salaries	2.296.325	1.960.131
Other debts to employees	2.295.093	3.451.295
Retirement benefits (long-term)	422.307	453.855
<b>Total debts to employees</b>	<b><u>5.013.725</u></b>	<b><u>5.865.281</u></b>

**17. Debts or receivables related to deferred profit tax**

Deferred tax as at December 31<sup>st</sup>, 2021 is generated by the elements detailed in the following tables:

	<b>Liabilities</b>	<b>Assets</b>	<b>Net</b>
Tangible assets	40.069.261	-	40.069.261
Provisions and impairment adjustments (inventories, customers)	-	8.017.064	(8.017.064)
	<b><u>40.069.261</u></b>	<b><u>8.017.064</u></b>	<b><u>32.052.197</u></b>
Net temporary differences - 16% share			<b><u>32.052.197</u></b>
<b>Debts related to deferred profit tax</b>			<b><u>5.128.351</u></b>

Deferred tax as at December 31<sup>st</sup>, 2020 is generated by the elements detailed in the following tables:

	<b>Liabilities</b>	<b>Assets</b>	<b>Net</b>
Tangible assets	46.904.069	-	46.904.069
Provisions and impairment adjustments (inventories, customers)	-	12.507.743	(12.507.743)
	<b><u>46.904.069</u></b>	<b><u>12.507.743</u></b>	<b><u>34.396.326</u></b>
Net temporary differences - 16% share			<b><u>34.396.326</u></b>
<b>Debts related to deferred profit tax</b>			<b><u>5.503.413</u></b>

Deferred profit tax is mainly generated by the re-evaluation of fixed assets that is not recognised for tax purposes, impairment adjustments for inventories, customers and provisions for benefits granted to employees.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***18. Deferred income**

Deferred income categorised as short terms liabilities represents the part of the government subsidies received that are to be recognised as income the following financial year. Deferred income categorised as long term liabilities represents the part of the government subsidies received that will be recognised in periods of over 1 year.

The investment subsidies received, remained in balance are presented in the table below:

	<u>December 31<sup>st</sup>, 2021</u>	<u>December 31<sup>st</sup>, 2020</u>
The Ministry of Economy and Research II	4.869.138	6.119.108
The Environmental Fund Administration	2.576.889	2.737.941
Innovation Norway 1	603.280	997.877
Innovation Norway 2	2.894.962	3.175.979
The European Bank for Reconstruction and Development	9.400	107.388
The National Agency for SMEs	93.965	12.089
Non-reimbursable loans - CCE 146	145.937	159.203
Non-reimbursable loans - MINIMIS 2160	249.172	274.091
Non-reimbursable loans - 5IMM/213/6/2015	397.695	1.994.262
<b>Total</b>	<b><u>11.840.438</u></b>	<b><u>15.577.938</u></b>

The subsidies received from the Ministry of Economy and Research aim at financing the upgrade and development of the technological line for paper manufacturing and the non-reimbursable eligible amount was initially RON 18.500.000. The parent-company has completed the stage for the project monitoring in June 2018.

The financing agreement included a series of indicators that had to be met by the end of the monitoring period. All the indicators were met.

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013. The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at December 31<sup>st</sup>, 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the parent-company was undergoing the monitoring stage until 2020, respectively until 2021.

The 5IMM/213/6/2015 subsidy represents European funds allotted in 2015 by means of the Central Regional Development Agency for the purchase of equipment by Rom Paper S.R.L., amounting to a total of RON 6.324.932, out of which RON 3.794.959 represents the amount of the subsidy received. The financing agreement includes a series of indicators that must be met at the end of the 5 years monitoring period. The management considers that it will not have any difficulties meeting all the conditions related to the subsidy agreement until the end of the monitoring period.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***19. Income from turnover**

	<b>2021</b>	<b>2020</b>
Income from the sale of finished products	420.993.961	324.394.133
Income from the sale of goods	26.011.983	19.290.122
Income from services provided	11.523.642	11.268.174
Income from royalties, locations under management and rents	107.490	35.023
Income from various activities	598.729	161.030
Trade discounts granted	(5.347.129)	(5.491.538)
<b>Total</b>	<b>453.888.676</b>	<b>349.656.944</b>

The Group's income includes income from the agreements concluded with the customers, mainly for the selling of goods, related to the production of the following types of goods:

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

The Group's customers are generally Romanian companies and the exports hold a share of approximately 15% of the total sales. No customer is significant in terms of share in the total sales of the Group.

The trade discounts granted represent both amounts paid to the customers as a discount for the volume of goods purchased, as well as reclassifications in accordance with IFRS 15, respectively amounts invoiced by customers, which are calculated as a percentage of the sales value.

**20. Other income**

	<b>2021</b>	<b>2020</b>
Income from investment subsidies	3.737.501	2.726.759
Income from expenses subsidies	3.865.934	2.356.525
Income from compensations, fines and penalties	32.072	37.934
Net income from the sale of tangible assets	29.086	64.446
Other operating income	931.480	216.696
<b>Total</b>	<b>8.596.073</b>	<b>5.402.360</b>

**21. Expenses related to raw materials and consumables**

	<b>2021</b>	<b>2020</b>
Expenses related to raw materials	161.453.960	90.156.313
Expenses related to consumables and auxiliary materials	37.053.743	28.327.650
Expenses related to fuels	24.712.550	17.649.673
Expenses related to water and electricity	43.993.785	23.616.836
Expenses related to spare parts	4.144.194	1.653.910
<b>Total</b>	<b>271.358.232</b>	<b>161.404.382</b>

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***22. Third-party expenses**

	<b>2021</b>	<b>2020</b>
Expenses related to maintenance and repairs	5.180.605	3.626.881
Expenses related to the shipment of goods	22.027.855	18.104.293
Other third party expenses	13.226.490	6.200.726
<b>Total</b>	<b>40.434.950</b>	<b>27.931.900</b>

**23. Other expenses**

	<b>2021</b>	<b>2020</b>
Expenses related to commissions and fees	2.734.961	2.174.677
Expenses related to royalties, locations under management and rents	2.656.846	1.313.246
Expenses related to bank services and similar	589.409	448.252
Expenses related to insurance premiums	1.430.427	1.419.552
Other taxes, duties and similar payments	2.484.426	3.403.178
Expenses related to donations made	694.842	490.453
Expenses related to travels, secondments and transfers	314.316	328.416
Postage and telecommunications fees	351.813	312.060
Expenses related to entertainment, advertising and publicity	271.750	347.988
Expenses related to compensations, fines and penalties	174.840	586.971
Value adjustments on stocks	(251.414)	78.765
Value adjustments on receivables	(1.059.317)	1.310.646
Net loss from the sale of tangible assets	400.708	419.952
Other operating expenses	1.557.461	1.091.737
<b>Total</b>	<b>12.351.068</b>	<b>13.725.893</b>

The net loss from the sale of tangible assets consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

**24. Personnel-related expenses**

	<b>2021</b>	<b>2020</b>
Salary expenses	75.282.708	66.360.040
Expenses related to insurance and social protection	1.725.354	1.510.747
Expenses related to luncheon vouchers given	5.602.160	4.092.360
<b>Total</b>	<b>82.610.222</b>	<b>71.963.147</b>

In 2021, the average number of employees of the Group was of 1.294 (2020: 1.293).



**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***25. Financial income and expenses**

	<b>2021</b>	<b>2020</b>
Interest income	195.018	925
Other financial income	393.259	-
<b>Total income</b>	<b>588.277</b>	<b>925</b>
Interest-related expenses	4.662.932	5.679.551
Expenses from currency exchange differences	444.042	380.166
Other financial expenses	126.977	2.436
<b>Total expenses</b>	<b>5.233.951</b>	<b>6.062.153</b>

**26. Profit tax expense**

	<b>2021</b>	<b>2020</b>
Current profit tax expense	1.641.333	3.240.355
Deferred profit tax expenses/(income)	(218.527)	(1.215.024)
<b>Total</b>	<b>1.422.806</b>	<b>2.025.331</b>
	<b>2021</b>	<b>2020</b>
<b>Loss/ Profit before taxation</b>	<b>7.767.061</b>	<b>18.638.637</b>
<b>Tax according to the statutory taxation rate of 16% (2020: 16%)</b>	<b>1.242.730</b>	<b>2.982.182</b>
<b>The effect onto the profit tax of:</b>		
The legal reserve	(92.292)	(166.133)
The non-deductible expenses	5.170.878	6.102.622
The fiscal amortisation	(4.084.280)	(4.337.515)
Items similar to income	57.875	340.798
Exemptions for sponsorships	(410.333)	(619.249)
The recording of temporary differences	(218.527)	(1.215.024)
Reinvested profit – tax credit	(243.245)	(1.062.350)
<b>Profit tax</b>	<b>1.422.806</b>	<b>2.025.331</b>

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***27. Earnings per share**

The calculation of base earnings per share was made based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders	5.541.534	16.613.325
Weighted average number of ordinary shares	1.049.108.128	1.031.683.547
<b>Base earnings per share</b>	<b>0,0053</b>	<b>0,0161</b>

The diluted earnings per share are calculated on the assumption that the bonds would be fully converted, as follows:

	<b>2021</b>	<b>2020</b>
Profit attributable to ordinary shareholders	5.541.534	16.613.325
Adjustment on bond interest and tax effect	1.200.972	1.518.035
<b>Profit attributable to ordinary shareholders - adjusted</b>	<b>6.742.506</b>	<b>18.131.360</b>
Weighted average number of ordinary shares	1.049.108.128	1.031.683.547
Potential shares from bond conversion	183.153.475	243.074.381
<b>Weighted average number of ordinary shares – adjusted</b>	<b>1.232.261.603</b>	<b>1.274.757.927</b>
<b>Diluted earnings per share</b>	<b>0,0055</b>	<b>0,0142</b>

**28. Affiliates parties**

The persons that are part of the Board of Administrators and of the Steering Board, as well as SIF Banat-Crisana, which is the main shareholder, along with the other companies controlled by it are considered affiliated parties.

The list of persons that were part of the Board of Administrators of the parent-company as at December 31<sup>st</sup>, 2021:

Ciucioi Ionel-Marian	General Manager and Chairman of the Board of Administrators
Drăgoi Bogdan Alexandru	Member of the Board of Administrators
Mihailov Sergiu	Member of the Board of Administrators
Fercu Adrian	Member of the Board of Administrators
El Lakis Rachid	Member of the Board of Administrators

The shareholdings in the company related to the key management personnel are presented below:

As at December 31<sup>st</sup>, 2021: not applicable

As at December 31<sup>st</sup>, 2020: not applicable

The list of persons that were part of the Board of Administrators of the branch Rompaper as at December 31<sup>st</sup>, 2021:

Ciucioi Ionel-Marian	Chairman of the Board of Administrators
Mihailov Sergiu	Member of the Board of Administrators
Minea Alexandru-Lucian	Member of the Board of Administrators

The list of persons that were part of the Board of Administrators of the branch Vrancart Recycling as at December 31<sup>st</sup>, 2021:

Cristea Constantin	Sole administrator
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**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)*

The list of persons that were part of the Board of Administrators of the branch Ecorep Group S.A. as at December 31<sup>st</sup>, 2021:

Sabau Cristel	Chairman of the Board of Administrators
Ciucioi Ionel Marian	Member of the Board of Administrators
Dumitrache Mariana	Member of the Board of Administrators

Transactions with affiliated parties:

Affiliated party		Transactions* in 2021	Transactions* in 2020	Balance in 2021	Balance in 2020
Biofarm S.A.	Customer	255.308	156.177	62.347	42.192
Biofarm S.A.	Supplier	1.286	3.303	-	-
Administrare Imobiliare S.A.	Supplier	-	257	-	-
Industrial Energy	Supplier	-	1.806.036	-	-
SIF Banat Crisana SA	Supplier	67	104	-	-
Bucur SA	Supplier	1.504	195	-	-
Ci-Co SA	Supplier	11.828	10.421	581	1.646
Gaz Vest SA	Supplier	2.826.267	2.659.365	-	1.051.678
Napomar SA	Customer	887	727	946	-
Sifi Cj Logistic SA	Supplier	120.129	106.064	4.727	3.201
Semtest Craiova SA	Supplier	109.982	78.351	23.107	10.041

\*Note: The values do not include VAT.

Other operations:

Affiliated party		Transactions in 2021	Transactions in 2020	Balance in 2021	Balance in 2020
SIF Banat Crişana SA	payment of dividends distributed during	7.511.836	8.983.226	-	-
ARIO Bistriţa	the year Debtor	-	-	300.000	300.000

Transactions with the key management personnel:

	2021	2020
Remuneration of the members of the Board of Administrators	3.637.788	3.895.410

**29. Commitments**

Not applicable.

**30. Contingent assets and liabilities**

The Group did not have any contingent assets or liabilities as at December 31<sup>st</sup>, 2021 (December 31<sup>st</sup>, 2020: zero).

**31. Events subsequent to the balance sheet date**

In the context of the invasion of Ukraine by the Russian Federation, it must be mentioned that Vrancart does not carry out physical operations on the territory of Ukraine, Russia or Belarus and does not have any customers, suppliers, investors or creditors with operations in these countries. The sanctions imposed on Russia could have an impact to the same extent as the entire global business environment could be affected.

**Notes to the consolidated financial statements***for the financial year ended on December 31<sup>st</sup>, 2021**(all amounts expressed in RON, unless otherwise stated)***32. Financial risk management****Overview**

The Group is exposed to the following risks related to the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- currency exchange risk.

These notes provide information on the Group's exposure to each of the abovementioned risks, the Group's objectives, policies and processes for the assessment and management of risk and the procedures used for capital management. Also, other quantitative information is included in these financial statements.

The Group's policies for risk management are defined so as to provide the identification and analysis of the risks that the Group is facing, the establishment of adequate limits and controls, as well as the monitoring of risks and the compliance with the limits established. The risk management policies and systems are regularly reviewed so as to reflect the changes occurred in the market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims at developing an orderly and constructive control environment where all the employees understand their roles and obligations.

**(a) Credit risk**

Credit risk is the risk that the Group incurs a financial loss as a result of a customer's failure to comply with its contractual obligations and this risk results mainly from the Group's trade receivables.

The book value of the financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk was:

<b>Book value</b>	<b>December 31<sup>st</sup>, 2021</b> <b>December 31<sup>st</sup>, 2020</b>	
Trade receivables and other receivables	105.783.606	73.054.234
Cash and cash equivalents	2.368.775	5.558.078
<b>Total</b>	<b>108.152.381</b>	<b>78.612.312</b>

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer.

The management has established a credit policy according to which every new customer is analysed on an individual basis in terms of its trustworthiness before being granted the Group's standard payment and delivery conditions. Purchase limits are established for each individual customer. The customers that fail to meet the conditions established by the Group can make transactions with it only after making an advance payment.

The Group does not request collaterals for trade receivables and other receivables.

Within the process of estimation of receivables impairment adjustments, the Company uses an impairment model whose operating principle has not changed from the previous years, as this model reflects the requirements of the impairment model introduced by IFRS 9.

The Group establishes an impairment adjustment that represents its estimates on the losses related to trade receivables, other receivables and investments. The main components of this adjustment represent a specific loss component related to the significant individual exposures and a collective loss component established for similar groups of assets corresponding to the losses that were incurred, but have not been yet identified. The adjustment related to collective losses is determined based on historical data on the payments made for similar financial instruments.

**Notes to the consolidated financial statements**for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

**32. Financial risk management (continued)****Impairment losses**

Analysis of the number of days of delay for trade receivables and other receivables:

<b>December 31<sup>st</sup>, 2021</b>	<b>Gross value</b>	<b>Impairment</b>
Current and outstanding receivables between 0 and 30 days	92.568.269	412.360
Outstanding receivables between 31 and 60 days	7.034.420	27.255
Outstanding receivables between 61 and 90 days	1.680.845	10.532
Outstanding receivables between 91 and 180 days	2.209.232	126.638
Outstanding receivables between 181 and 360 days	1.442.655	107.526
Outstanding receivables for more than 360 days	4.972.252	3.439.756
<b>Total</b>	<b>109.907.673</b>	<b>4.124.067</b>

  

<b>December 31<sup>st</sup>, 2020</b>	<b>Gross value</b>	<b>Impairment</b>
Current and outstanding receivables between 0 and 30 days	48.271.949	270.411
Outstanding receivables between 31 and 60 days	4.573.624	30.490
Outstanding receivables between 61 and 90 days	4.783.041	77.187
Outstanding receivables between 91 and 180 days	14.948.721	1.000.648
Outstanding receivables between 181 and 360 days	2.043.031	1.569.321
Outstanding receivables for more than 360 days	6.663.144	5.281.219
<b>Total</b>	<b>81.283.510</b>	<b>8.229.276</b>

**(b) Liquidity risk****Liquidity risk**

Liquidity risk is the Group's risk to face difficulties in meeting its obligations related to financial liabilities that are discounted in cash or through the transfer of another financial asset.

The Group's approach in managing liquidity consists of making sure, as far as possible, that it always has sufficient liquidities to pay its outstanding debts, both under normal conditions and under stress conditions, without bearing unacceptable losses or endangering the Group's reputation.

In general, the Group makes sure that it has sufficient cash to cover the operating expenses.

The following table provides a presentation of the residual contractual maturities of financial liabilities as at the end of the reporting period, including the estimated payments of interests:

<b>December 31<sup>st</sup>, 2021</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>more than 5 years</b>
Bank loans	130.008.685	136.509.118	74.688.310	60.274.441	1.546.366
Financial leasing	23.734.279	14.703.385	6.149.713	8.553.672	-
Trade liabilities and other liabilities	84.812.490	84.812.490	84.066.761	745.729	-
<b>Total</b>	<b>238.555.454</b>	<b>236.024.993</b>	<b>164.904.785</b>	<b>69.573.842</b>	<b>1.546.366</b>

Financial liabilities include the loans from bond issues described in Note 15. These were not included in the table above, as the Company cannot anticipate the time when the reimbursement options, namely their conversion options could be exerted.

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<b>December 31<sup>st</sup>, 2020</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>more than 5 years</b>
Bank loans	110.476.697	116.000.531	60.466.896	51.837.028	3.696.608
Financial leasing	14.581.978	14.703.385	6.149.713	8.553.672	-
Trade liabilities and other liabilities	52.216.112	52.216.112	51.116.435	1.099.676	-
<b>Total</b>	<b>177.274.787</b>	<b>182.920.028</b>	<b>117.733.044</b>	<b>61.490.376</b>	<b>3.696.608</b>

**(c) Market risk**

Market risk is the risk that the variation of market prices, such as the currency exchange rate, the interest rate and the price of equity instruments affect the Group's revenues or the value of the financial assets held. The purpose of market risk management is that of managing and controlling the exposures to market risk within acceptable parameters and at the same time of optimizing the profitability of investment.

***Interest rate risk******(i) Risk exposure profile***

As at the reporting date, the profile of exposure to the interest rate risk related to the interest bearing financial instruments held by the Group was:

<b>Variable rate instruments</b>	<b>December 31<sup>st</sup>, 2021</b>	<b>December 31<sup>st</sup>, 2020</b>
Bank loans	130.008.685	110.476.696
Loans from bond issues	37.949.400	37.627.000
Debts related to leasing contracts	23.734.279	14.581.978
<b>Total</b>	<b>191.692.364</b>	<b>162.685.674</b>

***(ii) Cash flows sensitivity analysis for variable interest rate instruments***

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by RON 1.916.924 (RON 1.626.857 as at December 31<sup>st</sup>, 2020). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

A depreciation of the interest rates by 100 base points as at December 31<sup>st</sup> would have led to the same effect, but in the opposite sense, onto the amounts presented above, considering that all the other variables remain constant.

***Fair values***

Fair value is the price that would be received following the sale of an asset or the price that would be paid to transfer a liability through a normal transaction between the market participants as at the evaluation date. Financial instruments that are not accounted for at fair value in the statement of financial position include the trade receivables and other receivables, cash and cash equivalents, loans, trade liabilities and other liabilities. The book values of the abovementioned financial instruments are approximates of their fair values.

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(all amounts expressed in RON, unless otherwise stated)

**32. Financial risk management (continued)****(d) Currency exchange risk**

The Group is exposed to the currency exchange risk due to sales, purchases and other loans that are expressed in a currency other than the functional currency, mainly Euro, but also American dollars.

The Group's exposure to currency exchange risk is presented in the following tables:

<b>December 31<sup>st</sup>, 2021</b>	<b>TOTAL</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>
Trade receivables and other receivables	105.783.606	96.662.184	9.121.422	-	-
Cash and cash equivalents	2.368.775	1.673.945	665.072	21.691	8.067
<b>Financial assets</b>	<b>108.152.381</b>	<b>98.336.129</b>	<b>9.786.494</b>	<b>21.691</b>	<b>8.067</b>
Loans	130.008.685	128.457.801	1.550.884	-	-
Debts under leasing contracts	23.734.279	529.385	23.204.894	-	-
Trade liabilities and other liabilities	84.812.490	64.506.253	20.005.148	336.178	(35.089)
<b>Financial liabilities</b>	<b>238.555.455</b>	<b>193.493.439</b>	<b>44.760.925</b>	<b>336.178</b>	<b>(35.089)</b>
<b>Total net financial assets / (liabilities)</b>	<b>(130.403.074)</b>	<b>(95.157.310)</b>	<b>(34.974.432)</b>	<b>(314.487)</b>	<b>43.156</b>

<b>December 31<sup>st</sup>, 2020</b>	<b>TOTAL</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>
Trade receivables and other receivables	73.054.234	65.360.464	7.667.427	26.343	-
Cash and cash equivalents	5.558.078	4.729.797	788.188	22.069	18.024
<b>Financial assets</b>	<b>78.612.312</b>	<b>70.090.261</b>	<b>8.455.615</b>	<b>48.412</b>	<b>18.024</b>
Loans	110.476.696	103.720.578	6.756.119	-	-
Debts under leasing contracts	14.581.978	606.232	13.975.746	-	-
Trade liabilities and other liabilities	52.216.112	38.866.657	13.349.455	-	-
<b>Financial liabilities</b>	<b>177.274.788</b>	<b>143.193.467</b>	<b>34.081.320</b>	<b>-</b>	<b>-</b>
<b>Total net financial assets / (liabilities)</b>	<b>(98.662.476)</b>	<b>(73.103.206)</b>	<b>(25.625.705)</b>	<b>48.412</b>	<b>18.024</b>

**Sensitivity analysis**

An appreciation by 10 percentage points of RON as at December 31<sup>st</sup> compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31<sup>st</sup>, 2021: RON -3.524.576; (December 31<sup>st</sup>, 2020: RON -2.555.927). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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### 32. Financial risk management (continued)

A depreciation by 10 percentage points of EURO as at December 31<sup>st</sup>, 2021 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

#### (e) Risk related to taxation

The Romanian tax system is under consolidation and constantly changing, and there can be different interpretations of the authorities in relation to the fiscal legislation, that can generate additional taxes, duties and penalties. In the event that the state authorities find any violations of the Romanian legal provisions, these can lead, according to case, to: the confiscation of the relevant amounts, the imposing of additional tax obligations, the charging of fines, the charging of delay penalties (applied to the amounts to be paid). Therefore, the fiscal sanctions resulting from the violation of the legal provisions can result in significant amounts to be paid to the State.

The Romanian government has a great number of agencies authorised to perform the inspections of the companies operating on the Romanian territory. These inspections are similar to fiscal audits in other countries and may cover not only tax aspects, but other legal and regulatory aspects as well, that are of interest to these agencies. The Group may be subjected to tax inspections as new tax regulations are issued.

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities performed controls related to the calculation of taxes and fees until December 31<sup>st</sup>, 2020 for the Parent-company and until September 30<sup>th</sup>, 2020 for the branch Rom Paper S.R.L.

All the amounts owed to the State for taxes and duties were paid or registered as at the balance sheet date. The Group considers that it has paid entirely in due time all the taxes, duties, penalties and penalty interests, when applicable.

#### (f) Transfer price

In accordance with the relevant tax legislation, the fiscal evaluation of a transaction with affiliated parties is based on the market price concept related to the transaction in question. Based on this concept, transfer prices must be adjusted so as to reflect the market prices that would have been established between non-affiliated entities that act independently, based on “normal market conditions”.

It is likely that the tax authorities perform future verifications of the transfer prices, in order to determine whether those prices comply with the “normal market conditions” principle and that the taxable base of the Romanian taxpayer is not distorted.

#### (g) Business environment

The management cannot foresee all the events that would have an impact onto the financial sector in Romania and therefore, what are the effects that they would have onto these financial statements, if the case. The management cannot estimate credibly the effects of any future decrease in financial market liquidity, of the depreciation of financial assets influenced by the low level of liquidity of loan market, of the increase in currency volatility of the currency and of the stock markets onto the Group’s financial statements.

The management considers that it is taking all the measures necessary to support the sustainability and development of the Group’s businesses, under the current conditions, by:

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;



## Notes to the consolidated financial statements

for the financial year ended on December 31<sup>st</sup>, 2021

(all amounts expressed in RON, unless otherwise stated)

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- monitoring the cash inflows and outflows (on a daily basis), assessing the effects onto debtors, of limited access to financing and onto the development of businesses in Romania.

### **(h) Capital adequacy**

The Group's policy is to maintain a sound capital basis necessary in order to maintain the trust of investors, creditors and of the market and in order to support the entity's future development.

The Group's equity includes the share capital, various types of reserves and the retained earnings. The Groups is not subject to any capital requirements imposed from the exterior.