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CONSOLIDATED REPORT

OF THE BOARD OF ADMINISTRATORS FOR THE FINANCIAL YEAR 2021

“VRANCART” GROUP OF COMPANIES



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1. ANALYSIS OF THE ACTIVITY

1.1.1. General information

Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branch 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 in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and Ecorep Group S.A. (“Branch 3”), based in in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

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

Elements of general evaluation of the Group:

a) gross book result	RON 7.767 thousand	
b) turnover	RON 453.888 thousand	
c) operating costs	RON 457.945 thousand	
d) % of the market held (internal estimated)		
	2021	
	Tissue paper	- 14%
	Paperboards	- 16%
	Corrugated cardboard	- 17%
e) liquidity as at the year end	RON 2.369 thousand	

VRANCART SA

„VRANCART” was established in 1991 under Law no. 15/1990, as a joint-stock trade company with juridical personality.

Company name	„VRANCART”
Type of company	Joint stock trade company
Address	17 Ecaterina Teodoroiu Street, Adjud, Vrancea county, 625100
Telephone/Fax no.	0237.640.800 / 0237.641.720
Registered with the Trade Registry under no.	J39/239/1991
Tax code	1454846
Tax Identification Number	RO1454846
Paid-in share capital	RON 103.168.355
Unpaid share capital	RON 17.194.726
Nominal share value	RON 0,10/share
Number of shares	1.031.683.547

The company has its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county, and has working points opened in the following localities: Bucharest, Călimăneşti (Vâlcea county), Ungheni (Mureş county) and waste paper collection points in: Bucharest, Iaşi, Focşani, Bacău, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Cluj, Baia Mare, Craiova, Târgu Mureş, Brăila, Călimăneşti and Piatra Neamţ.



The main object of activity of „VRANCART” (NACE code 1721) is represented by the manufacturing and trading of the following products:

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

Also, by means of its waste paper collection network, the company collects its raw material (paper and cardboard waste), as well as other recyclable waste which is sold to other partners.

Besides the activities mentioned above, VRANCART SA also performs activities to support its main activities (supporting activities): the production of utilities (industrial water, treated water for thermal boilers, process steam, waste water clarifying), mechanical and electrical maintenance, transports (within the company and to customers) and others.

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

The company's shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15th, 2005.

As at December 31st, 2021, the Company is owned 75% by SIF Banat – Crisana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

The records of shares and shareholders is kept according to law by Depozitarul Central S.A. Bucharest.

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 evaluation 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.

ROM PAPER SRL

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, towels 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 20th, 2017, Vrancart completed the purchase of the majority stake (70%) in Rom Paper S.R.L. As at December 31st, 2021, Vrancart held 100% of the company's shares, following the purchase of 15% of the shares in June 2017, respectively the purchase of the last tranche of 15% of the shares in Rom Paper S.R.L. in June 2018 .

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

VRANCART RECYCLING SRL

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 31st, 2021 (December 31st, 2020: 9 employees).

ECOREP GROUP SA

Ecorep Group SA ("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. The number of employees as at December 31st, 2021 is 19 employees (December 31st, 2020: 8 employees).

1.1.2. Evaluation of the Group's technical level

The Group's base production activities are organised by three different lines of business managed based on their own budgets, component parts of the Group's general budget, that manufacture products for three different markets, namely:

- the paperboards market;
- the corrugated cardboard and corrugated cardboard packaging market;
- the tissue paper market.

The evolution of production on these markets in the past 3 years is presented in the table below:

Lines of business	M.U.	2021	2020	2019
Paperboards	to	88.255	75.592	88.941
Corrugated cardboard and packaging	to	69.627	60.292	62.563
Tissue paper	to	32.038	27.758	25.658

The share of each category of products in the Group's total turnover in the past 3 years is presented in the table below:

Lines of business	M.U.	2021	2020	2019
Paperboards	%	12%	12%	11%
Corrugated cardboard and packaging	%	65%	66%	65%



Tissue paper	%	17%	15%	18%
Other activities	%	6%	7%	6%

The investments made in 2021, by groups of fixed assets, were as follows:

Investments made	Value (RON)
Buildings and building improvements	3.871.636
Technological equipment	14.838.942
Work apparatus and installations	482.517
Means of transport and other fixed assets	1.491.896
Intangible assets	509.305
TOTAL	21.194.296

1.1.3. Evaluation of the technical and material supply activity

The main raw material of VRANCART's paper mills is waste paper. It is purchased by means of the Company's own collection centres or directly from generators.

The evolution of waste paper collection in the past 3 years is presented below:

Waste paper purchase	M.U.	2021	2020	2019
Purchases through the collection centres	to	82.484	81.497	90.390
	% out of the total purchases	57%	66%	65%
Direct purchases (Adjud)	to	62.100	41.333	48.353
	% out of the total purchases	43%	34%	35%
Total purchases	To	144.584	122.830	138.743
	%	100%	100%	100%

1.1.4. Evaluation of the sales activity

The evolution of deliveries of the Group's products by each market segment in the past 3 years is presented in the table below:

Lines of business	M.U.	2021	2020	2019
Paperboards	to	23.384	22.538	19.137
Corrugated cardboard and packaging	to	69.243	60.363	62.759
Tissue paper	to	31.374	27.157	30.175

The state of competition

On each market segment, there are several manufacturers of products similar to those produced by the "VRANCART".



A. On the paperboards market in Romania, there were four competitors in 2021. The production capacities of the paper production plants according to the public statements of the producers, are as follows:

Producer	Annual production capacity (to/year)
Ambro Suceava (Rossmann Group)	155.000
DS Smith, Zărnești	200.000
Vrancart Adjud	100.000
Romwelle (“CCH”), Turnu Severin	80.000
Total	535.000

All the mills use corrugated cardboard waste (waste paper) as raw material for the production of paper, except for Romwelle that also uses cellulose as raw material, and the products obtained are relatively similar in terms of their characteristics and quality.

Most of the paper producers also have corrugated cardboard and corrugated cardboard packaging production plants, so that most of their own paperboards production is intended for their own consumption.

Market share evolution for Paperboards

Producers	2021	2020	2019
Vrancart	16%	16%	17%
Other producers	84%	84%	83%
Total	100%	100%	100%

Source: VRANCART estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2021 there were 9 competitors, out of which 5 have two mills each (Vrancart, Dunapack, DS Smith, Rossmann and Rondocarton).

The corrugated cardboard market is a **regional market** due to the high shipping costs for long distances. It is a **highly competitive** market, and in Romania **the orientation of consumers is towards products with low prices and average quality**.

The estimated production capacity of the 15 corrugated cardboard mills amounts to over 750 thousand tons per year. The consumption in 2021 was of 456 thousand tons (61% of the total production capacity), recording an increase of approx. 18% in tons compared to the previous year.

Market share evolution for Corrugated cardboard and corrugated cardboard packaging

Producers	2021	2020	2019
Vrancart Adjud	17%	15%	17%
Other producers	83%	85%	83%
Total	100%	100%	100%

Source: VRANCART estimates



Corrugated cardboard producers in Romania in 2021

No.	Producer's name	Production capacity (to/year)
1	Rondocarton (2 Mills)	160,000
2	Rossmann (2 Mills)	120,000
3	Vrancart (2 Mills)	120,000
4	Dunapack (2 Mills)	120,000
5	DS Smith Group (2 Mills)	80,000
6	VPK Salonta	60,000
8	Thimm Sura Mica	60,000
9	Europa Expres Iași	30,000
TOTAL		750.000

C. On the tissue paper market, with a market share of 14% in 2021 (taking into account only the domestic production), „VRANCART” Group remains one of the major tissue paper manufacturers in Romania.

Unlike its competitors, Vrancart produces tissue paper only from waste paper, being the largest producer on the market and low amounts are also produced by Comceh Călărași.

In 2019, one of the major producers, Petrocart Piatra Neamț, went insolvent and shut down its tissue paper production.

At the end of 2020, Vrancart purchased, through a bid, the tissue paper production machine from Petrocart and it will be put into operation in 2022.

Also, during the next period, new production capacities will appear on the market. MG TEC Industry Dej will build with a state aid a new mill of large consumption tissue paper products, where it will invest over EUR 80 million, in two new production lines. The equipment will be put into operation in 2022 (Source: <https://www.tissueworldmagazine.com>).

Producers	2021	2020	2019
Vrancart Adjud	14%	14%	11%
Other producers	86%	86%	89%
Total	100%	100%	100%

Source: VRANCART estimates

1.1.5. Evaluation of the aspects related to the Group's employees/personnel

a) Specification of the number and level of training of the trade company's employees, as well as of the degree of unionization of the labour force;

The average number of employees in 2021 was 1294 employees, out of which:

- 193 higher education graduates
- 530 high school graduates
- 364 vocational schools graduates
- 207 middle school graduates



Out of the total number of employees, 195 are trade union members (there is only one trade union within the Group, at the parent-company).

The labour force fluctuation index in 2021 was 27% (the number of employees that left the Company/ average number of personnel x 100).

b) Description of the relations between the managers and the employees, as well as of any conflicting elements characterizing these relations.

There were no conflicting relations between the company's management and the employees.

1.1.6. Evaluation of the aspects related to the issuer's main activity onto the environment

Summarized description of the impact of the issuer's main activities onto the environment, as well as of any existing or foreseen litigations in relation to the violation of the environmental protection laws.

VRANCART S.A. has implemented an integrated quality-environment-health management and labour security system which was re-certified in August 2021 by Lloyd's Register England, Bucharest Agency.

The impact of the Company's activity onto the environment is constantly monitored through the implementation of the Environmental Management System and implicitly through the compliance with the laws in force and the **INTEGRATED ENVIRONMENT AUTHORISATION no. 1/18.03.2015, which was revised on April 14th, 2020**. According to the legislation in force, the INTEGRATED ENVIRONMENTAL AUTHORISATION is valid only with an annual endorsement.

In the event of any changes in the operating conditions (e.g. production capacity increases, investments for the modernisation of the technological flows), in accordance with the legislation in force, the integrated environmental authorisation must be reviewed. This was the reason for the reviewing of the integrated environmental authorisation issued on April 14th, 2020.

1.1.7. Evaluation of the research and development activity

The company is involved as a partner in various research and development projects. In 2019, "Gheorghe Asachi" Technical University in Iasi submitted a project for financing with the programme: PN-III-CERC-CO-PED-2016 with the name „Novel materials with optical properties for anti-counterfeiting paper" (OptiPaper). The project objective is to manufacture paper for money production, so as not to allow its counterfeiting and it will be carried out over a period of 2 years. The project was approved in November 2020 and the project implementation period is 2020 – 2022. The project value amounts to RON 600.000 and it is financed from the state budget.

1.1.8. Evaluation of the Group's activity on risk management

The Group is exposed to the following risks from using financial instruments:

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





Information is further presented 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.

Credit risk is the risk that the Group incurs a financial loss as a result of its partners' failure to comply with their contractual obligations. The maximum exposure to credit risk was:

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

The Group covers the credit risk through the preparation and implementation of relevant credit policies (e.g. each new customer is analysed on an individual basis from the trustworthiness point of view before being given the standard payment and delivery conditions of the Group; sales limits are established for each separate customer), the customers failing to meet the conditions established by the Group may make transactions with it only after making an advance payment.

Liquidity risk – The Group makes sure that it has sufficient cash to cover its operating expenses. The following table shows the residual contractual maturities of the financial liabilities as at the end of the reporting period, including the estimated payments of interest:

December 31st, 2021	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
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	-
Total	238.555.454	236.024.993	164.904.785	69.573.842	1.546.366

December 31st, 2020	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
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	-
Total	177.274.787	182.920.028	117.733.044	61.490.376	3.696.608



The financial liabilities presented do not include loans from bond issues as the Company cannot foresee the time when their reimbursement options, respectively their conversion options could be exerted.

The Group's approach to managing liquidity consists of making sure, as far as possible, that it always has sufficient funds to pay its liabilities that reached their maturity dates, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the Group's reputation.

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 amount of the financial instruments it holds. The objective of managing this risk is to manage and control the exposures to market risk within acceptable limits and at the same time to optimize the return on investment.

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:

December 31 st , 2021	TOTAL	RON	EUR	USD	Other currencies
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
Financial assets	108.152.381	98.336.129	9.786.494	21.691	8.067
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)
Financial liabilities	238.555.455	193.493.439	44.760.925	336.178	(35.089)
Total net financial assets /(liabilities)	(130.403.074)	(95.157.310)	(34.974.432)	(314.487)	43.156

December 31 st , 2020	TOTAL	RON	EUR	USD	Other currencies
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
Financial assets	78.612.312	70.090.261	8.455.615	48.412	18.024
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	-	-
Financial liabilities	177.274.788	143.193.467	34.081.320	-	-



Total net financial assets /(liabilities)	(98.662.476)	(73.103.206)	(25.625.705)	48.412	18.024
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Sensitivity analysis

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

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

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;
- monitoring the cash inflows and outflows (on a daily basis), assessing the effects onto debtors, of access to financing and of the business environment in Romania and in the European area.

1.1.9. Prospects for the Group's business

In 2022, the Company will continue its development process through the implementation of large investments that will lead to the optimization and increase of the production capacity, as well as to the diversification of its product portfolio. Although their implementation will require great investment efforts and the discontinuation of the production flow (for the replacement/ upgrade of equipment), the Company expects its results to be at the same level as in the previous year.

2. THE GROUP'S TANGIBLE ASSETS

2.1. Specification of the emplacement and characteristics of the main production capacities owned by the Group

The following production capacities operate within the Group:

- a) *The corrugated cardboard production machine*, with an existing production capacity of 80.000 tons/ year;
- b) *The paperboards production machine*, with a production capacity of 100.000 tons/ year, under the condition of operation with 100% waste paper as raw material;
- c) *The tissue paper machine*, with a production capacity of 25.500 tons/ year;

The land, the constructions and equipment are highlighted at re-evaluated value, as this represents the fair value as at the re-evaluation date less any amortisation accumulated subsequently and any impairment losses accumulated. Fair value is based on market price quotations, adjusted, if necessary, so as to reflect the differences related to the nature, location or the conditions of the asset in question, 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 last re-evaluation of the patrimony was made as at December 31st, 2019.



Tangible assets re-evaluations are made with sufficient regularity, so that their book value does not differ substantially from the value that would have been determined using the fair value as at the balance sheet date.

2.2. Description and analysis of the degree of wear of the Group's properties

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 finalised and ready for use.

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

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

The technical condition of the production installations is maintained through the performance of predictive and current maintenance works.

The degree of wear in the records as at December 31st, 2021 is as follows:

(all the amounts are stated in RON thousand)

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	88.542	22.491	25%
Equipment and other fixed assets	391.684	210.796	54%

2.3. Specification of the potential problems related to the right of ownership onto the Group's tangible assets

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 31st, 2021 (December 31st, 2020: RON 182.045 thousand). The net book value of the assets purchased through financial leasing is RON 88 thousand as at December 31st, 2021 (December 31st, 2020: RON 102 thousand).

3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP

3.1. Specification of the markets in Romania and in other countries where the securities issued by the Group are traded

The shares of "VRANCART" SA are listed at the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15th, 2005.

The shareholding structure as at December 31st, 2021 is as follows:

- SIF Banat-Crişana - 75,06 %
- Paval Holding - 17,10 %
- Legal entities - 3,02 %
- Natural persons - 4,82 %



3.2. Description of the Group's policy on dividends

The Group's policy on dividends is established by the Ordinary General Meeting of the Shareholders.

In the past three years, only the parent-company distributed dividends.

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

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes
2019	22.892.856	1.224.900	11.967.530	9.700.426	-	-
2020	18.533.610	1.038.331	10.007.331	6.307.703	-	1.180.245
2021	9.868.525	576.826	**	1.444.268	-	**

* These amounts represent tax facilities that the Company benefited of from the exemption of the tax related to reinvested profit (art. 22 of the applicable Tax Code).

** The distribution of the Group's profit falls under the competence of the Ordinary General Meeting of the Shareholders and it will be established during the General Meeting of the Shareholders to be held in April 2022.

3.3. Description of any activities of the Group to redeem its shares

From its establishing, the Group has not purchased or held at any time its own shares.

3.4. If the company has any branches, specification of the number and nominal value of the shares issued by the parent-company held by the branches

On January 19th, 2017, the company completed the acquisition of the shares of **Rom Paper SRL (Branch 1)**, an acquisition that was approved by the Ordinary General Meeting of the Shareholders. The acquisition contract provided the acquisition in three annual tranches of 70% (completed), 15% (completed) and 15% (completed in 2018). Following the acquisition, Vrancart holds 100% of the shares as at December 31st, 2021.

Vrancart Recycling SRL (Branch 2) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. Vrancart holds 100% of the share capital of the branch as at December 31st, 2021.

Ecorep Group SA (Branch 3) was established in November 2020 and it is a Romanian privately-owned company. Vrancart holds 99,6% of the shares as at December 31st, 2021.

3.5. If the Group issued any bonds and/or other debt securities, presentation of the modality in which it pays its obligations to the holders of such securities

In 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1st, 2017, the Financial Supervisory Authority approved the bond issuance prospectus in the amount of RON 38.250.000, with the interest Robor 3m + 2%, with the maturity term in 7 years. On March 13th, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds. The bonds are listed at the Bucharest Stock Exchange.



4. THE GROUP'S MANAGEMENT

4.1. The Group's Administrators

a) Presentation of the list of administrators of the trade company and of the following information for each administrator (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31st, 2021:

1. Ciucioi Ionel-Marian - 44 years old, economist,
Chairman of the Board of Administrators and General Manager for 8 years
2. Drăgoi Bogdan Alexandru - 42 years old, economist,
Member of the Board of Administrators for 6 years
3. Mihailov Sergiu - 42 years old, economist,
Member of the Board of Administrators of „Vrancart” for 4 years
4. Fercu Adrian - 45 years old, economist,
Member of the Board of Administrators of „Vrancart” since April 28th, 2020
5. El lakis Rachid - 25 years old, economist,
Member of the Board of Administrators of „Vrancart” since April 27th, 2021.

b) any agreement, understanding or family relationship between the administrator in question and another person due to which that person was appointed as administrator.

Not applicable.

c) the administrator's participation in the trade company's capital:

The administrators' participation in the Company's capital as at December 31st, 2021:

1. Ciucioi Ionel-Marian – 0 shares
2. Drăgoi Bogdan Alexandru – 0 shares
3. Mihailov Sergiu – 0 shares
4. Fercu Adrian – 0 shares
5. El Lakis Rachid – 0 shares

d) remuneration policy

The company „VRANCART” SA published a separate report on the remuneration policy, in accordance with the provisions of art. 107 of Law no. 24/2017 on the issuers of financial instruments. The separate report comprising the remuneration policy is made available to the public, free of charge, on the Company's website www.vrancart.ro, for the period of time provided by law and it is updated whenever changes occur.

e) the list of persons affiliated to the Group

The parties are considered 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 through ownership or based on some contractual rights, family relationships or relationships of any other kind, as defined by IAS 24 “Related party disclosures”.



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

4.2. The Group's executive management

a) The Group's executive management as at December 31st, 2021 was provided by Mr. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators of Vrancart S.A. and also chairman of the Board of Administrators of the branch Rom Paper S.R.L.

b) any agreement, understanding or family relationship between the person in question and another person due to which that person was appointed as a member of the executive management:

- Not applicable.

c) The participation of the company's managing members in the share capital:

- None of the Group's managing members hold any shares.

4.3. Potential disputes or administrative procedures

For all the persons presented under items 4.1. and 4.2., specification of the potential disputes or administrative procedures they were involved in, in the past 5 years, related to their activity within the issuing group, as well as those related to the capacity of that person to fulfil their tasks within the issuing group.

- Not applicable.

5. INTERNAL CONTROL AND RISK MANAGEMENT

Internal control monitors and checks regularly the application of the new legal provisions relevant for the Group's business, verifies the compliance with the Group's internal regulations that were established through internal decisions and regulations, the completion of the existing regulations or the inclusion of new regulations specific to the Group's economic activity, the establishing or improvement of the Group's internal procedures.

The general objectives of internal audit for 2021 were focused in particular on risk management, as well as on the assessment of the general system of controls implemented for transactions and/ or flows.

The consolidated financial statements of the Vrancart Group for the financial year ended on December 31st, 2021 were audited by the external auditor BDO Audit SRL.

The audit opinion states that the financial statements provide a fair view, in all significant aspects, of the financial position, as well as of the comprehensive income and of the cash flows for the financial year ended on December 31st, 2021 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

6. SOCIAL RESPONSIBILITY



„VRANCART” S.A. constantly carries out activities related to the Company’s social responsibility and each year it supports either directly or through foundations/ specialised associations the unprivileged categories of people from the local community where it carries out its activity.

Also, the issuer is directly involved in supporting the young talents in sports, arts and music, as well as other social activities within the local community that it belongs to.

7. NON-FINANCIAL STATEMENT

“VRANCART” S.A. will draft a separate report on information related to the consolidated non-financial statement and the aspects related to diversity, in accordance with the provisions of chapter 7 of Order no. 2844/2016. The separate report concluded for 2021 will be made available to the public on the Company’s website www.vrancart.ro, until June 30th, 2022.

8. THE FINANCIAL AND ACCOUNTING STATEMENTS

The consolidated financial statements are drawn up by the Company in accordance with the requirements of the Order of the Ministry of Finances no. 2844 of 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. 1.606/2012 of the European Parliament and of the Council dated July 19th, 2002 on the application of the International Accounting Standards.

Summarised presentation of the financial performance indicators in the past 3 years

Indicator’s name	M.U.	December 31 st , 2021	December 31 st , 2020	December 31 st , 2019
Overall liquidity	Ratio	1.11	1.06	1.05
Immediate liquidity	Ratio	0.67	0.64	0.59
Stock turnover	Rot/year	6	7	6
Debt recovery	Days	81	74	72
Reimbursement of trade liabilities	Days	59	41	37
Operating profitability	%	3%	7%	9%
Gross profit ratio	%	2%	5%	7%



8.1. Consolidated statement of financial position for the past 3 years

(RON)	December 31 st , 2021	December 31 st , 2020	December 31 st , 2019
ASSETS			
Tangible assets	338.408.016	315.908.406	316.748.381
Intangible assets	5.850.271	6.788.609	7.717.493
Financial assets	39.594	41.094	35.293
Goodwill	8.526.391	8.526.391	8.526.391
Total non-current assets	352.824.272	331.264.500	333.027.558
Inventories	72.156.949	53.013.513	59.649.487
Trade receivables	101.927.129	71.841.836	72.238.293
Prepaid expenses	1.115.940	870.819	869.447
Receivables related to current profit tax	242.518	-	339.999
Other receivables	3.856.477	1.212.397	473.401
Cash and cash equivalents	2.368.775	5.558.078	2.485.165
Total current assets	181.667.788	132.496.643	136.055.792
TOTAL ASSETS	534.492.060	463.761.143	469.083.350
EQUITY			
Share capital	120.363.081	103.168.355	103.168.355
Reserves	115.453.878	114.957.240	110.269.220
Retained earnings	4.689.698	9.652.131	9.694.356
Non-controlling interests	(1.040)	281	-
Total equity	240.505.617	227.778.007	223.131.931
LIABILITIES			
Long-term loans	58.706.910	43.766.905	46.168.826
Long-term liabilities under leasing contracts	17.870.254	10.570.722	8.438.653
Long-term loans from bond issues	37.949.400	37.627.000	37.942.100
Deferred income	9.620.784	12.851.179	15.569.283
Long-term debts to employees	422.307	453.855	331.832
Debts related to deferred profit tax	5.128.351	5.503.412	6.718.435
Other long-term liabilities	323.422	645.822	348.508
Total long-term liabilities	130.021.428	111.418.895	115.517.637
Short-term trade liabilities	74.347.087	39.683.654	37.564.636
Short-term loans	71.301.775	66.709.792	75.327.882
Short-term liabilities under leasing contracts	5.864.025	4.011.256	4.035.213
Deferred income	2.219.654	2.726.759	2.735.415
Debts to employees	5.104.218	5.411.426	5.011.438
Debts related to current profit tax	-	966.800	-
Other liabilities	5.128.256	5.054.554	5.759.197
Total current liabilities	163.965.015	124.564.241	130.433.782
TOTAL LIABILITIES	293.986.443	235.983.136	245.951.419
TOTAL EQUITY AND LIABILITIES	534.492.060	463.761.143	469.083.350

8.2. Consolidated statement of comprehensive income for the past 3 years



(RON)	2021	2020	2019
Income from turnover	453.888.676	349.656.944	362.000.902
Other income	8.596.073	5.402.360	3.938.285
Variation of finished products inventories and production in progress	7.873.449	(7.569.998)	15.219.705
Expenses related to raw materials and consumables	(271.358.232)	(161.404.382)	(183.234.053)
Expenses related to commodities	(16.052.868)	(12.929.903)	(26.232.934)
Third party expenses	(40.434.950)	(27.931.900)	(27.879.290)
Personnel-related expenses	(82.610.222)	(71.963.147)	(72.400.901)
Expenses related to amortisation and impairment of tangible assets	(35.138.123)	(34.834.216)	(26.693.232)
Other expenses	(12.351.068)	(13.725.893)	(10.176.578)
Operating result	12.412.735	24.699.865	31.541.904
Financial income	588.277	925	1.709
Financial expenses	(5.233.951)	(6.062.153)	(7.098.653)
Profit (loss) before taxation	7.767.061	18.638.637	24.444.960
Profit tax expense	(1.422.806)	(2.025.331)	(1.234.759)
Profit (loss) for the year	6.344.255	16.613.306	23.210.201
- of the Parent-company	6.345.576	16.613.325	-
- of non-controlling interests	(1.321)	(19)	-
Other comprehensive income items			
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	(804.041)	-	10.630.609
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5.540.214	16.613.306	33.840.810
- of the Parent-company	5.541.535	16.613.325	-
- of non-controlling interests	(1.321)	(19)	-



8.3. Consolidated statement of cash flows for the past 3 years

(RON)	2021	2020	2019
Cash flows from operating activities			
Amounts collected from customers	494.782.114	400.037.149	413.662.850
Payments to suppliers	(344.444.838)	(230.364.017)	(273.627.372)
Payments to employees	(56.334.135)	(46.401.229)	(45.592.583)
Payments to the state budget	(62.360.626)	(55.125.576)	(57.340.504)
Profit tax paid	(2.850.515)	(2.171.302)	(1.590.547)
Net cash flows from operating activities	28.792.000	65.975.025	35.511.844
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(47.392.125)	(39.342.622)	(34.561.091)
Guarantees to obtain authorisation licenses	(2.000.000)	-	-
Amounts collected from the sale of tangible assets	380.648	10.282.717	186.315
Interests collected	934	400	268
Net cash flows from investment activities	(49.010.543)	(29.059.505)	(34.374.508)
Cash flows from financing activities			
Collections from loans	48.473.525	18.582.699	35.078.786
Share capital increase	16.736.768	-	-
Cash contribution to shares	-	300	-
Payments under leasing contracts	(4.660.190)	(5.068.315)	(3.437.670)
Interests paid and loans reimbursed	(33.683.401)	(35.695.646)	(23.125.321)
Dividends paid	(9.837.462)	(11.661.645)	(9.603.862)
Net cash flows from financing activities	17.029.240	(33.842.607)	(1.088.067)
Net increase/ (Reduction) of cash and cash equivalents	(3.189.303)	3.072.913	49.269
Cash and cash equivalents at the financial year beginning	5.558.078	2.485.165	2.435.896
Cash and cash equivalents at the financial year end	2.368.775	5.558.078	2.485.165



9. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

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.

The administrators' report was approved by the Board of Administrators of Vrancart SA.

SIGNATURES

The report will be signed by the authorised representative of the Board of Administrators, by the manager/ the executive manager and by the financial manager of the Company.

Ciucioi Ionel-Marian

Chairman of the Board of Administrators

Arsene Vasilica-Monica

Financial Manager

