



REPORT OF THE BOARD OF DIRECTORS

FOR THE FINANCIAL YEAR 2022

Name of the issuing entity:	VRANCART S.A.
Registered office:	Adjud, 17 Ec. Teodoroiu Street, Vrancea
Telephone/fax no.:	0237-640.800/0237-641.720
Tax Identification Number:	1454846
Trade Registry registration number:	J39/239/1991
Subscribed and paid-in share capital:	RON 120.338.551
The regulated market onto which the securities issued are traded:	The Bucharest Stock Exchange



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1. ANALYSIS OF THE ACTIVITY OF „VRANCART” S.A.

1.1.1. General information

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

General presentation

Trade 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 Office under no.:	J39/239/1991
Tax code	1454846
Tax Identification Number	RO1454846
Paid-in share capital	RON 120.338.551
Nominal share value	RON 0,10/share
Number of shares	1.203.385.510

The company has its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county, and has working points opened in the following localities: Bucharest, Călimănești (Vâlcea county), Sântana de Mureș (Mureș county) and waste paper collection points in: Bucharest, Iași, Focșani, Bacău, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Baia Mare, Craiova, Târgu Mureș, Brăila, Călimănești and Piatra Neamț.

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 wastepaper 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, wastewater clarifying), mechanical and electrical maintenance, transportation (within the company and to customers) and others.

In the context of the invasion of Ukraine by the Russian Federation, it must be stated that Vrancart has no physical operations on the territory of Ukraine, Russia or Belarus and has no customers, suppliers, investors or creditors with operations in these countries. The sanctions imposed on Russia could have an impact to the same extent that the entire global business environment could be affected.

Although the economic effects of the political crisis in the region 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 for restricting the negative effects of the economic and political crisis, in general.


General evaluation items:

a) gross book profit		RON 26.208 thousand
b) turnover		RON 526.032 thousand
c) operating costs		RON 509.604 thousand
d) liquidity at the year-end		RON 1.289 thousand
e) % of the market held (internal estimates)		
<u>In 2022</u>	Tissue paper	- 10 %
	Paperboards	- 16 %
	Corrugated cardboard	- 17 %

1.1.2. Evaluation of the Company's technical level

The main production activities of „VRANCART” are organised by three different lines of business managed based on their own budgets, component parts of the general budget of the Company, 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 the company's production by lines of business is presented in the table below:

Lines of business	M.U.	2022	2021	2020
The paperboards mill	to	87.010	88.255	75.592
The corrugated cardboard and packaging mill	to	69.655	69.627	60.292
The tissue paper mill	to	20.760	20.164	17.416

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

Lines of business	M.U.	2022	2021	2020
The paperboards mill	%	9%	12%	12%
The corrugated cardboard and packaging mill	%	63%	65%	66%
The tissue paper mill	%	19%	17%	15%
Other activities	%	9%	6%	7%

The investments made in 2022, by groups of fixed assets, were:

Investments made	Value (RON)
Buildings and building improvements	1.716.235
Technological equipment	16.996.576
Apparatus and working installations	290.851



Means of transport and other fixed assets	2.528.973
Intangible assets	42.351
TOTAL	21.574.986

1.1.3. Evaluation of the technical and material supply activity

The main raw material used by the production mills of “VRANCART” is wastepaper. It is purchased by means of the company’s own collection centres or directly from generators.

The evolution of wastepaper collection during the past 3 years is presented below:

Wastepaper purchase	M.U.	2022	2021	2020
Wastepaper purchases through the collection centres	to	87.866	82.484	81.497
	% out of total	59%	57%	66%
Direct purchase (Adjud)	to	61.793	62.100	41.333
	% out of total	41%	43%	34%
Total purchases	to	149.659	144.584	122.830
	%	100%	100%	100%

1.1.4. Evaluation of the sales activity

The evolution of delivery of the products of „VRANCART” by each market segment in the past 3 years is presented in the table below:

Lines of business	M.U.	2022	2021	2020
The paperboards mill	to	14.755	23.384	22.538
The corrugated cardboard and packaging mill	to	70.040	69.243	60.363
The tissue paper mill	to	21.703	18.822	17.037

The state of competition

In each market segment, there are several manufacturers of products similar to those produced by „VRANCART”.

A. On the paperboards market in Romania there were four competitors in 2022. The production capacities of the paper production plants based on 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 (wastepaper) 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 hold corrugated cardboard and corrugated cardboard packaging mills, so that most of their own paper production is intended for their own consumption.

Market share evolution for paperboards

Producers	2022	2021	2020
Vrancart Adjud	16%	16%	16%
Other producers	84%	84%	84%
Total	100%	100%	100%

Source: VRANCART estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2022 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 2022 was of 440 thousand tons (59% of the total production capacity), recording a reduction of approx. 3,5% in tons compared to the previous year.

Corrugated cardboard producers in 2022 in Romania:

No.	Producer's name	Production capacity (to/year) VNC estimate
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

Source: VRANCART estimates

Market share evolution for Corrugated cardboard and corrugated cardboard packaging:

Producers	2022	2021	2020
Vrancart Adjud	17%	17%	15%
Other producers	83%	83%	85%



Total	100%	100%	100%
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Source: VRANCART estimates

C. On the tissue paper market, with a market share of 10% in 2022 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.

Unlike its competitors, Vrancart produces tissue paper only from wastepaper, 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, became insolvent and shut down its tissue paper production.

At the end of 2020, Vrancart purchased, through bid, the tissue paper production machine from Petrocart and it will be relocated to Adjud put into operation in 2023-2024.

New production capacities will appear on the market in the coming period. Pehart Tec Group plans to invest Euro 20 million in 2023 to develop new production capacities in order to increase its export volumes. The equipment will be commissioned by the end of 2023. (Source: <https://www.zfcorporate.ro>)

Market share evolution for Tissue paper

Producers	2022	2021	2020
Vrancart Adjud	10%	10%	9%
Other producers	90%	90%	91%
Total	100%	100%	100%

1.1.5. Evaluation of the aspects related to the Company'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 2022 was 1202 employees, out of which:

- 180 higher education graduates
- 488 high school graduates
- 363 vocational school graduates
- 171 middle school graduates

Out of the total number of employees, 171 are trade union members (there is only one trade union within the Company).

The labour force fluctuation index in 2022 was 28% (the number of employees that left the Company/ average number of employees x 100).

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



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

1.1.6. Evaluation of the aspects related to the impact of 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 for multi-site in September 2022 by Lloyd's Register England, Bucharest Agency. The certified sites are: Vrancart S.A. Adjud, 17 Ecaterina Teodoroiu Street and the work point in Adjud, located in 17 Revolutiei Street.

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. The work point did not require an environmental authorisation.

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.

ENVIRONMENTAL FACTOR: AIR

The following emissions result from the activity of VRANCART S.A.:

- hot air emissions (after the moist air from drying paper goes through absorption hoods) that are evacuated through exhaust chimneys at high altitude);
- emissions from the combustion gases from the process steam generating boilers (Bosch and CTAT – hot reserves), the 3 process steam generators and the production waste co-incineration plant, which are removed through chimneys at high altitude;
- emissions resulting from the manufacturing processes – spread dust emissions due to the handling of auxiliary solid materials and the processing of tissue paper;
- noise resulting from the operation of the burning and production plants.

In reference to the greenhouse gas emissions, according to Order no. 1256/June 12th, 2020, the Greenhouse gas emissions authorisation no. 145 was issued on July 6th, 2021 for the period 2021-2030. The CO₂ emissions allowance was obtained free of charge, for the period 2021-2025, called "stage IV".

According to the requirements of the Integrated Environmental Authorisation, we carried out the following:

- determinations for the ambient environment in the production halls were carried out by the Vrancea Directorate of Public Health;
- determinations of the noise level at the limit of the location were carried out by ICEMENERG Bucharest (a laboratory accredited according to ISO 17025).

The results proved that the values measured are below the maximum limits allowed, as established by the applicable legislation in the field.



In 2022, we carried out measurements of the pollutants discharged by fixed sources, in accordance with the Integrated Environmental Authorisation, with ICEMENERG Bucharest (a laboratory accredited according to ISO 17025); the results were below the maximum limits allowed, imposed through the abovementioned authorisation.

We believe that VRANCART's activity has an **insignificant impact onto the air environmental factor**, and the level of emissions into the air comply with the provisions of:

- the Government Decision no. 1218/2006 as supplemented by the Government Decision no. 1/2012 and the Government Decision no. 355/2007 for the establishing of the minimum labour health and security requirements for the provision of the workers' protection against the risks related to the presence of chemical substances;
- the Government Decision no. 493/2006 on the minimum labour health and security requirements related to the workers' exposure to the risks generated by noise;
- the Government Decision no. 1091/2006 on minimum labour health and security requirements at the work place;
- the Government Decision no. 1048/2006 on minimum security and health requirements for the use of the personal protective equipment by workers at the workplace.
- Order no. 462/1993 of the Ministry of Waters, Forests and Environmental protection for the approval of the technical conditions related to environmental protection and the Methodological norms on the determination of the emissions of air pollutants produced by stationary sources;
- Law no. 104/2011 on air quality, as amended as supplemented by the Government Decision no. 336/2015 and the Government Decision no. 806/2016;
- Law no. 278/2013 on industrial emissions, as amended as supplemented by the Government Emergency Ordinance no. 101/2017.

ENVIRONMENTAL FACTOR: WATER

VRANCART S.A. holds the **“Water Management Permit no. 1/04.02.2008”, revised on November 4th, 2013, valid until February 4th, 2017**. In June 2017, the Water Management Permit was renewed under no. 160/17.07.2017, valid until July 17th, 2022. **The Water Management Permit no. 156/17.08.2022, valid until August 17th, 2027, was obtained in 2022.**

In 2022, the wastewater discharged from Vrancart's wastewater treatment plant into Siret river were within the limits imposed by the revised Water Management Permit, as revised, according to the current monitoring and the determinations carried out by ALS GLOBAL Ltd, Ploiești (a laboratory accredited according to ISO 17025).

The **“Plan for the Prevention and Control of Accidental Pollution”** is revised on a yearly basis according to Order no. 278/1997 of the Minister of Water, Forests and Environmental Protection which approves the framework methodology for the preparation of the plans for the prevention and control of accidental pollution; this plan is submitted to the Vrancea Water Management System and to the Bacau Water Basin Administration.

ENVIRONMENTAL FACTOR: SOIL

Since one of the sources of soil pollution is represented by the faulty management of waste, within the environmental management system, clear rules were established to provide the compliance with the legal provisions on waste.



The wastes resulting from production and the sludge from the wastewater treatment plant are stored in the temporary waste storage facility and are co-incinerated in our own plant and the resulting process steam is used for dewatering sludge, with the purpose to optimise its burning.

The ash resulting from the co-incineration of our own technological wastes is a non-hazardous waste. Since the start-up of the waste co-incineration boiler in 2008, the resulting ash was deposited in several concrete pools. The obligation related to the adequate arrangement and the final closing is in accordance with the provisions of Order no. 757/2004.

According to the requirements on the protection of soil imposed by the “Integrated Environmental Permit”, in October 2022, ALS GLOBAL Ltd Ploiesti (a laboratory accredited according to ISO 17025) made determinations of the concentrations of pollutants. The results showed that the measured values are below the maximum limits allowed.

The Vrancea Environmental Guard, the Vrancea Environmental Protection Agency, the Siret Bacău Water Basin Administration and the Vrancea Water Management System made inspections. The findings were recorded in the control reports – the quality indicators of the clarified water did not exceed the limits imposed through the regulatory deeds, according to the information presented in the **Water environmental factor**, without any violations of the legislation in force.

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 secured paper for money production, so as not to allow its counterfeiting and it will be carried out over a period of 2 years. Vrancart was a partner within the project, approved in November 2020. The project value amounted to RON 653,850, financed by the state budget in a proportion of 92%. The project was completed at the end of 2022.

1.1.8. Evaluation of the Company’s activity on risk management

The Company’s risk management policies are defined so as to provide the identification and analysis of the risks that the Company is facing, to establish the appropriate limits and controls, as well as to monitor the risks and to meet the limits established. The risk management policies and systems are regularly revised to reflect the changes occurred in the market conditions and in the Company’s activities. Through its management and training standards and procedures, the Company aims to develop an orderly and constructive control environment, where all the employees understand their roles and obligations.

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

- credit risk;
- liquidity risk;
- market risk.

Credit risk is the risk that the Company incurs a financial loss following its partners’ failure to meet their contractual obligations. The maximum exposure to credit risk was:



Book value	December 31st, 2022	December 31st, 2021
Trade receivables and other receivables	110.593.377	86.933.035
Restricted cash	1.881.991	-
Cash and cash equivalents	1.288.888	1.536.938
Total	113.764.256	88.469.973

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

Liquidity risk – The Company makes sure that it has sufficient cash to cover the 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, 2022	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	136.444.154	148.309.381	62.223.135	86.086.247	-
Debts under leasing contracts	23.419.723	24.419.723	7.718.425	15.068.656	1.632.642
Trade liabilities and other liabilities	63.183.246	63.183.246	62.635.054	548.191	-
Total	223.047.122	235.912.349	132.576.614	101.703.094	1.632.642

December 31st, 2021	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	102.393.993	109.434.808	58.230.322	51.204.486	-
Debts under leasing contracts	23.632.509	23.632.509	5.864.025	17.768.484	-
Trade liabilities and other liabilities	71.004.028	71.004.028	70.258.299	745.729	-
Total	197.030.530	204.071.345	134.352.646	69.718.699	-

VRANCART's management considers that it is taking all the measures necessary to support the sustainability and development of the Company's business, under the current conditions, through:

- the constant monitoring of liquidity;
- the performance of short-term forecasts on net liquidity;
- the monitoring of the cash inflows and outflows (on a daily basis), the evaluation of the effects onto the debtors, of the limited access to financing and of the economic environment in Romania and in the European area.

Market risk. The objective of managing this risk is to maintain the exposures related to the exchange rate, the interest rate and the price of equity instruments within acceptable limits and at the same time to optimize the return on investment.



1.1.9. Prospects for the Company's business

In 2023, 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 discontinuations of the production flow (for the replacement/upgrade of equipment), the Company expects its results will be at the same level as in the previous year.

1.1.10. Operating permits and certifications

During the previous years, VRANCART implemented an integrated Quality – Environment – Labour Health and Security system, certified by Lloyd's Register England, Bucharest Branch. The ISO certification takes into account several aspects of the Company's business, from environmental protection to personnel protection and security, to the technical availability of the machines and plants involved in the production processes and proves the management's interest for the constant improvement of the Company's environmental situation, health and security.

The certificates are valid for three years, with annual surveillance audits, in order to check the compliance with the requirements of the ISO standards.

During August-September 2022, the multi-site recertification audit of the three ISO management systems - quality, environment, occupational health and safety - took place (at the company headquarters and the work point in Adjud). During the audit it was found that the processes are well kept under control. The system has a good level of compliance with the reference standards, which is why the recertification was obtained. The validity of the ISO management system certificates is:

- a) the Certificate for the approval of the Quality Management System no. 10474497/22.09.2022, according to SR EN ISO 9001: 2015 – valid until 13.09.2024;
- b) the Certificate for the approval of the Environmental Management System no. 10474501/22.09.2022, according to SR EN ISO 14001:2015 – valid until 13.09.2024;
- c) the Certificate for the approval of the Labour Health and Security Management System no. 10474499/22.09.2023, according to SR EN ISO 45001:2018 – valid until 13.09.2024.

Since 2014, Vrancart also holds an FSC certification for its Chain of Custody Management System for the recovery, processing and delivery of products obtained from recycled, mixed and virgin materials in accordance with the standards FSC-STD-40-004/FSC-STD-40-007. The certificate is issued by TUV SUD, valid from October 14th, 2019, revised on October 15th, 2019 and valid until October 14th, 2024 with annual surveillance audits.

The 2022 annual audit found a good level of compliance with the standards chosen as a reference model.

„VRANCART” operates in accordance with the provisions of:

- **THE INTEGRATED ENVIRONMENTAL PERMIT no. 1/March 18th, 2015**, that was revised on **April 14th, 2020**, and is valid with an annual endorsement.
- **THE WATER MANAGEMENT AUTHORISATION no. 156/August 17th, 2022, valid until August 18th, 2027, as the previous authorisation expired on July 17th, 2022.** The indicators' value is in accordance with NTPA 001/2005.



The **general objectives** of the ISO and FSC management systems were included in the policies on quality, environment, labour health and security. Specific process objectives were established in order to reach the general objectives.

The ISO, FSC certificates and the related policies are available on the website www.vrancart.ro.





2. THE COMPANY'S TANGIBLE ASSETS

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

"Vrancart" S.A. Adjud is headquartered in Adjud municipality, Vrancea county, where the following production capacities operate:

- a) *The corrugated cardboard machine*, with the existing production capacity of 80.000 tons/year;
- b) *The paperboards machine*, with a production capacity of 100.000 tons/year, considering that the machine operates with raw materials consisting of 100% waste paper;
- c) *The tissue paper machine*, with a production capacity of 25.500 tons/year;

The land, the constructions and the equipment are highlighted at re-evaluated value and this represents the fair value as at the revaluation date less any amortisation accumulated subsequently and any accumulated impairment losses. The fair value is based on market price quotations, adjusted, if applicable, so as to reflect the differences related to the nature, location or the conditions of that asset, except for the equipment for which the fair value was determined based on the replacement cost.

The re-evaluations are made by specialised assessors, members of ANEVAR (the National Association of Authorised Assessors in Romania). The last re-evaluation of the Company's patrimony was made as at December 31st, 2022. The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ substantially from the value that would be determined using the fair value as at the balance sheet date.

The company has production facilities in Jiblea locality, Valcea county, where a machine for corrugated cardboard production and corrugated cardboard boxes converting (production) operates, as well as in Sântana de Mures, Mures county, where the company holds a mill for corrugated cardboard converting (production of boxes).

2.2. Description and analysis of the degree of wear of the Company'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 Company, 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:

– Constructions	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, 2022 is as follows:

(all values stated in thousand RON)



Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	99.689	25.573	26%
Equipment and other fixed assets	443.886	229.503	52%

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

A part of the Company's tangible assets is mortgaged or pledged to guarantee the loans granted by banks. The net book value of these pledged or mortgaged assets was RON 178.945 thousand as at December 31st, 2022 (December 31st, 2021: RON 150.074 thousand). The net book value of the assets purchased through financial leasing was zero as at December 31st, 2022 (December 31st, 2021: RON 88 thousand).

3. THE MARKET OF THE SECURITIES ISSUED BY THE COMPANY

3.1. Specification of the markets in Romania and in other countries where the securities issued by the Company 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, 2022 is as follows:

- SIF Banat-Crişana - 75,50%
- Paval Holding - 17,16%
- Legal entities - 2,75 %
- Natural persons - 4,59 %

3.2. Description of the Company's policy on dividends

The Company's policy on dividends is established by the Ordinary General Meeting of the Shareholders. Through the Decision no. 4 dated April 27th, 2022, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2021, in the amount of RON 5.054.219, respectively a gross amount of a dividend of RON 0,0042 /share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes**
2020	18.533.610	1.038.331	10.007.331	6.307.703	-	1.180.245
2021	9.868.525	576.826	5.054.219	1.444.268	-	2.793.212
2022	23.688.891	1.319.796	12.033.855	4.940.628	-	5.394.612

* These amounts represent tax benefits that the Company received from the tax exemption on reinvested profits (Article 22 of the applicable Tax Code).

** The distribution of the company's profit for the year 2022 is the responsibility of the Ordinary General Meeting of Shareholders and will be decided during the meeting to be held on April 27th/28th, 2023.



3.3. Description of any activities of the trade company to redeem its own shares

From its establishing, „VRANCART” S.A. Adjud has not purchased or held at any time its own shares.

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

The company **Rom Paper SRL, Brasov (Branch 1)** was acquired in January 2017. The acquisition contract provided the acquisition in three stages, namely 70% (in January 2017), 15% (in June 2017) and 15% (in June 2018). The acquisition contract was completed, so that as at December 31st, 2022, the Company holds 100% of the shares. The main activity of the company is represented by the production and sale of tissue paper products.

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 73 employees as at the end of 2022. The parent-Company holds 100% of the shares as at December 31st, 2022.

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, 2022 is 6. The parent-Company holds 99,6% of the shares as at December 31st, 2022.

3.5. If the Company issued any bonds and/or other debt securities, presentation of the modality in which it fulfils its obligations towards 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.

4. THE COMPANY'S MANAGEMENT

4.1. The Company's Directors

a) Presentation of the list of the company's directors and of the following information for each director (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31st, 2022:

1. Ciucioi Ionel-Marian - 45 years old, economist,
Chairman of the Board of Directors and General Manager for 9 years
2. Drăgoi Bogdan Alexandru - 43 years old, economist,
Member of the Board of Directors of „Vrancart” for 7 years
3. Mihailov Sergiu - 43 years old, economist,
Member of the Board of Directors of „Vrancart” for 5 years
4. Fercu Adrian - 46 years old, economist,
Member of the Board of Directors of „Vrancart” for 2 years
5. El Lakis Rachid - 26 years old, economist,



Member of the Board of Directors of „Vrancart” since April 27th, 2021.

b) any agreement, understanding or family relationship between the director in question and another person due to which that person was appointed as director.
Not applicable.

c) the director’s participation in the trade company’s capital:

The directors’ participation in the Company’s capital as at December 31st, 2022:

- | | |
|----------------------------|------------|
| 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 company

The parties will be deemed to be affiliated if one of the parties has the possibility to control either directly or indirectly, or to significantly influence the other party by holding or on the basis of contractual, family or other rights, such as defined in IAS 24 “Related party disclosures”.

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

4.2. The Company’s executive management

a) The executive management of "Vrancart" S.A. Adjud as at December 31st, 2022 was provided by Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Directors.

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 managing members of VRANCART 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, relating to their activity within the issuing company, as well as those related to the capacity of that person to fulfil their tasks within the issuing company.

- Not applicable.



5. CORPORATE GOVERNANCE

5.1. The compliance with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange

The Board of Directors decided on the voluntary conformation with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange, a decision that was ratified by the General Meeting of the Shareholders of August 10th, 2011 and on this occasion the Corporate Governance Regulation of „VRANCART” S.A. Adjud was approved.

„VRANCART” S.A. Adjud, as an issuer listed in the standard category of the Bucharest Stock Exchange, considers the compliance with the corporate governance principles of the Corporate Governance Code of the Bucharest Stock Exchange. The shares of “VRANCART” S.A. are listed and traded starting from July 15th, 2005, at the Bucharest Stock Exchange, standard category, having the symbol VNC.

The activity related to keeping the shareholders’ registry was and is being performed by S.C. „Depozitarul Central” S.A. in accordance with the agreement no. 7270/March 7th, 2017.

Still, at the Company level there are documents and rules specific to corporate governance that are available in the Company’s “Articles of incorporation”, the Organisation and Operation Regulation, internal regulations and decisions, where the functions, competences and responsibilities of the Board of Directors and of the executive management are described.

Information on the corporate governance policy of „VRANCART” is disseminated on the Company’s website, respectively www.vrancart.ro:

- The list of members of the Board of Directors and the members of the executive management;
- The updated articles of incorporation.

The new Code of Corporate Governance of the Bucharest Stock Exchange was adopted in September 2015; it replaces the old code and it comprises a set of principles and recommendations for the companies admitted to trading, for the purpose of creating an internationally attractive capital market, and our company acceded to this code. Although the new code does not expressly provide any more the existence of the “Apply or Explain” statement, this mechanism is still maintained, as it is an element that strengthens the shareholders’ and stakeholders’ trust in the issuers, and clear, accurate and up-to-date information on the compliance with the rules of corporate governance of the listed companies is transmitted in the capital market through this mechanism.

The new Code of Corporate Governance of the Bucharest Stock Exchange includes 34 recommendations that must be met, structured by 4 sections, out of which, on the date of its implementation, our company complies with 24 provisions. In reference to the provisions that our company does not comply with, entirely and partially, the Company’s management took the necessary steps in order to comply with all the recommendations, and the subsequent progresses that our company records in terms of the compliance with the Code of Corporate Governance will be reported to the capital market.

5.2. The Company’s management

The Board of Directors

„VRANCART” is managed by a Board of Directors formed of 5 members, elected by the General Meeting of the Shareholders for a period of 4 years, with the possibility of being re-elected.



The Board of Directors has decision-making competences on the Company's management during the period between the general meetings, except for the decisions that the law or the Company's articles of incorporation provide exclusively for the General Meeting of the Shareholders. The Board of Directors elects a chairman from among its members. The chairman also holds the position of General Manager and provides the actual management of the Company.

In the current mandate of the Board of Directors, elected by the General Meeting of the Shareholders of April 27th, 2022, the structure of the Board of Directors provides a balance between the executive and non-executive members, with a ratio of 1/5. The election of the members of the Board of Directors through the shareholders' vote in the General Meetings of the Shareholders of April 27th, 2022 was based on a transparent procedure, by making public the contents of the candidacy file and the criteria to meet in order to hold the position of director in a trade company. The mandate of the members of the Board of Directors is of 4 years, according to the statutory provisions.

According to the legal provisions, the General Meeting of the Shareholders approves the policy for the remuneration of the directors and of the executive management members on an annual basis. According to the statutory provisions, the Board of Directors meets at least every three months in order to monitor the performance of the Company's activity.

„VRANCART” complies with the rules regarding the behaviour and the obligations to report on the transactions with the shares issued by the Company, made on their own behalf by the directors and other natural persons involved and these rules are complied with by the persons in question, in accordance with the regulations of the Financial Supervisory Authority and the specific rules are available in the Regulation of Corporate Governance of “VRANCART” that became effective in 2011. The list of persons that have access to privileged information is constantly updated, and this report is sent to the Financial Supervisory Authority. The obligation to give notification on the transactions made by the initiated persons is both personal and of the intermediaries and the information is disseminated through the website of the Bucharest Stock Exchange.

The activity of the Board of Directors in 2022

In 2022, the Board of Directors of “VRANCART” S.A. Adjud gathered 18 times in accordance with the statutory provisions and the directors' attendance in the meetings was in accordance with the legal provisions.

The chairman of the Board of Directors chaired all the meetings held in 2022. As a result of the meetings, 48 management decisions on the Company's current activity were adopted.

5.3. Respecting the shareholders' rights

„VRANCART” S.A. respects the shareholders' rights, providing their equal treatment. For the General Meeting of the Shareholders held in 2022, namely on April 27th, 2022, in a dedicated section of the Company's website www.vrancart.ro – “For Shareholders”, the details on the conduct of the meeting were published: the notice to attend the General Meeting of the Shareholders, the materials related to the agenda, as well as any other information on the topics on the agenda; the forms for exerting the vote by special proxy and the form for vote by correspondence; the procedures for attendance and vote providing the orderly and effective performance of the works of the General Meeting of the Shareholders and granting the right to every shareholder to express freely their opinion on the issues under debate; on the decisions made within the General Meeting of the Shareholders and on the result of the vote.



For the financial year 2022, the information on the financial schedule, current reports, quarterly, half-yearly and annual reports were posted on the website by the deadline.

Within „VRANCART” there are two people specialised in the field of relations with investors and for the time being, this activity does not require the existence of a specialised department within the Company.

5.4. Communication transparency

„VRANCART” S.A. gives particular importance to communication transparency, taking into consideration the provision of a continuous and regular reporting, that includes all the important aspects of the Company’s business, the performances recorded, etc.

Also, through the Company’s website, the Company is presented both in terms of the activities carried out and in what concerns its relation with the shareholders and investors. Information of interest to the shareholders and investors and also the current and regular reports on the Company’s business is disseminated in the “For shareholders” section in Romanian and English.

5.5. Financial reporting

The financial statements for 2022 were drawn up in accordance with the Order of the Minister of Finances no. 2844 from 2016, for the approval of the Accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016) and provide a fair and accurate view of the statement of assets, liabilities, financial position and of the profit and loss account of „VRANCART”.

According to the legal provisions, the financial and accounting statements were audited by BDO Audit S.R.L. – an independent financial auditing company, appointed by the General Meeting of the Shareholders on April 24th, 2021 for a period of two years.

5.6. Internal control and risk management

Internal control monitors and checks regularly the application of the new legal provisions incidental to the Company’s business, checks the compliance with the Company’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 Company’s business, the establishing or improvement of the Company’s internal procedures.

An Internal Audit Compartment operates within „VRANCART” and it audits on a regular basis the Company’s activities in order to provide relevant information on the performance of these activities, it makes recommendations for the improvement of the activities, of the procedures and of the controls performed. The internal audit activity is carried out on the basis of the Company’s yearly audit plan that is approved by the Audit Committee established in accordance with the provisions of principle 13 of the Code of Corporate Governance.

Within the Board of Directors of “VRANCART” there is an Audit Committee that examines regularly the efficiency of the financial reporting, of internal control, of internal audit and of the risk



management system adopted by the Company. The Audit Committee is formed exclusively of non-executive directors.

5.7. Conflict of interests and transactions with stakeholders

For the proper identification and resolution of the conflict-of-interest situations, providing that all the investments and sales of securities are made only for the shareholders' interests and not for any other reasons, the Board of Directors adopted within its Corporate Governance Regulation a standard procedure for the resolution of such potential circumstances. In case of a conflict of interests between the Company's interest and the personal interest of a decision maker (member of the Board of Directors) or decision-making employee (member of the executive management), the solution is the withdrawal of the person in question from that decision-making process.

The internal regulations impose the prohibition for the employees to engage in affiliated transactions that are in breach of the Financial Supervisory Authority regulations.

When a conflict of interests occurs among the directors, they inform the Board of Directors of this issue and refrain from the debates and the vote on those issues, in accordance with the relevant legal provisions; these situations are recorded in the minutes of the meeting of the Board of Directors.

5.8. The corporate information regime

The standard procedure on the internal circuit and the disclosure to third parties of the documents and information on the issuer, that might influence the evolution of the market price of the securities issued by it, was regulated through the Corporate Governance Regulation.

The persons assigned with attributions in this field draw up on a regular basis notices on the implications of the normative provisions on the management of privileged information (as regulated by Law no. 24/2017 on issuers of financial instruments and market operations, as republished, with the subsequent amendments and completions) in "VRANCART" as well as in what concerns the obligations of the initiated persons. The notice is subject to the analysis and approval by the Board of Directors.

5.9. 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.

5.10. Non-financial statement

"VRANCART" S.A. will draft a separate report on information related to the 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 2022 will be made available to the public on the Company's website www.vrancart.ro, until June 30th, 2023.



6. FINANCIAL AND ACCOUNTING STATEMENTS

The individual 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.

The individual financial statements are presented in accordance with the requirements of IAS 1 “Submission of the financial statements”.

The Company adopted a presentation based on liquidity within the statement of financial position and a presentation of the revenues and expenditures 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 submitted based on other methods allowed by IAS 1.

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

Indicator's name	M.U.	December 31 st , 2022	December 31 st , 2021	December 31 st , 2020
Overall liquidity	ratio	1.37	1.11	1.20
Immediate liquidity	ratio	0.89	0.67	0.75
Stock turnover	rot/year	9	7	7
Debt recovery	days	66	78	81
Reimbursement of trade liabilities	days	32	58	33
Operating profitability	%	7%	4%	9%
Gross profit ratio	%	5%	3%	7%



6.1. Statement of financial position for the past 3 years

(RON)	December 31 st , 2022	December 31 st , 2021	December 31 st , 2020
ASSETS			
Tangible assets	377.906.267	300.076.409	285.408.521
Intangible assets	953.329	1.379.680	1.446.228
Goodwill	3.380.811	3.380.811	3.380.811
Financial assets	45.566.328	45.566.328	29.966.328
Total non-current assets	427.806.735	350.403.228	320.201.888
Inventories	61.279.453	58.601.760	42.055.540
Trade receivables	95.613.017	84.112.306	64.666.084
Prepaid expenses	1.666.742	517.486	761.374
Receivables related to current profit tax	-	212.055	-
Other receivables	14.980.360	2.820.729	986.228
Restricted cash	1.881.991	-	-
Cash and cash equivalents	1.288.888	1.536.938	4.332.741
Total current assets	176.710.451	147.801.274	112.801.967
TOTAL ASSETS	604.517.186	498.204.502	433.003.855
EQUITY			
Share capital	120.338.551	120.363.081	103.168.355
Reserves	175.564.482	116.569.364	115.711.008
Retained earnings	24.754.468	10.586.064	12.387.267
Total equity	320.657.501	247.518.509	231.266.630
LIABILITIES			
Long-term loans from bond issues	38.164.800	37.949.400	37.627.000
Long-term bank loans	79.531.749	47.751.510	43.766.905
Long-term liabilities under leasing contracts	15.701.298	17.768.484	10.525.739
Deferred income	7.207.890	9.034.757	10.627.998
Long-term debts to employees	440.169	422.307	453.855
Debts related to deferred profit tax	13.612.888	4.145.628	4.275.495
Other long-term liabilities	108.022	323.422	645.822
Total long-term liabilities	154.766.816	117.395.508	107.922.814
Short-term trade liabilities	46.344.171	61.919.951	26.573.457
Short-term loans	56.912.405	54.642.483	50.172.836
Short-term liabilities under leasing contracts	7.718.425	5.864.025	4.011.256
Deferred income	1.826.984	2.012.878	2.522.385
Debts to employees	6.885.073	4.394.786	4.904.713
Debts related to current profit tax	670.788	-	960.442
Other liabilities	8.735.023	4.456.362	4.669.322
Total current liabilities	129.092.869	133.290.485	93.814.411
TOTAL LIABILITIES	283.859.685	250.685.993	201.737.225
TOTAL EQUITY AND LIABILITIES	604.517.186	498.204.502	433.003.855



6.2. Statement of comprehensive income for the past 3 years

(RON)	2022	2021	2020
Income from turnover	526.031.865	387.017.600	286.476.932
Other income	13.893.815	6.929.773	5.120.006
Variation of finished products inventories and production in progress	5.295.240	8.574.789	(7.948.362)
Expenses related to raw materials and consumables	(310.034.864)	(229.269.419)	(124.223.310)
Expenses related to commodities	(23.465.836)	(13.055.876)	(7.497.067)
Third party expenses	(44.299.954)	(34.634.513)	(21.789.796)
Personnel-related expenses	(87.100.187)	(70.630.381)	(61.989.022)
Expenses related to amortisation and impairment of tangible assets	(31.090.782)	(32.086.789)	(31.795.560)
Other expenses	(13.612.749)	(7.118.725)	(10.165.789)
Operating result	35.616.548	15.726.459	26.188.032
Financial income	277.534	421.247	821
Financial expenses	(9.686.315)	(4.611.181)	(5.422.241)
Profit (loss) before taxation	26.207.767	11.536.525	20.766.612
Profit tax expense	(2.518.876)	(1.668.000)	(2.233.002)
Profit (loss) for the year	23.688.891	9.868.525	18.533.610
Other comprehensive income items			
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	54.485.505	(804.041)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	78.174.996	9.064.484	18.533.610



6.3. Statement of cash flows for the past 3 years

(RON)	2022	2021	2020
Cash flows from operating activities			
Amounts collected from customers	605.702.567	433.426.416	331.173.886
Payments to suppliers	(454.957.336)	(284.373.262)	(172.027.266)
Payments to employees	(58.414.086)	(49.029.042)	(40.879.964)
Payments to the state budget	(59.493.349)	(54.727.134)	(48.247.992)
Profit tax paid	(2.559.452)	(2.813.694)	(2.074.422)
Net cash flows from operating activities	30.278.344	42.483.284	67.944.242
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(41.107.009)	(34.883.285)	(32.718.920)
Payments for the purchase of financial assets	-	(15.600.000)	(1.099.600)
Letters of credit for the purchase of assets	(1.881.991)	-	-
Amounts collected from the sale of tangible assets	1.354.573	364.446	1.578.635
Interests collected	3.257	896	296
Net cash flow from investment activities	(41.631.171)	(50.117.943)	(32.239.589)
Net cash flows from financing activities			
Amounts collected from loans	35.872.018	32.691.079	13.548.248
Share capital increase	476.774	16.736.768	-
Payments for leasing	(7.951.788)	(4.660.190)	(5.069.270)
Interests paid and loans reimbursed	(12.339.992)	(30.091.339)	(30.338.447)
Dividends paid	(4.952.235)	(9.837.462)	(11.661.645)
Net cash flows from financing activities	11.104.777	4.838.856	(33.521.114)
Net increase/ (Reduction) of cash and cash equivalents	(248.050)	(2.795.803)	2.183.539
Cash and cash equivalents at the financial year beginning	1.536.938	4.332.741	2.149.202
Cash and cash equivalents at the financial year end	1.288.888	1.536.938	4.332.741



7. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

The Ordinary General Meeting of Shareholders took place on February 8th, 2023, approving the ratification of the resolution of the Board of Directors no. 41/29.11.2022, regarding the modification of some credit facilities granted to the branch Vrancart Recycling, in order to conduct the state aid project.

The directors' report was approved by the Board of Directors of Vrancart SA.

SIGNATURES

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

Ciucioi Ionel-Marian
Chairman of the Board of Directors

Arsene Vasilica-Monica
Financial Manager



Translation for information purposes only

VRANCART S.A.

Individual financial statements
as at December 31st, 2022

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 SA

Individual statement of financial position

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	December 31 st , 2022	December 31 st , 2021
ASSETS			
Tangible assets	5	377.906.267	300.076.409
Intangible assets		953.329	1.379.680
Goodwill	6	3.380.811	3.380.811
Financial assets	6	45.566.328	45.566.328
Total non-current assets		427.806.735	350.403.228
Inventories	7	61.279.453	58.601.760
Trade receivables	8	95.613.017	84.112.306
Prepaid expenses		1.666.742	517.486
Receivables related to current profit tax		-	212.055
Other receivables	10	14.980.360	2.820.729
Restricted cash		1.881.991	-
Cash and cash equivalents	9	1.288.888	1.536.938
Total current assets		176.710.451	147.801.274
TOTAL ASSETS		604.517.186	498.204.502
EQUITY			
Share capital	11	120.338.551	120.363.081
Reserves	11	175.564.482	116.569.364
Retained earnings		24.754.468	10.586.064
Total equity		320.657.501	247.518.509
LIABILITIES			
Long-term loans	15	79.531.749	47.751.510
Long-term loans from bond issues	15	38.164.800	37.949.400
Long-term liabilities from leasing	14	15.701.298	17.768.484
Deferred income	18	7.207.890	9.034.757
Long-term liabilities to employees	16	440.169	422.307
Liabilities related to deferred profit tax	17	13.612.888	4.145.628
Other long-term liabilities	13	108.022	323.422
Total long-term liabilities		154.766.816	117.395.508
Short-term trade liabilities	12	46.344.171	61.919.951
Short-term loans	15	56.912.405	54.642.483
Short-term liabilities from leasing	14	7.718.425	5.864.025
Deferred income	18	1.826.984	2.012.878
Debts to employees	16	6.885.073	4.394.786
Liabilities related to current profit tax	17	670.788	-
Other liabilities	13	8.735.023	4.456.362
Total current liabilities		129.092.869	133.290.485
TOTAL LIABILITIES		283.859.685	250.685.993
TOTAL EQUITY AND LIABILITIES		604.517.186	498.204.502

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 44 are an integrant part of the financial statements.

Vrancart S.A.

Individual statement of comprehensive income

as at December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	2022	2021
Income from turnover	19	526.031.865	387.017.600
Other income	20	13.893.815	6.929.773
Variation of finished products inventories and production in progress		5.295.240	8.574.789
Expenses related to raw materials and consumables	21	(310.034.864)	(229.269.419)
Expenses related to commodities		(23.465.836)	(13.055.876)
Third party expenses		(44.299.954)	(34.634.513)
Personnel-related expenses	24	(87.100.187)	(70.630.381)
Expenses related to amortisation and impairment of tangible assets	5	(31.090.782)	(32.086.789)
Other expenses	23	(13.612.749)	(7.118.725)
Operating result		35.616.548	15.726.459
Financial income	25	277.534	421.247
Financial expenses	25	(9.686.315)	(4.611.181)
Profit before taxation		26.207.767	11.536.525
Profit tax expense	26	(2.518.876)	(1.668.000)
Profit for the year		23.688.891	9.868.525
Other comprehensive income items			
Changes in the reserve from the revaluation of tangible assets, net of deferred tax		54.485.505	(804.041)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		78.174.396	9.064.484
Earnings per share	27		
Base earnings per share		0,0226	0,0094
Diluted earnings per share		0,0202	0,0090

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 44 are an integrant part of the financial statements.

Vrancart S.A.

Statement of changes in equity

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2021	103.168.355	54.712.573	60.998.434	12.387.268	231.266.630
Comprehensive income for the year					
Net profit for the year	-	-	-	9.868.525	9.868.525
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	(960.575)	-	156.534	(804.041)
Total comprehensive income	-	(960.575)	-	10.025.059	9.064.484
Distribution of dividends	-	-	-	(10.007.331)	(10.007.331)
Share capital not paid	17.194.726	-	-	-	17.194.726
Distribution of legal reserves and other reserves	-	-	2.021.904	(2.021.904)	
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(424.600)	221.628	202.972	-
Balance as at December 31st, 2021	120.363.081	53.327.398	63.241.966	10.586.064	247.518.509
Balance as at January 1st, 2022	120.363.081	53.327.398	63.241.966	10.586.064	247.518.509
Comprehensive income for the year					
Net profit for the year	-	-	-	23.688.891	23.688.891
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	54.485.505	-	-	54.485.505
Total comprehensive income	-	54.485.505	-	23.688.891	78.174.396
Share capital increase	(24.530)	-	-	43.345	18.815
Distribution of dividends	-	-	-	(5.054.219)	(5.054.219)
Distribution of legal reserves and other reserves	-	-	6.303.769	(6.303.769)	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(2.121.942)	327.786	1.794.156	-
Balance as at December 31st, 2022	120.338.551	105.690.961	69.873.521	24.754.468	320.657.501

The notes from page 5 to page 44 are an integrant part of the financial statements.

Vrancart S.A.

Individual statement of cash flows

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Amounts collected from customers		605.702.567	433.426.416
Payments to suppliers		(454.957.336)	(284.373.262)
Payments to employees		(58.414.086)	(49.029.042)
Payments to the state budget		(59.493.349)	(54.727.134)
Profit tax paid		(2.559.452)	(2.813.694)
Net cash flows from operating activities		30.278.344	42.483.284
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	5	(41.107.009)	(34.883.285)
Payments for the purchase of financial assets	6	-	(15.600.000)
Letters of credit for the purchase of assets		(1.881.991)	-
Amounts collected from the sale of tangible assets		1.354.572	364.446
Interests collected		3.257	896
Net cash flows from investment activities		(41.631.171)	(50.117.943)
Cash flows from financing activities			
Amounts collected from loans		35.872.018	32.691.079
Interests paid and loans reimbursed		(12.339.992)	(30.091.339)
Payments for leasing		(7.951.788)	(4.660.190)
Share capital increase		476.774	16.736.768
Dividends paid	11	(4.952.235)	(9.837.462)
Net cash flows from financing activities		11.104.777	4.838.856
		(248.050)	(2.795.803)
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	9	1.536.938	4.332.741
Cash and cash equivalents at the financial year end	9	1.288.888	1.536.938

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 44 are an integrant part of the financial statements.

Vrancart S.A.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

1. The reporting entity

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, Călimănești, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureș, Brăila and Piatra Neamț.

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.

The Company’s shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15th, 2005 and the Company posts its individual financial statements on its website www.vrancart.ro.

As at December 31st, 2022, the Company is owned 75% by SIF Banat – Crișana 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 S.C. Depozitarul Central S.A. Bucharest.

2. Basis for preparation

(a) Statement of conformity

The individual financial statements are drawn up by the Company 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. 1.606/2012 of the European Parliament and of the Council of July 19th, 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 Company adopted a presentation based on liquidity within its statement of financial position and a presentation of revenues and expenditures 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 Company’s management considers that the functional currency, as defined by IAS 21 “The effects of exchange rate variation” is the Romanian leu (lei/RON). The individual financial statements are presented in lei, rounded to the closest amount in lei.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

2. Basis for preparation (continued)

(d) Basis for evaluation

The individual financial statements were prepared based on the historical cost, except for tangible assets in the category of land, constructions and technological equipment that are assessed using the revaluation 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.

As at December 31st, 2022, the Company recorded a net profit amounting to RON 23.688.891 (2021: RON 9.868.525), the net working capital is positive, in the amount of RON 47.617.583 (2021: positive, RON 14.510.787).

The Company's management has established its medium-term strategy, and the estimates provide increases of income and profitability increases, as a result of the effective use of resources.

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

The company had a negative cash flow of RON 248.050 in 2022 (negative in 2021: RON 2.795.803) and does not have any outstanding debts to the public budgets or to its private partners.

In the context of the invasion of Ukraine by the Russian Federation, it must be stated that Vrancart has no physical operations on the territory of Ukraine, Russia or Belarus and has no customers, suppliers, investors or creditors with operations in these countries. The sanctions imposed on Russia could have an impact to the same extent that the entire global business environment could be affected.

Although the economic effects of the political crisis in the region 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 for restricting the negative effects of the economic and political crisis, in general.

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

(e) The use of estimates and judgements

The preparation of the individual financial statements in accordance with the Public Finances Minister Order no. 2844/2016 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 expenditures. 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 Company. 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 periods.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

3. Significant accounting policies**(a) 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. The monetary assets and liabilities denominated in foreign currencies on the date of preparation of the accounting balance are converted into the functional currency at the exchange rate of that day.

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

The exchange rates of the main foreign currencies were:

Currency	December 31st, 2022	December 31st, 2021	Variation
Euro (EUR)	4.9474	4.9481	-0,01%
American dollars (USD)	4.6346	4.3707	+6,04%

(b) 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 1st, 2004.

Thus, the values expressed in the current measurement unit as at December 31st, 2003 were 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 preparation of the individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31st, 2003.

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

The Company 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 Company becomes part of the contractual conditions of the instrument.

The classification depends on the nature and purpose of the financial instruments and it 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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

The Company 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 Company neither transfers, nor retains substantially all the risks and benefits related to the ownership and continues to control the transferred asset, the Company recognises its interest retained in the asset and the related liability for the amounts that it would have to pay. If the Company does not retain substantially all the risks and benefits related to the ownership of a transferred financial asset, then the Company will continue recognising the financial asset and also, will recognise the collateralised indebtedness for the collections received.

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 Company 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 Company does not retain the control), the Company 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 Company 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 Company'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 Company 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 initial recognition, the financial assets held until the maturity are evaluated at amortised cost using the actual interest method, less the value 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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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, 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.

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, which are subject to an insignificant risk of change in their fair value and are used by the Company 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 issue 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 loans 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 a legal applicable right to offset and intends to discount either on a net basis, or to achieve the asset and extinguish the liability at the same time.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(d) Tangible assets

(i) Recognition and evaluation

Tangible assets recognised as assets are initially evaluated at cost by the Company. The cost of a tangible assets element 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 assets item built by the Company includes:

- the cost of materials and direct personnel-related expenses;
- other costs directly attributable to bringing the assets to the state necessary for the intended use;
- when the Company 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.

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 Company 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 revaluated value and this represents the fair value on the date of revaluation 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 revaluations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The last revaluation of patrimony took place on December 31st, 2022.

The revaluations of tangible assets are carried out 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 Company 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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(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 items	4-10 years

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 Company's management 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.

(e) Rights of use (Leasing)

As of January 1st, 2019, the Company adopted IFRS 16 using the amended retrospective approach, recognizing the transitional adjustments at the date of the initial application (January 1st, 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 1st, 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

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

(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 if 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:

Classified according to IAS 17	Rights of use	Leasing debts
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 st , 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).	

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 31st, 2019.

(f) Intangible assets*(i) Recognition and evaluation*

The intangible assets purchased by the Company that have determined useful lifetimes are evaluated at cost less the cumulated amortisation and the cumulated impairment losses.

(ii) Research and development

The expenses related to research activities, performed for the purpose of gaining knowledge or for new scientific or technical interpretation 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 Company 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 incurred.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(iii) 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.

(iv) Amortisation of intangible assets

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. The estimated useful lifetimes for the current period and for the comparative periods are as follows:

- Software applications 3 years

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

(g) 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 fixed 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.

(h) 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 Company and the production in progress, the cost includes the corresponding share of the administrative expenses related to production based on the normal operating capacity.

(i) Impairment of assets

The book values of the Company'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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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.

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

Impairment adjustments for trade receivables

The Company analyses on an individual basis the need to record an impairment adjustment for the customers whose balances as 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 Company 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 Company'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 Company 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 Company 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 all categories of 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 Company 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 (h).

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(j) 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.

(k) 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. To this respect, the Company has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2022.

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

If the result of revaluation 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 revaluation 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 revaluation 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 1st, 2009, as a result of the changes occurred in the fiscal legislation, the re-evaluation reserves recorded after January 1st, 2004 become taxable as the fixed asset is amortised. Therefore, the Company recorded a liability related to deferred tax related to this re-evaluation difference, which is debited from the amount of the revaluation surplus recorded in revaluation reserves related to the respective fixed assets.

(l) Legal reserves

Legal reserves 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 Company's liquidation.

(m) 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 exerted until its cessation.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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.

(n) 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 Company makes payments on behalf of its own employees to the pension system in Romania, to health insurances and the unemployment fund during the progress of normal activity.

All of the Company'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 Company has no additional liabilities.

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

(iii) Long-term benefits of employees

The Company'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 Company has the obligation to grant benefits to employees upon retirement, in accordance with the collective labour agreement.

(o) Provisions

A provision is recognised if, after a previous event, the Company has a current legal or implied liability that can be credibly estimated and it 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.

(p) 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

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

obligations. The sale price of the goods is usually established for each order launched by the customer and accepted by the Company.

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.

(q) Financial revenues and expenses

Financial revenues include the interest-related revenues corresponding to the funds invested and other financial revenues. Interest-related revenues are 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.

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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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.

(r) Profit tax

The expenses related to profit tax 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 items.

(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 31st, 2022, the profit tax rate was 16% (December 31st, 2021: 16%).

(ii) Deferred tax

Deferred tax is determined by the Company 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 individual financial statements.

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 Company 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 Company takes into consideration the impact of the uncertain fiscal positions and the likelihood of occurrence of additional taxes and interests and the provisions of IFRIC 23 which provide guidance on the accounting of liabilities and of the current and deferred tax and of the assets in circumstances where there is uncertainty about the tax treatment of profit tax.

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 Company 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.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

Also, the Company:

- assesses whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better resolution forecasts;
- whether the tax authorities are likely to accept uncertain tax treatment; and
- if uncertain tax treatment is not likely to be accepted, tax uncertainty is measured based on the most likely amount or expected value, depending on which method best predicts the resolution of the uncertainty. The measurement must be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all information related to the conduct of such examinations.

(s) Earnings per share

The Company presents the base and diluted earnings per share for ordinary shares. The base earnings per share are determined through the distribution of the profit or loss attributable to the Company'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.

(t) 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 Company will meet the related conditions. The subsidies that compensate the Company'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 Company are recognised in the statement of comprehensive income, in "Other income" systematically during the same periods when the expenses are recognised.

(u) 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.

(v) Subsequent events

The financial statements reflect the events subsequent to the year end, that provide additional information on the Company'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.

(w) Comparative statements

The financial statements drawn up as at December 31st, 2022 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 individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(x) The initial application of new amendments to the existing standards in force for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 16 „Tangible assets”** - Cash receipts in advance of intended use, adopted by the EU on June 28th, 2021 (applicable for annual periods beginning on or after January 1st, 2022)
- **Amendments to IAS 37 „Provisions, contingent liabilities and contingent assets”** - Onerous contracts – Cost of fulfilment of a contract, adopted by the EU on June 28th, 2021 (applicable for annual periods beginning on or after January 1st, 2022),
- **Amendments to various standards due to „IFRS improvements (cycle 2018 -2020)”** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain wording - adopted by the EU on June 28th, 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after January 1st, 2022. The amendment to IFRS 16 refers only to an illustrative example, so no effective date is mentioned.).

The adoption of the new amendments to the existing standards did not have any significant impact onto the Company's individual financial statements.

(y) Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet effective

As at the date of approval of these individual financial statements, the following amendments to the existing standards issued by the IASB and adopted by the EU are not yet effective:

- **IFRS 17 „Insurance contracts”, including changes to IFRS 17 issued by IASB on June 25th, 2020** – adopted by the EU on November 19th, 2021 (applicable for annual periods beginning on or after January 1st, 2023),
- **Amendments to IFRS 17 „Insurance contracts” – Initial application of IFRS 17 and IFRS 9** – Comparative information adopted by the EU on September 9th, 2022 (applicable for annual periods beginning on or after January 1st, 2023).
- **Amendments to IAS 1 „Submission of financial statements” – Presentation of accounting policies** (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 8 „Accounting policies, changes in accounting estimates and errors”** - Definition of accounting estimates (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 12 „Income tax”** - Deferred tax on assets and liabilities arising from a single transaction (applicable for annual periods beginning on or after January 1st, 2023);

The Company has chosen not to adopt these amendments to the existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a material impact onto the Company's individual financial statements during the period of initial application.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(z) New standards and amendments to the existing standards issued by the IASB, but not yet adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which have not been approved for use in the EU as at the date of posting of the individual financial statements (the effective dates mentioned below are for IFRS standards issued by the IASB):

- **IFRS 14 „Deferral accounts related to regulated activities”** (applicable for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard;
- **Amendments to IAS 1 „Submission of financial statements”** - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 1 „Submission of financial statements”** – Non-current liabilities with agreements (applicable for annual periods on or after January 1st, 2024);
- **Amendments to IFRS 16 „Leasing contracts”** – Leasing liabilities on sale and leaseback (applicable for annual periods on or after January 1st, 2024));

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a material impact onto the Company's individual financial statements during the period of initial application.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

4. Fair value determination

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

The Company 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 3rd 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:

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

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

5. Tangible assets

	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2022	13.123.244	85.777.901	258.001.452	34.591.005	391.493.602
Purchases	-	-	-	37.291.828	37.291.828
Assets related to the rights of use of leased assets	-	2.222.983	5.572.165	-	7.795.148
Transfers from assets in progress	1.269.526	1.716.235	19.810.838	(22.796.598)	-
Outflows	(230.840)	-	-	-	(230.840)
Outflows of assets related to rights of use	-	(1.419.183)	-	-	(1.419.183)
Revaluations	2.166.663	15.891.480	51.140.464	-	69.198.608
Cumulated amortisation reduced by the revalued amount	(689.705)	(6.651.219)	(60.950.111)	-	(68.291.035)
As at December 31st, 2022	15.638.888	97.538.197	273.574.808	49.086.235	435.838.127
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2022	445.700	10.399.097	82.272.004	-	93.116.801
Amortisation expense	244.005	2.290.555	24.735.237	-	27.269.797
Expense related to the amortisation of assets related to the rights of use of leased assets	-	4.411.232	3.289.819	-	7.701.051
Cumulated amortisation reduced by the revalued amount	(689.705)	(6.651.219)	(60.950.111)	-	(68.291.035)
As at December 31st, 2022	-	10.449.665	49.346.948	-	59.796.613
<i>Net book value</i>					
As at December 31st, 2022	15.638.888	87.088.532	224.227.859	49.086.235	376.041.514

Tangible assets include the advances paid for tangible assets corresponding to investment projects for the production divisions, whose balance as at December 31st, 2022 is RON 1.864.753.

Vrancart S.A.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

5. Tangible assets (continued)

	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2021	12.957.614	74.537.387	241.434.717	18.355.940	347.285.658
Purchases	165.630	-	24.558	37.566.459	37.756.647
Assets related to the rights of use of leased assets	-	11.874.051	4.246.177	-	16.120.228
Transfers from assets in progress	-	1.652.220	16.331.175	(20.953.258)	(2.969.863)
Transfers to intangible assets	-	-	-	(378.136)	(378.136)
Outflows	-	(52.216)	(3.468.102)	-	(3.520.318)
Outflows of assets related to rights of use	-	(2.233.541)	(567.073)	-	(2.800.614)
As at December 31st, 2021	13.123.244	85.777.901	258.001.452	34.591.005	391.493.602
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2020	222.850	6.274.364	56.557.761	-	63.054.974
Amortisation expense	222.850	2.237.990	24.788.832	-	27.249.672
Expense related to the amortisation of assets related to the rights of use of leased assets	-	1.894.059	2.496.203	-	4.390.262
Outflows	-	(7.316)	(1.570.792)	-	(1.578.108)
As at December 31st, 2021	445.700	10.399.097	82.272.004	-	93.116.801
<i>Net book value</i>					
As at December 31st, 2021	12.677.544	75.378.804	175.729.448	34.591.005	298.376.801

Tangible assets include the advances paid for tangible assets corresponding to investment projects for the production divisions, whose balance as at December 31st, 2021 was RON 1.699.608.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***5. Tangible assets (continued)**

The main purchases of tangible assets in 2022 were as follows: constructions and warehouses for corrugated cardboard production, as well as equipment and production lines for the paperboards, corrugated cardboard and tissue paper production lines.

The unamortised value of fixed assets which are no longer part of the patrimony following the sale and/or cassation as at December 31st, 2022 was RON 1.129.839 (see note 22) (December 31st, 2021: RON 794.323).

The net book value of the fixed assets purchased through the government subsidies received until December 31st, 2022 was RON 96.201.342 (see note 17) (December 31st, 2021: RON 29.738.016).

As at December 31st, 2022, based on a report drafted by an authorised appraiser, the Company recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines in the amount of RON 64.849.738 and a net value increase of RON 4.348.870 (at income). 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 taken place on December 31st, 2019.

A part of the Company'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 178.945 thousand as at December 31st, 2022 (December 31st, 2021: RON 150.074 thousand). The value of the rights of use related to assets held through leasing agreements is presented in Note 14.

If the land, constructions and production lines had not been revaluated, their value as at December 31st, 2022 would have been as follows:

	Cost	Cumulated amortisation	Net book value
Land and land improvements	15.486.666	2.695.833	12.790.833
Constructions and special buildings	66.261.189	22.737.044	43.524.145
Production lines	281.852.908	183.044.423	98.808.485
Total	363.600.763	208.477.300	155.123.463

6. Financial assets

	December 31st, 2022	December 31st, 2021
Rom Paper SRL	28.866.728	28.866.728
Vrancart Recycling SRL	16.600.000	16.600.000
Ecorep Group SA	99.600	99.600
Total	45.566.328	45.566.328

Rom Paper SRL ("Branch 1") was established in 2002 and it is a Romanian privately-owned company, active in the field of production of toilet paper products, such as: napkins, folded towels, tissue paper, professional rolls, facial tissues and boxed tissues. The products are sold in 7 countries, both in Romania and abroad, through store chain (hypermarkets, supermarkets, cash and carry), but also through distributors.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***6. Financial assets (continued)**

On January 20th, 2017, we completed the acquisition of the majority stake (70%) of Rom Paper SRL. As at December 31st, 2020, the Group owned 100% of the shares in the company, as a result of the acquisition in June 2017 of another 15%, respectively, in June 2018 of the last tranche of 15% of the shares of Rom Paper SRL.

Vrancart Recycling SRL (“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 has a number of 73 employees as of December 31st, 2022 (2021: 45 employees).

Ecorep Group SA (“Branch 3”) was founded 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 regarding the extended liability of the producer for the environmental targets. The company is at the beginning of its activity and has a number of 6 employees as at December 31st, 2022 (2021: 19 employees).

The Company analysed the need to establish some value adjustments in relation to the investments in branches and considered that such adjustments are not necessary.

7. Inventories

	December 31st, 2022	December 31st, 2021
Raw materials and consumables	27.108.950	28.299.319
Finished products and commodities	10.491.475	13.564.608
Production in progress	25.024.905	16.423.582
Advances paid for inventories	74.640	756.788
Adjustments for the impairment of inventories	(1.420.517)	(442.537)
Total	61.279.453	58.601.760

8. Trade receivables

	December 31st, 2022	December 31st, 2021
Clients	100.192.105	86.823.485
Suppliers - debtors for goods/ services	-	-
Other receivables	650.945	650.630
Adjustments for the impairment of receivables – customers	(5.230.034)	(3.361.809)
Total	95.613.016	84.112.306

Adjustments for the impairment of receivables – customers

	December 31st, 2022	December 31st, 2021
Balance as at the beginning of the period	3.361.809	7.379.848
New adjustments during the period	3.199.775	2.998.449
Adjustments cancelled during the period	(1.331.550)	(7.016.488)

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

Balance as at the end of the period	5.230.034	3.361.809
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9. Cash and cash equivalents

	December 31st, 2022	December 31st, 2021
Current accounts at banks and other values	1.261.228	1.498.893
Petty cash	27.660	38.045
Total cash and cash equivalents	1.288.888	1.536.938

10. Other receivables

	December 31st, 2022	December 31st, 2021
Other personnel-related receivables	600.771	419.665
Sundry debtors	542.517	2.696.833
Advances paid for services	14.137.072	-
Receivables related to the state budget	-	4.231
Adjustments for impairment of other receivables	(300.000)	(300.000)
Total	14.980.360	2.820.729

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

December 31st, 2022	Number of shares	Amount (RON)	(%)
SIF Banat Crişana	908.612.549	90.861.255	75.51%
Paval Holding SRL	206.554.601	20.655.460	17.16%
Other shareholders	88.218.364	8.821.836	7.33%
Total	1.203.385.514	120.338.551	100%

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

The 1st stage of share capital increase was finalised on December 31st, 2021 and in January 2022 the process was completed. The increased amount was RON 17.170.196.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***Dividends**

Through the Decision no. 4 dated April 27th, 2022, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2021, amounting to RON 5.054.219, respectively a gross amount of a dividend of RON 0,0042/share.

Other reserves

Other reserves in the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2022, the 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 established in 2022 related to reinvested profit is RON 4.940.628 (in 2021: RON 1.444.268), the balance of this reserve as at December 31st, 2022 being RON 55.268.649 (December 31st, 2021: RON 50.328.021).

According to the legal requirements, the Company 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 31st, 2022 was RON 13.037.107 (December 31st, 2021: RON 11.717.311). 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 whose fair value is greater than historical cost. Revaluation reserves are presented at value net of the related deferred tax (16%) - see Note 3 (j).

12. Trade liabilities**Short-term trade liabilities**

	December 31st, 2022	December 31st, 2021
Trade liabilities	45.464.436	61.262.343
Advance payments received	879.735	657.608
Total	46.344.171	61.919.951

13. Other liabilities

	December 31st, 2022	December 31st, 2021
Debts to the state budget	6.076.996	2.785.071
Dividends to be paid	1.253.181	1.168.705
Sundry creditors	1.404.846	502.586
Other short-term liabilities	8.735.023	4.456.362
Provisions for disputes	22.822	22.822
Options related to the bonds issued (Note 14)	85.200	300.600
Other long-term liabilities	108.022	323.422

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.

	December 31st, 2022	December 31st, 2021
Reconciliation of provisions for disputes		
Balance as at the beginning of the period	22.822	22.822

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

Provisions established during the period	-	-
Provisions used during the period	-	-
Balance as at the end of the period	22.822	22.822

14. Liabilities under leasing contracts

	December 31st, 2022	December 31st, 2021
Long-term liabilities from leasing	15.701.298	17.768.484
Short-term liabilities from leasing	7.718.425	5.864.025
Total liabilities from leasing	23.419.723	23.632.509

The reconciliation of the lease debts and the rights of use recognized as a result of the application of IFRS 16 is presented in the following tables:

	Buildings and special constructions	Equipment and other fixed assets	Total
Liabilities under leasing contracts			
As at January 1st, 2022	16.459.711	7.172.798	23.632.509
Inflows	2.222.983	5.572.165	7.795.148
Outflows	(266.750)	-	(266.750)
Interest and currency exchange differences	117.797	92.809	210.606
Lease payments	(4.633.710)	(3.318.079)	(7.951.789)
As at December 31st, 2022, out of which:	13.900.030	9.519.693	23.419.723
Long-term liabilities under leasing contracts	9.919.364	5781.934	15.701.298
Short-term liabilities under leasing contracts	3.980.667	3.737.759	7.718.425

	Buildings and special constructions	Equipment and other fixed assets	Total
Liabilities under leasing contracts			
As at January 1st, 2021	9.138.201	5.398.794	14.536.995
Inflows	11.784.789	4.335.976	16.120.765
Outflows	(2.233.541)	(567.073)	(2.800.614)
Interest and currency exchange differences	335.927	99.625	435.552
Lease payments	(2.565.665)	(2.094.525)	(4.660.190)
As at December 31st, 2022, out of which:	16.459.711	7.172.798	23.632.509
Long-term liabilities under leasing contracts	12.706.155	5.062.329	17.768.484
Short-term liabilities under leasing contracts	3.753.556	2.110.469	5.864.025

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***14. Liabilities under leasing contracts (continued)**

Rights of use	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2021	8.833.333	6.626.081	15.459.413
Inflows	11.905.285	4.241.944	16.120.228
Amortisation	(1.894.059)	(2.496.203)	(4.390.262)
Outflows	(3.425.059)	(774.546)	(4.199.605)
As at January 1st, 2022	15.419.499	7.570.275	22.989.774
Inflows	2.222.983	5.572.165	7.795.148
Amortisation	(4.411.232)	(3.289.819)	(7.701.051)
Outflows	(1.419.183)	-	(1.419.183)
Net values as at December 31st, 2022	11.812.067	9.852.620	21.664.687

15. Loans

	December 31 st , 2022	December 31 st , 2021
Bank loans	70.337.193	47.751.510
Loans from bond issues	38.164.800	37.949.400
Other long-term loans	9.194.556	-
Total long-term loans	117.696.549	85.700.910
Bank loans	53.257.235	46.483.406
Other short-term loans	3.655.170	8.159.077
Total short-term loans	56.912.405	54.642.483

The Company 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 may lead to declaring early maturity and to other sanctions. All the financial and non-financial conditions related to the existing loan agreements as at December 31st, 2022 were met and there is no risk of early reimbursement.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***15. Loans (continued)**

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2022 – RON equivalent	Principal in balance as at December 31 st , 2021 – RON equivalent
1	31.07.2022	RON EUR	Variable	overdraft	20.01.2024	956.672	6.526.763
2	15.03.2022	RON EUR	Variable	overdraft	31.12.2022	-	10.780.971
3	09.05.2018	RON	Variable	long-term	20.04.2025	4.649.690	6.642.414
4	29.11.2017	RON	Variable	long-term	29.11.2024	8.672.131	13.196.722
5	14.09.2018	RON	Variable	long-term	14.09.2022	-	920.192
6	27.07.2016	RON	Variable	long-term	31.12.2022	-	4.013.974
7	08.07.2022	RON	Variable	overdraft	19.08.2023	9.509.442	3.132.457
8	23.08.2021	RON	Variable	long-term	29.07.2026	8.741.319	7.266.184
9	28.12.2022	EUR	Variable	long-term	28.12.2027	2.869.492	-
10	27.07.2021	RON	Variable	long-term	31.12.2022	-	969.966
11	26.12.2022	EUR	Variable	overdraft	26.12.2023	4.604.010	-
12	21.12.2021	RON	Variable	long-term	20.12.2024	11.571.800	16.875.541
13	03.01.2017	RON	Variable	long-term	29.11.2023	1.147.143	2.398.572
14	26.09.2019	RON	Variable	long-term	20.09.2026	2.307.694	2.923.078
15	03.01.2019	RON	Variable	long-term	31.12.2022	-	387.712
16	29.10.2019	EUR	Fixed	long-term	20.11.2024	1.018.905	1.550.884
17	23.10.2020	RON	Variable	long-term	23.10.2025	2.684.210	3.631.579
18	18.05.2022	RON	Variable	overdraft	18.05.2023	6.030.236	4.431.724
19	23.12.2020	RON	Variable	long-term	20.12.2026	1.671.186	2.088.983
20	21.12.2020	RON	Variable	long-term	31.12.2022	-	6.497.200
21	20.12.2022	EUR	Variable	long-term	20.01.2026	25.039.197	-
22	20.12.2022	EUR	Variable	long-term	15.01.2026	5.022.945	-
23	27.12.2022	EUR	Variable	long-term	27.07.2024	2.005.609	-
24	21.12.2022	EUR	Variable	long-term	21.12.2027	5.447.808	-
25	28.12.2022	EUR	Variable	long-term	28.07.2023	1.487.978	-
26	21.12.2022	EUR	Variable	long-term	21.12.2027	11.725.338	-

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2022 – RON equivalent	Principal in balance as at December 31 st , 2021 – RON equivalent
27	21.12.2022	EUR	Variable	long-term	21.12.2027	6.431.620	-
Total						123.594.427	94.234.916

The interest rate for loans in RON is determined as ROBOR + the margin, the final interest ranging between 6% - 8%. The interest rate for loans in EUR is determined as Euribor + the margin, and the final interest ranges between 2% - 4%.

To guarantee its loans, the Company 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 its accounts opened at banks, onto the rights of claims arising out of 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 31st, 2022, tangible assets are mortgaged in favour of banks (see Note 5).

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 17th, 2024. The bonds may be reimbursed in advance by the Company at any time after 2 years from their issuance. Bonds may be converted into shares by the bondholders during 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. The reimbursement can only be initiated if at least 10% of the bonds issued are requested to be converted into shares.

As at December 31st, 2022, SIF Banat-Crişana holds 96,4% of the bonds.

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 (see in Note 13 the value of the composed derivative financial instrument).

February 15th, 2023 was the third term for exerting the right of conversion of bonds into shares. As the Company did not receive any notifications on the exerting 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 31st, 2022</u>	<u>December 31st, 2021</u>
Debts related to salaries	2.398.317	1.882.018
Other debts to employees	4.486.756	2.512.768
Retirement benefits (long-term)	440.169	422.307

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

Total debts to employees	7.325.242	4.817.093
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17. Liabilities or receivables related to deferred tax

Deferred tax is generated by the elements detailed in the following tables:

<i>December 31st, 2022</i>	Liabilities	Assets	Net
Tangible assets	96.405.495	-	96.405.495
Provisions and impairment adjustments (inventories, customers)	-	11.324.944	(11.324.944)
	96.405.495	11.324.944	85.080.551
Net temporary differences - 16% rate			85.080.551
Debts related to deferred profit tax			13.612.888

<i>December 31st, 2021</i>	Liabilities	Assets	Net
Tangible assets	33.088.045	-	33.088.045
Provisions and impairment adjustments (inventories, customers)	-	7.177.868	(7.177.868)
	33.088.045	7.177.868	25.910.177
Net temporary differences - 16% rate			25.910.177
Debts related to deferred profit tax			4.145.628

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.

18. Deferred income

Deferred income categorised as short-term liabilities represents the part of the government subsidies received that will 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 within periods of over 1 year.

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

	December 31st, 2022	December 31st, 2021
The Ministry of Economy and Research II	3.619.168	4.869.138
The Environmental Fund Administration	2.415.837	2.576.889
Innovation Norway 1	298.669	603.280
Innovation Norway 2	2.613.944	2.894.962
Non-reimbursable financial allowance for small enterprises	6.712	9.400
The European Bank for Reconstruction and Development	80.544	93.966
Total	9.034.874	11.047.635

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***18. Deferred income (continued)**

The subsidy received from the Ministry of Economy and Research aims 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 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 was granted for endowments for the technological waste burning boiler and had an initial amount 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 it amounted to 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 Company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at December 31st, 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the monitoring period ended in 2020, respectively 2021.

19. Income from turnover

	2022	2021
Income from the sale of finished products	477.526.806	354.603.427
Income from the sale of goods	36.725.819	21.754.089
Income from services provided	11.827.432	11.678.676
Income from royalties, locations under management and rents	779.607	738.780
Income from various activities	268.651	313.332
Trade discounts granted	(1.096.450)	(2.070.704)
Total	526.031.865	387.017.600

The Company's income includes mainly sales of goods, related to the production of the following types of goods:

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

The paperboards can be used as semi-finished products for the production of corrugated cardboard and packaging or sold as finished products to customers.

The Company's customers are mostly Romanian companies and exports hold a share of approximately 15% of the total sales. No client holds a significant share in the total sales of the Company.

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

20. Other income

	2022	2021
Income from investment subsidies	2.012.761	2.102.748

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

Income from compensations, fines and penalties	37.940	32.072
Income from expenses subsidies	3.421.768	3.865.935
Other operating income	8.421.346	929.018
Total	13.893.815	6.929.773

The subsidy received in 2022 refers to offsetting the costs of greenhouse gas emissions transferred to the price of electricity. The category "other operating income" includes revenues from the trading of CO2 emission certificates.

21. Expenses related to raw materials and consumables

	2022	2021
Expenses related to raw materials	141.836.371	121.053.863
Expenses related to consumables and auxiliary materials	46.622.374	37.224.407
Expenses related to fuels	43.768.456	24.709.304
Expenses related to water and electricity	73.174.652	42.137.650
Expenses related to spare parts	4.633.010	4.144.195
Total	310.034.863	229.269.419

22. Third-party expenses

	2022	2021
Expenses related to maintenance and repairs	5.316.123	4.994.719
Expenses related to the shipment of goods	20.334.490	16.321.929
Other third-party expenses	18.649.341	13.317.865
Total	44.299.954	34.634.513

23. Other expenses

	2022	2021
Expenses related to commissions and fees	186.170	318.279
Expenses related to royalties, locations under management and rents	846.118	809.050
Expenses related to bank services and similar	800.784	437.369
Expenses related to insurance premiums	1.756.799	1.349.697
Other taxes, duties and similar payments	3.369.102	2.263.881
Expenses related to donations made	426.380	681.512
Expenses related to travels, secondments and transfers	454.072	287.868
Postage and telecommunication fees	362.322	294.543
Expenses related to entertainment, advertising and publicity	546.888	224.707
Expenses related to compensations, fines and penalties	226.792	128.278
Value adjustments on stocks	995.842	(251.414)
Value adjustments on receivables	1.868.225	(1.261.963)

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

Net loss from the cassation of tangible assets	(470.258)	400.708
Other operating expenses	2.243.514	1.436.210
Total	13.612.750	7.118.725

The net loss from the cassation of tangible assets as at December 31st, 2022 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

	2022	2021
Salary expenses	79.951.850	64.362.032
Expenses related to insurance and social protection	1.772.337	1.479.924
Luncheon vouchers granted	5.376.000	4.788.425
Total	87.100.187	70.630.381

In 2022, the average number of employees of the Company was of 1202 (2021: 1098).

25. Financial income and expenses

	2022	2021
Interest income	130.403	42.385
Other financial income	147.132	378.862
Total income	277.535	421.247
Interest expenses	8.936.054	4.124.796
Currency exchange losses	750.261	362.197
Other financial expenses	-	124.188
Total expenses	9.686.315	4.611.181

26. Profit tax expense

	2022	2021
Expenses related to current profit tax	3.530.742	1.641.333
Corrections of profit tax from the previous years	(114.893)	-
Expenses related to deferred profit tax	(896.973)	26.667
Total	2.518.876	1.668.000

	2022	2021
Loss/Profit before taxation	26.207.767	11.536.525
Tax in accordance with the statutory taxation rate of 16% (2021: 16%)	4.193.243	1.845.844
Effect onto the profit tax of:		

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

The legal reserve	(211.167)	(92.292)
The non-deductible expenses	6.034.920	4.268.644
The fiscal amortisation	(5.059.599)	(3.727.285)
The exemptions for sponsorships	(594.549)	(410.333)
The recording of temporary differences	(896.973)	26.667
Reinvested profit – tax credit	(832.106)	(243.245)
Profit tax	2.633.769	1.668.000

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:

	2022	2021
Profit attributable to ordinary shareholders	23.688.891	9.868.525
Weighted average number of ordinary shares	1.049.082.590	1.049.108.128
Base earnings per share	0,0226	0,0094

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

	2022	2021
Profit attributable to ordinary shareholders	23.688.891	9.868.525
Adjustment related to the bonds interest and the tax effect	2.057.618	1.200.972
Profit attributable to ordinary shareholders – adjusted	25.746.509	11.069.496
Weighted average number of ordinary shares	1.049.082.590	1.049.108.128
Potential shares from bond conversion	227.849.552	183.153.475
Weighted average number of ordinary shares – adjusted	1.276.932.142	1.232.261.603
Diluted earnings per share	0,0202	0,0090

28. Affiliated parties

The persons that are part of the Steering Board and the Board of Directors, 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 people that were part of the Board of Directors as at December 31st, 2022:

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

Transactions with the key management personnel:

	2022	2021
Remuneration of the members of the Board of Directors	1.588.034	3.541.880

Vrancart S.A.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

The amounts mentioned include the total gross remuneration (fixed and variable) for the financial years 2021 and 2022 for all members of the Board of Directors, as well as the total remuneration of the General Manager.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***Transactions with affiliated parties:**

Affiliated party		Transactions* in 2022	Transactions* in 2021	Balance in 2022	Balance in 2021
Rom Paper/ branch	Supplier	6.435.843	2.912.742	47.714	3.286.066
Rom Paper/ branch	Customer	38.693.594	19.815.912	15.057.580	4.737.703
Vrancart Recycling	Supplier	4.423.363	525.775	881.610	220.965
Vrancart Recycling	Customer	908.009	2.470.909	150.844	96.701
Vrancart Recycling	Loan	-	12.500.000	-	8.400.000
Vrancart Recycling	Other debts	1.394.143	1.647.883	193.395	1.647.883
Ecorep Group SA	Customer	1.082.872	596.040	173.156	538.024
Ecorep Group SA	Loan	-	2.200.000	-	2.000.000
SIF1 IMGB SA	Loan	12.229.750	-	12.229.750	-
Biofarm S.A.	Customer	412.329	255.308	91.969	62.347
Biofarm S.A.	Supplier	796	1.286	-	-
SIF Banat Crisana SA	Supplier	118	67	-	-
Bucur SA	Supplier	412	1.504	-	-
Ci-Co SA	Supplier	9.076	11.828	1.493	581
Gaz Vest SA	Supplier	-	2.826.267	-	-
Napomar SA	Customer	-	887	-	946
Sifi Cj Logistic SA	Supplier	129.049	120.129	908	4.727
Semtest Craiova SA	Supplier	173.922	109.982	16.170	23.107

*Note: The values stated above do not include VAT.

Other operations:

Affiliated party		Transactions in 2022	Transactions in 2021	Balance in 2022	Balance in 2021
SIF Banat Crişana SA	Payment of dividends distributed during the year	3.816.173	7.511.836	-	-
ARIO Bistriţa	Debtor	-	-	300.000	300.000

29. Commitments

Not applicable.

30. Contingent assets and liabilitiesThe Company did not have any contingent assets or liabilities as at December 31st, 2022 (December 31st, 2021: zero`).**31. Events subsequent to the balance sheet date**The Ordinary General Meeting of Shareholders took place on February 8th, 2023, approving the ratification of the resolution of the Board of Directors no. 41/29.11.2022, regarding the modification of some credit facilities granted to the branch Vrancart Recycling, in order to carry out the state aid project.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***32. Financial risk management****Overview**

The Company 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 Company's exposure to each of the abovementioned risks, the Company'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 Company's policies for risk management are defined so as to provide the identification and analysis of the risks that the Company 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 Company's activities. The Company, 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 Company 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 Company's trade receivables.

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

Book value	December 31st, 2022 December 31st, 2021	
Trade receivables and other receivables	110.593.377	86.933.035
Restricted cash	1.881.991	-
Cash and cash equivalents	1.288.888	1.536.938
Total	113.764.256	88.469.973

The Company'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 Company'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 Company can make transactions with it only after making an advance payment.

The Company 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.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts 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:

December 31st, 2022

	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	100.876.814	479.825
Outstanding receivables between 31 and 60 days	4.961.701	19.478
Outstanding receivables between 61 and 90 days	691.360	11.233
Outstanding receivables between 91 and 180 days	817.138	358.151
Outstanding receivables between 181 and 360 days	557.375	508.515
Outstanding receivables for more than 360 days	8.219.022	4.152.831
Total	116.123.410	5.530.033

December 31st, 2021

	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	74.271.279	412.360
Outstanding receivables between 31 and 60 days	6.821.795	27.255
Outstanding receivables between 61 and 90 days	1.475.086	10.532
Outstanding receivables between 91 and 180 days	2.103.399	126.638
Outstanding receivables between 181 and 360 days	1.413.291	107.526
Outstanding receivables for more than 360 days	4.509.994	2.977.498
Total	90.594.844	3.661.809

(b) Liquidity risk

Liquidity risk is the Company'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 Company'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 Company's reputation.

In general, the Company 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:

December 31st, 2022	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	136.444.154	148.309.381	62.223.135	86.086.247	-
Liabilities under leasing contracts	23.419.723	24.419.723	7.718.425	15.068.656	1.632.642
Trade liabilities and other liabilities	63.183.246	63.183.246	62.635.054	548.191	-
Total	223.047.122	235.912.349	132.576.614	101.703.094	1.632.642

Financial liabilities include the loans from bond issuances described in Note 14. These were not included in the table above, as the Company cannot anticipate the time when the reimbursement options, respectively

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

their conversion options could be exerted. The bonds with a total value of RON 38.250.000 reach the maturity dates within more than 1 year, namely in 2024.

32. Financial risk management (continued)

December 31st, 2021	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	102.393.993	109.434.808	58.230.322	51.204.486	-
Liabilities under leasing contracts	23.632.509	23.632.509	5.864.025	17.768.484	-
Trade liabilities and other liabilities	71.004.028	71.004.028	70.258.299	745.729	-
Total	197.030.530	204.071.345	134.352.646	69.718.699	-

(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 Company'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 Company was:

	December 31st, 2022	December 31st, 2021
Variable rate instruments		
Bank loans	123.594.427	94.234.916
Loans from bond issues	38.250.000	38.250.000
Other loans	12.849.726	8.159.077
Debts related to leasing agreements	23.419.723	23.632.509
Total	198.113.876	164.276.502

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

A 1% increase of the interest rates during the current period would have led to a profit or loss reduction by RON 1.981.139 (RON 1.642.765 as at December 31st, 2021). 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 31st 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.

Notes to the individual financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***32. Financial risk management (continued)**

Financial instruments that are not accounted for at fair value in the statement of financial position include 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.

(d) Currency exchange risk

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

December 31st, 2022	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	110.593.377	102.221.476	8.484.883	(112.982)	-
Restricted cash	1.881.991	-	1.881.991	-	-
Cash and cash equivalents	1.288.888	1.053.606	233.060	1.408	815
Financial assets	113.764.256	103.275.082	10.599.934	(111.574)	815
Loans	174.608.954	99.336.434	75.272.520	-	-
Debts under leasing agreements	23.419.723	298.958	23.120.765	-	-
Trade liabilities and other liabilities	62.743.076	52.794.268	9.703.272	245.536	-
Financial liabilities	260.771.753	152.429.659	108.096.557	245.536	-
Total net financial assets /(liabilities)	(147.007.497)	(49.154.578)	(97.496.624)	(357.110)	815

December 31st, 2021	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	86.933.035	77.925.617	9.007.418	-	-
Cash and cash equivalents	1.536.938	853.349	653.831	21.691	8.067
Financial assets	88.469.973	78.778.966	9.661.249	21.691	8.067
Loans	140.343.393	138.792.509	1.550.884	-	-
Debts under leasing agreements	23.632.509	427.615	23.204.894	-	-
Trade liabilities and other liabilities	70.581.723	55.660.582	14.620.052	336.178	(35.089)
Financial liabilities	234.557.625	194.880.706	39.375.830	336.178	(35.089)
Total net financial assets /(liabilities)	(146.087.652)	(116.101.740)	(29.714.581)	(314.487)	43.156

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

32. Financial risk management (continued)

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, 2022: + RON 9.785.292; (December 31st, 2021: + RON 2.998.591). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A decrease by 10 percentage points of RON as at December 31st, 2022 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 payable 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 Company 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 31st, 2020.

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

(f) Transfer price

In accordance with the relevant fiscal 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 risk re-evaluation process performed during the period between 2007 and 2010 on the international financial markets affected to a significant extent the performance of these markets, including that of the financial market in Romania and led to the occurrence of an increasing uncertainty related to the future economic development.

Notes to the individual financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

32. Financial risk management (continued)

The significant losses on the international financial market could affect the Company's ability to obtain new loans and to refinance the loans it already has on the terms and conditions of the previous transactions.

The Company's debtors can also be affected by the low level of liquidity, that could impair their ability to reimburse the outstanding debts. The worsening of the financial conditions under which the debtors conduct their business might also have an impact onto the management of cash flow forecasts and onto the evaluation of financial and non-financial assets depreciation. To the extent that the information was available, the management included revised estimates of future cash flows in its depreciation policy.

The fears that the worsening of the financial conditions might contribute in the future to the lowering of trust have led to common efforts from governments and central banks to adopt some measures to counteract the vicious circle of increasing risk aversion and to help in the reduction of financial crisis effects and, finally, to reinstate the operation under normal market conditions.

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 credibly estimate 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 Company's financial statements.

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

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;
- monitoring the cash inflow and outflow (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 Company'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 Company's future development.

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



INDEPENDENT AUDITORS' REPORT

To the Shareholders of VRANCART S.A.

Ecaterina Teodoroiu St., no. 17, Adjud, Vrancea county, Romania

Registration: 1454846

Report on the Audit of the Individual Financial Statements

Opinion

1. We have audited the individual financial statements of VRANCART S.A. (the Company), which comprise the statement of financial position as at December 31, 2022, and the individual statement of comprehensive income, individual statement of changes in equity and individual statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The individual financial statements as at and for the year ended 31 December 2022 are identified as follows:

- Net assets/Total equity: 320,657,501 RON
- Net profit for the year: 23,688,891 RON

2. In our opinion, the accompanying individual financial statements give a true and fair view of the individual financial position of the Company as at December 31, 2022, and of its individual financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs), UE Regulation no. 537/2014 of the European Parliament and of the Council („The Regulation”) and Law no. 162/2017 („The Law”). Our responsibilities under those standards and regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IIESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
<p>Please see Note 19 “Revenue from turnover recorded” and revenue recognition policy from Note 3 (o).</p> <p>In accordance with International Standards on Auditing, there is an implicit risk on revenue recognition due to the pressure on management in obtaining the planned results.</p> <p>The Company’s main activity from which the Company records revenue are represented by sale of cardboard plates, cardboard packaging, sanitary goods and paper towels.</p> <p>Revenue is recorded after the control is transferred to the final client, which takes place after the formal acceptance for goods sold, which are adjusted with commercial discounts, according to the agreement concluded with customers.</p>	<p>Our audit procedures included, among other:</p> <ul style="list-style-type: none"> ▪ Evaluation of processes and controls on the existence and accuracy of the recorded revenues. ▪ Testing a sample of agreements concluded with customers to understand terms and conditions for transfer of control, also for conditions agreed for discounts to be granted. ▪ Verification of sale register to identify unusual transactions and to check the supporting documents to confirm that revenues are properly recorded. ▪ Audit procedures for testing that revenues were recorded in the appropriate period, for a sample of transactions recorded around the year-end. ▪ Testing a sample of receivables by sending direct confirmation letters.

Other information - Administrators’ Report

5. Management is responsible for the preparation and presentation of Other information. The Other information comprise the Board of Directors report, and the Remuneration Report but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual financial statements for the period ended at 31 December 2022, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In respect to the Board of Directors report, we read and report whether the Board of Directors report is prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19 of the accounting regulations in accordance with International Financial Reporting Standards.

In respect of Remuneration Report, we read and report if this was prepared, in all material respects, in accordance with Law 24/2017, articles 107.

6. Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:
- a) The information given in the Board of Directors report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the individual financial statements;

- b) The Board of Directors Report, including the non-financial representation has been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 39-42, of the accounting regulations compliant with the International of Financial Reporting Standards.
 - c) The remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles no. 106-107
7. In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Board of Directors report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

- 8. Management is responsible for the preparation of the individual financial statements that give a true and fair view in accordance with the Order of the Minister of Public Finance no. 2844/2016. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 9. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
- 10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

- 11. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

16. We were appointed as auditor of VRANCART S.A. by the General Shareholders' Meeting on 27 April 2021. Our total uninterrupted period of engagement is 4 years, covering periods ending 31 December 2019 to 31 December 2022.
17. We confirm that:
- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which is issued with the same date as the current report. We also remain independent of the audited entity in conducting the audit.
 - We have not provided to the Company the prohibited non-audit services referred to in article 5 (1) of EU Regulation no 537/2014.
18. For the financial year to which our statutory audit relates, in addition to the audit services, we have provided to the Company and the entities controlled by it the following services that are not presented in the consolidated financial statements or in the Report of the Board of Directors:
- Limited assurance services in relation with the prices of the transactions presented by the Company in the current reports including the legal acts concluded in the periods January 1 - June 30, 2022 and July 1 - December 31, 2022 according to the provisions of paragraph no. 108 of Law 24/2017 and of Regulation no. 5/2018 of the Financial Supervisory Authority on issuers and securities operations.



Report on compliance with Commission Delegated Regulation (EU) 2018/815 (European Single Electronic Format Regulatory Technical Standard or ESEF)

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the individual financial statements included in the annual financial report of the Company as shown in the digital files containing the unique code vrancart-20221231_ixbrlview (Digital Files).

Responsibility of management and those charged with governance for Digital Files prepared in accordance with ESEF

Management is responsible for preparing the Digital Files in accordance with ESEF. This responsibility includes:

- the design, implementation and maintenance of the internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.

Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with ESEF.

Auditor's Responsibilities for Audit the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of the ESEF, based on the evidence we have obtained. We conducted our reasonable assurance assignment in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing, and extent of the procedures selected depend on the auditor's judgement, including the assessment of the risk of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with the ESEF, including the relevant internal controls;
- reconciling the Digital Files with the audited financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating if all financial statements that are included in the annual financial report have been prepared in a valid XHTML format.

We consider that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended December 31, 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on financial statements. Our audit opinion on the Company's financial statements for the



financial year ended December 31, 2022 is included in the " Report on the Audit of the Individual Financial Statements" section above.

Other matters

19. This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the financial statements and the report on the Board of Directors report, or for the opinion we have formed.

For and behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors
and audit firms with no. FA18

Partner's name: Cristian Iliescu

Registered in the Public Electronic Report of financial auditors
and audit firms with no. AF1530

Bucharest, Romania

Refer to original signed version in Romanian language
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27 March 2023



Translation for information purposes only

CONSOLIDATED REPORT

OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2022

“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 profit	RON 25.676 thousand	
b) turnover	RON 614.157 thousand	
c) operating costs	RON 600.039 thousand	
d) % of the market held (internal estimates)		
	In 2022	
	Tissue paper	- 14%
	Paperboards	- 16%
	Corrugated cardboard	- 17%
e) liquidity as at the year end	RON 3.564 thousand	

VRANCART S.A.

„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 120.338.551
Unpaid share capital	RON 0,10/share
Nominal share value	1.203.385.510

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 wastepaper 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 wastepaper 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 2022, the average number of employees of the Group was 1.389 (2021: 1.294).

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, 2022, 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.

the context of the invasion of Ukraine by the Russian Federation, it must be stated that Vrancart has no physical operations on the territory of Ukraine, Russia or Belarus and has no customers, suppliers, investors or creditors with operations in these countries. The sanctions imposed on Russia could have an impact to the same extent that the entire global business environment could be affected.

Although the economic effects of the political crisis in the region 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 for restricting the negative effects of the economic and political crisis, in general.

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, made of recycled paper and cellulose, such as: napkins, folded paper towels, tissue paper, professional rolls, towels for cosmetic use and facial tissues. Its products are traded both on the territory of Romania, and abroad in 6 other countries, 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, 2022, 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, 2022, the Branch had a number of 114 employees (December 31st, 2021: 188 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 73 employees as at December 31st, 2022 (December 31st, 2021: 45 employees).

ECOREP GROUP S.A.

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, 2022 is 6 employees (December 31st, 2021: 19 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.	2022	2021	2020
Paperboards	to	87.010	88.255	75.592
Corrugated cardboard and packaging	to	69.655	69.627	60.292
Tissue paper	to	28.504	32.038	27.758

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.	2022	2021	2020
Paperboards	%	9%	12%	12%
Corrugated cardboard and packaging	%	63%	65%	66%
Tissue paper	%	19%	17%	15%
Other activities	%	9%	6%	7%



The investments made in 2022, by groups of fixed assets, were as follows:

Investments made	Value (RON)
Buildings and building improvements	5.411.272
Technological equipment	18.533.801
Work apparatus and installations	395.378
Means of transport and other fixed assets	3.024.395
Intangible assets	834.424
TOTAL	28.199.270

1.1.3. Evaluation of the technical and material supply activity

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

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

Wastepaper purchase	M.U.	2022	2021	2020
	to	87.866	82.484	81.497
Purchases through the collection centres	% out of the total purchases	59%	57%	66%
	to	61.793	62.100	41.333
Direct purchases (Adjud)	% out of the total purchases	41%	43%	34%
Total purchases	To	149.659	144.584	122.830
	%	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.	2022	2021	2020
Paperboards	to	14.755	23.384	22.538
Corrugated cardboard and packaging	to	70.040	69.243	60.363
Tissue paper	to	34.951	31.374	27.157

The state of competition

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

On the paperboards market in Romania, there were four competitors in 2022. 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 (wastepaper) 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	2022	2021	2020
Vrancart	16%	16%	16%
Other producers	84%	84%	84%
Total	100%	100%	100%

Source: VRANCART estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2022 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 2022 was of 440 thousand tons (59% of the total production capacity), recording a reduction by approx. 3,5% in tons compared to the previous year.

Market share evolution for Corrugated cardboard and corrugated cardboard packaging

Producers	2022	2021	2020
Vrancart Adjud	17%	17%	15%
Other producers	83%	83%	85%
Total	100%	100%	100%

Source: VRANCART estimates



Corrugated cardboard producers in Romania in 2022

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 2022 (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 wastepaper, 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, became 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 relocated to Adjud put into operation in 2023-2024.

New production capacities will appear on the market in the coming period. Pehart Tec Group plans to invest Euro 20 million in 2023 to develop new production capacities in order to increase its export volumes. The equipment will be commissioned by the end of 2023. (Source: <https://www.zfcorporate.ro>)

Producers	2022	2021	2020
Vrancart Adjud	14%	14%	14%
Other producers	86%	86%	86%
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 2022 was 1389 employees, out of which:

- 227 higher education graduates
- 542 high school graduates
- 424 vocational school graduates
- 196 middle school graduates

Out of the total number of employees, 171 are trade union members (there is only one trade union within the Group, at the parent-company).



The labour force fluctuation index in 2022 was 35% (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 impact of 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 for multi-site in September 2022 by Lloyd's Register England, Bucharest Agency. The certified sites are: Vrancart S.A. Adjud, 17 Ecaterina Teodoroiu Street and the work point in Adjud, located in 17 Revolutiei Street.

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. The work point did not require an environmental authorisation.

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 secured paper for money production, so as not to allow its counterfeiting and it will be carried out over a period of 2 years. Vrancart was a partner within the project, approved in November 2020. The project value amounted to RON 653.850, financed by the state budget in a proportion of 92%. The project was completed at the end of 2022.

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, 2022	December 31st, 2021
Trade receivables and other receivables	121.768.167	105.783.606
Cash and cash equivalents	3.563.830	2.368.775
Restricted cash	1.881.991	-
Total	127.213.988	108.152.381

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, 2022	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	194.522.500	203.597.654	71.897.076	119.099.604	12.600.973
Financial leasing	24.064.469	24.064.469	7.718.425	14.713.402	1.632.642
Trade liabilities and other liabilities	88.546.934	88.546.934	87.918.343	628.591	-
Total	307.133.903	316.209.057	167.533.844	134.441.597	14.233.615

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



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 , 2022	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	121.768.167	111.930.742	9.950.407	(112.982)	-
Restricted cash	1.881.991	-	1.881.991	-	-
Cash and cash equivalents	3.563.830	2.046.610	1.514.998	1.408	815
Financial assets	127.213.988	113.977.352	13.347.396	(111.574)	815
Loans	194.522.500	72.111.281	122.411.219	-	-
Debts under leasing contracts	24.064.469	943.704	23.120.765	-	-
Trade liabilities and other liabilities	88.546.934	63.155.792	25.145.606	245.536	-
Financial liabilities	307.133.904	136.210.777	170.677.590	245.536	-
Total net financial assets / (liabilities)	(179.919.916)	(22.233.425)	(157.330.194)	(357.110)	815

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

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, 2022: - RON 15,768.649; (December 31st, 2021: - RON 3,524,576). 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 2023, the Group 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% wastepaper 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, 2022.



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, 2022 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	113.032	26.896	24%
Equipment and other fixed assets	466.967	237.576	51%

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 199.605 thousand as at December 31st, 2022 (December 31st, 2021: RON 166.262 thousand). The net book value of the assets purchased through financial leasing is zero as at December 31st, 2022 (December 31st, 2021: RON 88 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, 2022 is as follows:



- SIF Banat-Crişana	- 75,50%
- Paval Holding	- 17,16%
- Legal entities	- 2,75%
- Natural persons	- 4,59%

3.2. Description of the Group's policy on dividends

The Company's policy on dividends is established by the Ordinary General Meeting of the Shareholders. Through the Decision no. 4 dated April 27th, 2022, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2021, in the amount of RON 5.054.219, respectively a gross amount of a dividend of RON 0,0042 /share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes**
2020	18.533.610	1.038.331	10.007.331	6.307.703	-	1.180.245
2021	9.868.525	576.826	5.054.219	1.444.268	-	2.793.212
2022	23.688.891	1.319.796	12.033.855	4.940.628	-	5.394.612

* 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 2023.

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, 2022.

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, 2022.

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, 2022.

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 Directors

a) Presentation of the list of directors of the trade company and of the following information for each director (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31st, 2022:

1. Ciucioi Ionel-Marian - 45 years old, economist,
Chairman of the Board of Directors and General Manager for 9 years
2. Drăgoi Bogdan Alexandru - 43 years old, economist,
Member of the Board of Directors of „Vrancart” for 7 years
3. Mihailov Sergiu - 43 years old, economist,
Member of the Board of Directors of „Vrancart” for 5 years
4. Fercu Adrian - 46 years old, economist,
Member of the Board of Directors of „Vrancart” for 2 years
5. El lakis Rachid - 26 years old, economist,
Member of the Board of Directors of „Vrancart” since April 27th, 2021.

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

Not applicable.

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

The directors' participation in the Company's capital as at December 31st, 2022:

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 Directors 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, 2022 was provided by Mr. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Directors of Vrancart S.A. and also chairman of the Board of Directors 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 2022 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, 2022 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, 2022 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

6. SOCIAL RESPONSIBILITY

„VRANCART” group of companies 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” group of companies 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, 2023.

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 , 2022	December 31 st , 2021	December 31 st , 2020
Overall liquidity	ratio	1.28	1.11	1.06
Immediate liquidity	ratio	0.79	0.67	0.64
Stock turnover	rot/year	8	6	7
Debt recovery	days	62	81	74
Reimbursement of trade liabilities	days	42	59	41
Operating profitability	%	6%	3%	7%
Gross profit ratio	%	4%	2%	5%



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

(RON)	December 31 st , 2022	December 31 st , 2021	December 31 st , 2020
ASSETS			
Tangible assets	462.255.996	338.408.016	315.908.406
Intangible assets	5.114.021	5.850.271	6.788.609
Financial assets	33.718	39.594	41.094
Goodwill	8.526.391	8.526.391	8.526.391
Total non-current assets	475.930.126	352.824.272	331.264.500
Inventories	81.370.713	72.156.949	53.013.513
Trade receivables	106.140.798	101.927.129	71.841.836
Prepaid expenses	4.483.704	1.115.940	870.819
Receivables related to current profit tax	-	242.518	-
Other receivables	15.627.368	3.856.477	1.212.397
Restricted cash	1.881.991	-	-
Cash and cash equivalents	3.563.830	2.368.775	5.558.078
Total current assets	213.068.404	181.667.788	132.496.643
TOTAL ASSETS	688.998.530	534.492.060	463.761.143
EQUITY			
Share capital	120.338.551	120.363.081	103.168.355
Reserves	176.252.881	115.453.878	114.957.240
Retained earnings	18.783.273	4.689.698	9.652.131
Non-controlling interests	(3.114)	(1.040)	281
Total equity	315.371.591	240.505.617	227.778.007
LIABILITIES			
Long-term loans	125.981.209	58.706.910	43.766.905
Long-term liabilities under leasing contracts	16.346.044	17.870.254	10.570.722
Long-term loans from bond issues	38.164.800	37.949.400	37.627.000
Deferred income	11.735.050	9.620.784	12.851.179
Long-term debts to employees	440.169	422.307	453.855
Debts related to deferred profit tax	14.766.201	5.128.351	5.503.412
Other long-term liabilities	188.422	323.422	645.822
Total long-term liabilities	207.621.895	130.021.428	111.418.895
Short-term trade liabilities	70.804.082	74.347.087	39.683.654
Short-term loans	68.541.291	71.301.775	66.709.792
Short-term liabilities under leasing contracts	7.718.425	5.864.025	4.011.256
Deferred income	1.826.984	2.219.654	2.726.759
Debts to employees	7.646.369	5.104.218	5.411.426
Debts related to current profit tax	680.223	-	966.800
Other liabilities	8.787.670	5.128.256	5.054.554
Total current liabilities	166.005.044	163.965.015	124.564.241
TOTAL LIABILITIES	373.626.939	293.986.443	235.983.136
TOTAL EQUITY AND LIABILITIES	688.998.530	534.492.060	463.761.143



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

(RON)	2022	2021	2020
Income from turnover	614.157.315	453.888.676	349.656.944
Other income	16.774.552	8.596.073	5.402.360
Variation of finished products inventories and production in progress	6.787.240	7.873.449	(7.569.998)
Expenses related to raw materials and consumables	(331.925.706)	(271.358.232)	(161.404.382)
Expenses related to commodities	(56.152.237)	(16.052.868)	(12.929.903)
Third party expenses	(53.262.802)	(40.434.950)	(27.931.900)
Personnel-related expenses	(99.542.909)	(82.610.222)	(71.963.147)
Expenses related to amortisation and impairment of tangible assets	(34.976.920)	(35.138.123)	(34.834.216)
Other expenses	(24.178.213)	(12.351.068)	(13.725.893)
Operating result	37.680.320	12.412.735	24.699.865
Financial income	557.455	588.277	925
Financial expenses	(12.561.518)	(5.233.951)	(6.062.153)
Profit (loss) before taxation	25.676.257	7.767.061	18.638.637
Profit tax expense	(2.729.364)	(1.422.806)	(2.025.331)
Profit (loss) for the year	22.946.893	6.344.255	16.613.306
- of the Parent-company	22.948.967	6.345.576	16.613.325
- of non-controlling interests	(2.074)	(1.321)	(19)
Other comprehensive income items			
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	56.954.484	(804.041)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	79.901.377	5.540.214	16.613.306
- of the Parent-company	79.903.451	5.541.535	16.613.325
- of non-controlling interests	(2.074)	(1.321)	(19)



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

(RON)	2022	2021	2020
Cash flows from operating activities			
Amounts collected from customers	709.841.715	494.782.114	400.037.149
Payments to suppliers	(521.495.607)	(344.444.838)	(230.364.017)
Payments to employees	(68.137.816)	(56.334.135)	(46.401.229)
Payments to the state budget	(73.360.237)	(62.360.626)	(55.125.576)
Profit tax paid	(2.559.452)	(2.850.515)	(2.171.302)
Net cash flows from operating activities	44.288.603	28.792.000	65.975.025
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(87.942.311)	(47.392.125)	(39.342.622)
Letters of credit for the purchase of assets	(1.881.991)	-	-
Guarantees to obtain authorisation licenses	1.354.572	(2.000.000)	-
Amounts collected from the sale of tangible assets	-	380.648	10.282.717
Interests collected	3.257	934	400
Net cash flows from investment activities	(88.466.473)	(49.010.543)	(29.059.505)
Cash flows from financing activities			
Amounts collected from loans	162.731.364	48.473.525	18.582.699
Share capital increase	476.774	16.736.768	-
Cash contribution to shares	-	-	300
Payments under leasing contracts	(7.951.788)	(4.660.190)	(5.068.315)
Interests paid and loans reimbursed	(104.931.190)	(33.683.401)	(35.695.646)
Dividends paid	(4.952.235)	(9.837.462)	(11.661.645)
Net cash flows from financing activities	45.372.925	17.029.240	(33.842.607)
Net increase/ (Reduction) of cash and cash equivalents	1.195.055	(3.189.303)	3.072.913
Cash and cash equivalents at the financial year beginning	2.368.775	5.558.078	2.485.165
Cash and cash equivalents at the financial year end	3.563.830	2.368.775	5.558.078



9. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

The Ordinary General Meeting of Shareholders took place on February 8th, 2023, approving the ratification of the resolution of the Board of Directors no. 41/29.11.2022, regarding the modification of some credit facilities granted to the branch Vrancart Recycling, in order to conduct the state aid project.

The directors' report was approved by the Board of Directors of Vrancart SA.

SIGNATURES

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

Ciucioi Ionel-Marian
Chairman of the Board of Directors

Arsene Vasilica-Monica
Financial Manager



Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2022

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 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	December 31 st , 2022	December 31 st , 2021
ASSETS			
Tangible assets	5	462.255.996	338.408.016
Intangible assets	6	5.114.021	5.850.271
Financial assets		33.718	39.594
Goodwill	6	8.526.391	8.526.391
Total non-current assets		475.930.126	352.824.272
Inventories	7	81.370.713	72.156.949
Trade receivables	8	106.140.798	101.927.129
Prepaid expenses		4.483.704	1.115.940
Receivables related to current profit tax		-	242.518
Other receivables	10	15.627.368	3.856.477
Restricted cash		1.881.991	-
Cash and cash equivalents	9	3.563.830	2.368.775
Total current assets		213.068.404	181.667.788
TOTAL ASSETS		688.998.530	534.492.060
EQUITY			
Share capital	11	120.338.551	120.363.081
Reserves	11	176.252.881	115.453.878
Retained earnings		18.783.273	4.689.698
Total equity – the Parent-company		315.374.705	240.506.657
Non-controlling interests		(3.114)	(1.040)
Total equity		315.371.591	240.505.617
LIABILITIES			
Long-term loans	15	125.981.209	58.706.910
Long-term liabilities under leasing contracts	14	16.346.044	17.870.254
Long-term loans from bond issues	15	38.164.800	37.949.400
Deferred income	18	11.735.050	9.620.784
Long-term debts to employees	16	440.169	422.307
Liabilities related to deferred profit tax	17	14.766.201	5.128.351
Other long-term liabilities	13	188.422	323.422
Total long-term liabilities		207.621.895	130.021.428
Short-term trade liabilities	12	70.804.082	74.347.087
Short-term loans	15	68.541.291	71.301.775
Short-term liabilities under leasing contracts		7.718.425	5.864.025
Deferred income	18	1.826.984	2.219.654
Debts to employees	16	7.646.369	5.104.218
Liabilities related to current profit tax		680.223	-
Other liabilities	13	8.787.670	5.128.256
Total current liabilities		166.005.044	163.965.015
TOTAL LIABILITIES		373.626.939	293.986.443
TOTAL EQUITY AND LIABILITIES		688.998.530	534.492.060

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

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 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	2022	2021
Income from turnover	19	614.157.315	453.888.676
Other income	20	16.774.552	8.596.073
Variation of finished products inventories and production in progress		6.787.240	7.873.449
Expenses related to raw materials and consumables	21	(331.925.706)	(271.358.232)
Expenses related to commodities		(56.152.237)	(16.052.868)
Third party expenses	22	(53.262.802)	(40.434.950)
Personnel-related expenses	24	(99.542.909)	(82.610.222)
Expenses related to amortisation and impairment of tangible assets	5	(34.976.920)	(35.138.123)
Other expenses	23	(24.178.213)	(12.351.068)
Operating result		37.680.320	12.412.735
Financial income	25	557.455	588.277
Financial expenses	25	(12.561.518)	(5.233.951)
Profit before taxation		25.676.257	7.767.061
Profit tax expense	26	(2.729.364)	(1.422.806)
Profit for the year		22.946.893	6.344.255
- of the Parent-company		22.948.967	6.345.576
- of non-controlling interests		(2.074)	(1.321)
Other comprehensive income items			
Changes in the reserve from revaluation of tangible assets, net of deferred tax (Note 2 b1)		56.954.484	(804.041)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		79.901.377	5.540.214
- of the Parent-company		79.903.451	5.541.535
- of non-controlling interests		(2.074)	(1.321)
Earnings per share	27		
Base earnings per share		0,0219	0,0060
Diluted earnings per share		0,0196	0,0061

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

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 changes in equity

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at January 1st, 2021	103.168.355	51.668.712	63.288.528	9.652.131	281	227.778.007
Comprehensive income for the year						
Comprehensive income for the year	-	-	-	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	-	-
Total comprehensive income for the year	-	(2.485.840)	-	8.027.375	(1.321)	5.540.214
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
Balance as at December 31st, 2021	120.363.081	49.182.872	66.271.006	4.689.698	(1.040)	240.505.617
Balance as at January 1st, 2022	120.363.081	49.182.872	66.271.006	4.689.698	(1.040)	240.505.617
Comprehensive income for the year						
Comprehensive income for the year	-	-	-	22.948.967	(2.074)	22.946.893
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	56.954.484	-	-	-	56.954.484
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(2.787.037)	327.786	2.459.251	-	-
Total comprehensive income for the year	-	54.167.447	327.786	25.408.218	(2.074)	79.901.377
Distribution of reserves	-	-	6.303.770	(6.303.770)	-	-
Distribution of dividends	-	-	-	(5.054.219)	-	(5.054.219)
Share capital increase	(24.530)	-	-	43.346	-	18.816
Balance as at December 31st, 2022	120.338.551	103.350.319	72.902.562	18.783.273	(3.114)	315.371.591

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 31st, 2022

(all amounts in RON, unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Amounts collected from customers		709.841.715	494.782.114
Payments to suppliers		(521.495.607)	(344.444.838)
Payments to employees		(68.137.816)	(56.334.135)
Payments to the state budget		(73.360.237)	(62.360.626)
Profit tax paid		(2.559.452)	(2.850.515)
Net cash flows from operating activities		44.288.603	28.792.000
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets		(87.942.311)	(47.392.125)
Letters of credit for the purchase of assets		(1.881.991)	-
Amounts collected from the sale of tangible assets		1.354.572	380.648
Guarantees to obtain authorisation licenses		-	(2.000.000)
Interests collected		3.257	934
Net cash flows from investment activities		(88.466.473)	(49.010.543)
Cash flows from financing activities			
Amounts collected from loans		162.731.364	48.473.525
Share capital increase		476.774	16.736.768
Payments under leasing contracts		(7.951.788)	(4.660.190)
Interests paid and loans reimbursed		(104.931.190)	(33.683.401)
Dividends paid		(4.952.235)	(9.837.462)
Net cash flows from financing activities		45.372.925	17.029.240
		1.195.055	(3.189.303)
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	9	2.368.775	5.558.078
Cash and cash equivalents at the financial year end	9	3.563.830	2.368.775

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 31st, 2022

(all amounts 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 31st, 2022 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 st , 2022	December 31 st , 2021
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.

The Group’s number of employees as at December 31st, 2022 was 1303 (December 31st, 2021: 1193 employees).

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

1. The reporting entity (continued)

The company's shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15th, 2005. The Group posts its consolidated financial statements on its website www.vrancart.ro.

As at December 31st, 2022, 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 made of recycled paper and cellulose, such as: napkins, folded paper towels, tissue paper, professional rolls, tissues for cosmetic use and facial tissues. Its products are traded on the territory of Romania and abroad in 6 other countries, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

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

As at December 31st, 2022, 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 31st, 2022, the Branch had a number of 114 employees (December 31st, 2021: 188 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. This company was founded with the purpose to develop the Group through a greenfield investment, amounting to over Euro 20 million, in recycling adjacent fields to cover a great diversity of recyclable resources that it will sell or use internally following the newly-created synergies.

The company is at the beginning of its activity and had a number of 73 employees as at December 31st, 2022 (December 31st, 2021: 45 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 31st, 2022 is 6 employees (December 31st, 2021: 19 employees).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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 19th, 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 2022, the Group recorded a net profit of RON 22.946.893 (2021: RON 6.344.255). As at December 31st, 2022, the net working capital was positive, in the amount of RON 47.063.362 (December 31st, 2021: RON 17.702.773).

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 invasion of Ukraine by the Russian Federation, it must be stated that Vrancart has no physical operations on the territory of Ukraine, Russia or Belarus and has no customers, suppliers, investors or creditors with operations in these countries. The sanctions imposed on Russia could have an impact to the same extent that the entire global business environment could be affected.

Although the economic effects of the political crisis in the region 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 for restricting the negative effects of the economic and political crisis, in general.

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 31st, 2022

(all amounts in RON, unless otherwise stated)

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 31st, 2022 is included in the following notes:

- Note 3 (a) (v), describing the accounting policy chosen by the Group to recognise the acquisition 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.

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

the profit and loss account.

3. Significant accounting policies (continued)

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.

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.

Vrancart S.A.

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The currency exchange rates of the main foreign currencies were:

Currency	December 31 st , 2022	December 31 st , 2021	Variation
Euro (EUR)	4.9474	4.9481	-0,01%
American dollars (USD)	4.6346	4.3707	+6,04%

3. Significant accounting policies (continued)

(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 1st, 2004.

Thus, the values expressed in the current measurement unit as at December 31st, 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 31st, 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.

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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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.

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.

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3. Significant accounting policies (continued)

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

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:

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(all amounts in RON, unless otherwise stated)

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

3. Significant accounting policies (continued)

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 |

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

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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.

3. Significant accounting policies (continued)

(f) Rights of use (Leasing)

As of January 1st, 2019, the Company adopted IFRS 16 using the amended retrospective approach, recognizing the transitional adjustments at the date of the initial application (January 1st, 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 1st, 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:

Classified according to IAS 17	Rights of use	Debts under leasing contracts
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 st , 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).	

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 31st, 2019.

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3. Significant accounting policies (continued)

(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

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.

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for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(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.

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.

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3. Significant accounting policies (continued)

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.

(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 31st, 2022.

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.

Notes to the consolidated financial statements

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(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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 1st, 2009, as a result of the changes occurred in the fiscal legislation, the re-evaluation reserves recorded after January 1st, 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 Directors and their family members.

(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.

Notes to the consolidated financial statements

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3. Significant accounting policies (continued)

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 labour 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.

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.

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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.

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 31st, 2022, the profit tax rate was 16% (December 31st, 2021: 16%).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(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.

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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(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 31st, 2022 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.

(y) The initial application of new amendments to the existing standards in force for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 16 „Tangible assets”** - Cash receipts in advance of intended use, adopted by the EU on June 28th, 2021 (applicable for annual periods beginning on or after January 1st, 2022)
- **Amendments to IAS 37 „Provisions, contingent liabilities and contingent assets”** - Onerous contracts – Cost of fulfilment of a contract, adopted by the EU on June 28th, 2021 (applicable for annual periods beginning on or after January 1st, 2022),
- **Amendments to various standards due to „ IFRS improvements (cycle 2018 -2020)”** resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain wording - adopted by the EU on June 28th, 2021 (Amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after January 1st, 2022. The amendment to IFRS 16 refers only to an illustrative example, so no effective date is mentioned.).

The adoption of the new amendments to the existing standards did not have any significant impact onto the Company's individual financial statements.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(z1) Standards and amendments to the existing standards issued by the IASB and adopted by the EU, but not yet effective

As at the date of approval of these individual financial statements, the following amendments to the existing standards issued by the IASB and adopted by the EU are not yet effective:

- **IFRS 17 „Insurance contracts”, including changes to IFRS 17 issued by IASB on June 25th, 2020** – adopted by the EU on November 19th, 2021 (applicable for annual periods beginning on or after January 1st, 2023),
- **Amendments to IFRS 17 „Insurance contracts” – Initial application of IFRS 17 and IFRS 9** – Comparative information adopted by the EU on September 9th, 2022 (applicable for annual periods beginning on or after January 1st, 2023).
- **Amendments to IAS 1 „Submission of financial statements” – Presentation of accounting policies** (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 8 „ Accounting policies, changes in accounting estimates and errors”** - Definition of accounting estimates (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 12 „Income tax”** - Deferred tax on assets and liabilities arising from a single transaction (applicable for annual periods beginning on or after January 1st, 2023);

The Company has chosen not to adopt these amendments to the existing standards in advance of their effective dates. The Company anticipates that the adoption of these standards and amendments to the existing standards will not have a material impact onto the Company's individual financial statements during the period of initial application.

(z2) New standards and amendments to the existing standards issued by the IASB, but not yet adopted by the EU

Currently, IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following new standards and amendments to the existing standards, which have not been approved for use in the EU as at the date of posting of the individual financial statements (the effective dates mentioned below are for IFRS standards issued by the IASB):

- **IFRS 14 „ Deferral accounts related to regulated activities”** (applicable for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to issue the approval process for this interim standard and to wait for the final standard;
- **Amendments to IAS 1 „Submission of financial statements”** - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after January 1st, 2023);
- **Amendments to IAS 1 „Submission of financial statements”** – Non-current liabilities with agreements (applicable for annual periods on or after January 1st, 2024);
- **Amendments to IFRS 16 „Leasing contracts”** – Leasing liabilities on sale and leaseback (applicable for annual periods on or after January 1st, 2024));

The Company anticipates that the adoption of these new standards and amendments to the existing standards will not have a material impact onto the Company's individual financial statements during the period of initial application.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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 3rd 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:

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

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Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

5. Tangible assets	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2022	16.409.243	95.967.712	274.703.192	47.724.528	434.804.675
Purchases	-	-	115.859	48.721.428	48.837.287
Assets related to the rights of use of leased assets	-	2.294.550	6.265.388	-	8.559.937
Transfers from assets in progress	1.269.526	5.411.272	21.765.862	(28.446.659)	-
Transfers to intangible assets	-	-	-	(233.030)	(233.030)
Outflows	(230.840)	(15.426)	(1.529.871)	-	(1.776.137)
Outflows of assets related to rights of use	-	(1.419.183)	-	-	(1.419.183)
Reevaluations	2.399.897	16.406.079	52.761.350	-	71.567.326
Cumulated amortisation reduced according to the re-evaluated value	(689.705)	(7.744.941)	(64.265.018)	-	(72.699.664)
As at December 31st, 2022	19.158.121	110.900.063	289.816.762	67.766.267	487.641.212
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2022	445.701	12.125.598	85.861.076	-	98.432.375
Amortisation expense	244.004	2.763.286	26.175.336	-	29.182.627
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	4.390.428	3.517.027	-	7.907.455
Outflows	-	(1.890)	(382.050)	-	(383.940)
Cumulated amortisation reduced according to the re-evaluated value	(689.705)	(7.744.941)	(64.265.018)	-	(72.699.664)
As at December 31st, 2022	-	11.532.481	50.906.371	-	62.438.853
<i>Net book value</i>					
As at December 31st, 2022	19.158.120	99.367.582	238.910.391	67.766.267	425.202.360

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31st, 2022 was RON 37.053.636.

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Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

5. Tangible assets (continued)	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2021	16.243.613	82.423.701	260.896.419	21.936.370	381.500.103
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)
As at December 31st, 2021	16.409.243	95.967.712	274.703.192	47.724.528	434.804.675
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2021	222.851	7.638.396	58.953.887	-	66.815.134
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)
As at December 31st, 2021	445.701	12.125.598	85.861.076	-	98.432.375
<i>Net book value</i>					
As at December 31st, 2021	15.963.542	83.842.114	188.842.116	47.724.528	336.372.300

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***5. Tangible assets (continued)**

The main purchases of tangible assets in 2022 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 2022, 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 31st, 2022 was RON 2.291.196 (see note 5) (December 31st, 2021: RON 3.523.045).

The net book value of the fixed assets purchased through government subsidies received until December 31st, 2022 is RON 103.489 thousand (see note 17) (December 31st, 2021: RON 31.639 thousand).

As at December 31st, 2022, 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 67.259.732 and a net increase amounting to RON 4.248.609 (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 31st, 2019.

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 199.605 thousand as at December 31st, 2022 (December 31st, 2021: RON 166.262 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>	Customer relations	Brands	Other intangible assets	Total intangible assets	Goodwill
<i>Cost</i>					
As at January 1st, 2022	6.133.926	3.094.411	3.596.881	12.825.218	8.526.391
Purchases	-	-	840.324	840.324	-
Transfer from assets in progress	-	-	-	-	-
Outflows	-	-	-	-	-
As at December 31st, 2022	6.133.926	3.094.411	4.437.207	13.665.544	8.526.391
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2022	3.260.470	1.547.205	2.167.272	6.974.947	-
Impairment expense	652.094	309.441	615.038	1.650.681	-
Outflows	-	-	-	-	-
As at December 31st, 2022	3.912.564	1.856.646	2.708.202	8.551.520	-
<i>Net book value</i>					
As at December 31st, 2022	2.221.362	1.237.765	1.729.005	5.114.021	8.526.391

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts 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 20th, 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)
11=3+4+8+9+10	Goodwill		5.145.580

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***6. Intangible assets and goodwill (continued)**

On July 19th, 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

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Raw materials and consumables	41.302.574	38.768.487
Finished products and commodities	15.053.053	16.743.080
Production in progress	25.024.905	16.423.582
Advances paid for inventories	1.581.018	867.652
Adjustments for the impairment of inventories	(1.590.837)	(645.852)
Total	81.370.713	72.156.949

8. Trade receivables

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Customers	110.453.842	102.631.179
Suppliers - debtors for goods/ services	-	358.562
Other receivables	1.170.945	2.650.630
Adjustments for the impairment of receivables – customers	(5.483.989)	(3.713.242)
Total	106.140.798	101.927.129

Adjustments for the impairment of receivables – customers

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Balance as at the beginning of the period	3.713.242	7.746.555
New adjustments during the period	3.439.304	2.998.449
Cancellation of adjustments during the period	(1.668.557)	(7.031.762)
Balance as at the end of the period	5.483.989	3.713.242

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***9. Cash and cash equivalents**

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Current accounts at banks and other values	3.533.059	2.298.492
Petty cash	30.771	70.283
Total cash and cash equivalents	3.563.830	2.368.775

10. Other receivables

	<u>December 31st, 2022</u>	<u>December 31st, 2021</u>
Other personnel-related receivables	617.735	568.497
Sundry debtors	74.690	2.426.504
VAT to be recovered	725.242	827.673
Suppliers-debtors	14.437.072	310.049
Other receivables related to the state budget	72.630	134.579
Adjustments for the impairment of other receivables	(300.000)	(410.825)
Total	15.627.369	3.856.477

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

December 31st, 2022	Number of shares	Amount (RON)	(%)
SIF Banat Crişana	908.612.549	90.861.255	75.51%
Paval Holding	206.554.601	20.655.460	17.16%
Other shareholders	88.218.364	8.821.836	7.33%
Total	1.203.385.514	120.338.551	100%

December 31st, 2021	Number of shares	Amount (RON)	(%)
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%
Total	1.031.683.547	103.168.355	100%

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 31st, 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.

Dividends

Through the Decision no. 4 dated April 27th, 2022, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2021, amounting to RON 5.054.219, respectively a gross amount of a dividend of RON 0,0042/share.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***11. Share capital (continued)****Other reserves**

Other reserves in the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2022, 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, in balance as at December 31st, 2022 is RON 55.268.649 (December 31st, 2021: RON 50.327.211).

According to the legal requirements, the Company 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 31st, 2022 was RON 13.037.107 (December 31st, 2021: RON 11.717.311). 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 whose fair value is greater than historical cost. Revaluation reserves are presented at value net of the related deferred tax (16%).

12. Trade liabilities**Short-term trade liabilities**

Trade liabilities
Advances received
Total

December 31st, 2022 December 31st, 2021

69.924.347	73.689.479
879.735	657.608
70.804.082	74.347.087

13. Other liabilities

Debts to the state budget

Dividends to be paid

Sundry creditors

Other short-term liabilities

Provisions for disputes

Options related to the bonds issued (Note 15)

Other long-term liabilities**December 31st, 2022 December 31st, 2021**

6.754.930	3.456.963
1.253.181	1.168.705
779.558	502.588
8.787.669	5.128.256

Provizioane pentru litigii

Opțiuni legate de obligațiunile emise (Nota 15)

Alte datorii pe termen lung

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.

Reconciliation of provisions for disputes

Balance as at the beginning of the period

Provisions established during the period

Provisions used during the period

Balance as at the end of the period**December 31st, 2022 December 31st, 2021**

22.822	22.822
80.400	-
-	-
103.222	22.822

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***14. Debts under leasing contracts**

	December 31st, 2022	December 31st, 2021
Long-term liabilities under leasing contracts	16.346.044	17.870.254
Long-term liabilities under leasing contracts	7.718.425	5.864.025
Total liabilities under leasing contracts	24.064.469	23.734.279

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:

Debts under leasing contracts	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2022	16.459.711	7.274.568	23.734.279
Inflows	2.294.550	6.265.387	8.559.937
Outflows	(266.750)	-	(266.750)
Interest and currency exchange differences	119.017	109.339	228.357
Payments under leasing contracts	(4.674.641)	(3.516.712)	(8.191.353)
As at December 31st, 2022, out of which:	13.931.887	10.132.583	24.064.469
Long-term liabilities under leasing contracts	9.951.220	6.394.823	16.346.043
Short-term liabilities under leasing contracts	3.980.667	3.737.759	7.718.425

Debts under leasing contracts	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2021	9.138.201	5.443.777	14.581.978
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)
As at December 31st, 2021, out of which:	16.459.711	7.274.568	23.734.279
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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***14. Debts under leasing contracts (continued)**

Rights of use	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2021	8.833.333	6.670.216	15.503.548
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)
As at January 1st, 2022	15.419.499	7.671.154	23.090.653
Inflows	2.294.550	6.265.387	8.559.937
Outflows	(4.451.374)	(3.456.080)	(7.907.454)
Amortisation	(1.419.183)	-	(1.419.183)
Net values as at December 31st, 2022	11.843.492	10.480.461	22.323.953

15. Loans

	December 31 st , 2022	December 31 st , 2021
Bank loans	116.786.653	58.706.910
Loans from bond issues	38.164.800	37.949.400
Other long-term loans	9.194.556	-
Total long-term loans	164.146.009	96.656.310
Bank loans	64.886.121	71.301.775
Other short-term loans	3.655.170	-
Total short-term loans	68.541.291	71.301.775

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.

All the financial and non-financial conditions related to the loan agreements in force as at December 31st, 2022 have been met and there is no risk of early reimbursement.

The interest rate for RON loans is determined as Robor + margin, the final interest being in the range of 6% - 8%.

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 31st, 2022, tangible assets are mortgaged in favour of banks (see Note 5).

Notes to the consolidated financial statementsfor the financial year ended on December 31st, 2022

(all amounts 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 st , 2022 – RON equivalent	Principal in balance as at December 31 st , 2021 – RON equivalent
1	31.07.2022	EUR/RON	Variable	overdraft	30.07.2023	956.672	6.526.765
2	15.03.2022	RON	Variable	overdraft	31.12.2022	-	10.780.971
3	09.05.2018	RON	Variable	long-term	20.04.2025	4.649.690	6.642.414
4	29.11.2017	RON	Variable	long-term	29.11.2024	8.672.131	13.196.722
5	14.09.2018	RON	Variable	long-term	14.09.2022	-	920.192
6	08.07.2021	RON	Variable	overdraft	08.07.2022	9.509.442	3.132.457
7	28.05.2021	EUR	Variable	long-term	30.06.2025	14.253.303	-
8	15.07.2021	RON	Variable	overdraft	15.07.2022	-	281.368
9	19.08.2022	EUR	Variable	overdraft	19.08.2023	347.079	-
10	28.05.2021	EUR	Variable	long-term	31.12.2031	22.042.764	5.698.530
11	27.07.2016	RON	Variable	long-term	27.07.2023	-	4.013.974
12	03.11.2017	RON	Variable	long-term	29.11.2023	1.147.143	2.398.572
13	16.09.2021	RON	Variable	overdraft	09.09.2022	-	5.332.835
14	18.12.2018	RON	Variable	long-term	12.12.2028	3.264.901	3.800.121
15	18.08.2022	EUR/RON	Variable	overdraft	18.08.2023	3.525.677	9.957.651
16	27.12.2021	RON	Variable	long-term	27.12.2025	3.002.984	4.000.000
17	23.08.2021	RON	Variable	long-term	29.07.2026	8.741.319	7.266.184
18	27.07.2021	RON	Variable	long-term	31.12.2022	-	969.966
19	21.12.2021	RON	Variable	long-term	21.12.2024	11.571.800	16.875.541
20	26.09.2019	RON	Variable	long-term	20.09.2026	2.307.694	2.923.078
21	03.01.2019	RON	Variable	long-term	02.01.2024	-	387.712
22	29.10.2019	EUR	Fixed	long-term	20.11.2024	1.018.905	1.550.884
23	14.02.2019	RON	Variable	long-term	16.07.2022	1.137.831	2.369.863
24	06.11.2019	RON	Variable	long-term	05.11.2029	3.480.772	3.973.019
25	06.11.2019	RON	Variable	long-term	04.11.2022	-	360.381
26	23.10.2020	RON	Variable	long-term	23.10.2025	2.684.210	3.631.579
27	21.12.2020	RON	Variable	long-term	31.12.2022	-	6.497.200
28	18.05.2022	EUR/RON	Variable	overdraft	18.05.2023	6.030.236	4.431.724
29	20.12.2020	RON	Variable	long-term	20.12.2026	1.671.186	2.088.983
30	26.07.2022	EUR	Variable	long-term	26.03.2031	3.685.758	-
31	26.07.2022	EUR	Variable	long-term	30.04.2024	2.836.581	-
32	20.12.2022	EUR	Variable	long-term	20.06.2026	25.039.197	-
33	20.12.2022	EUR	Variable	long-term	15.06.2026	5.022.945	-
34	28.12.2022	EUR	Variable	long-term	28.12.2027	2.869.492	-
35	27.12.2022	EUR	Variable	long-term	27.07.2024	2.005.609	-
36	21.12.2022	EUR	Variable	long-term	21.12.2027	5.447.808	-
37	28.12.2022	EUR	Variable	long-term	28.07.2023	1.487.978	-
38	21.12.2022	EUR	Variable	long-term	21.12.2027	11.725.338	-
39	21.12.2022	EUR	Variable	long-term	21.12.2027	6.431.620	-
Total						181.672.773	130.008.685

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.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

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 17th, 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 31st, 2022, SIF Banat-Crişana holds 96,4% of the bonds.

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 15th, 2023 was the fifth 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 31st, 2022</u>	<u>December 31st, 2021</u>
Debts related to salaries	2.829.861	2.296.325
Other debts to employees	4.816.508	2.807.893
Retirement benefits (long-term)	440.169	422.307
Total debts to employees	<u>8.086.538</u>	<u>5.526.525</u>

17. Debts or receivables related to deferred profit tax

Deferred tax as at December 31st, 2022 is generated by the elements detailed in the following tables:

	Liabilities	Assets	Net
Tangible assets	104.203.609	-	104.203.609
Provisions and impairment adjustments (inventories, customers)	-	11.914.849	(11.914.849)
	<u>104.203.609</u>	<u>11.914.849</u>	<u>92.288.760</u>
Net temporary differences - 16% share			<u>92.288.760</u>
Debts related to deferred profit tax			<u>14.766.202</u>

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

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

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 31st, 2022**(all amounts 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 31st, 2022</u>	<u>December 31st, 2021</u>
The Ministry of Economy and Research II	3.619.168	4.869.138
The Environmental Fund Administration	2.415.837	2.576.889
Innovation Norway 1	298.669	603.280
Innovation Norway 2	2.613.944	2.894.962
The European Bank for Reconstruction and Development	6.712	9.400
The National Agency for SMEs	80.544	93.965
Non-reimbursable loans - CCE 146	-	145.937
Non-reimbursable loans - MINIMIS 2160	224.487	249.172
Non-reimbursable loans - 5IMM/213/6/2015	361.540	397.695
Recycling project with state aid	3.026.512	-
Innovation Norway 3	914.622	-
Total	<u>13.562.034</u>	<u>11.840.438</u>

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 31st, 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 31st, 2022**(all amounts in RON, unless otherwise stated)***19. Income from turnover**

	2022	2021
Income from the sale of finished products	520.776.302	420.993.961
Income from the sale of goods	76.558.001	26.011.983
Income from services provided	17.398.286	11.523.642
Income from royalties, locations under management and rents	410.758	107.490
Income from various activities	571.133	598.729
Trade discounts granted	(1.557.165)	(5.347.129)
Total	614.157.315	453.888.676

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

	2022	2021
Income from investment subsidies	2.084.885	3.737.501
Income from expenses subsidies	3.431.787	3.865.934
Income from compensations, fines and penalties	37.940	32.072
Net income from the sale of tangible assets	-	29.086
Other operating income	11.219.940	931.480
Total	16.774.552	8.596.073

21. Expenses related to raw materials and consumables

	2022	2021
Expenses related to raw materials	162.003.928	161.453.960
Expenses related to consumables and auxiliary materials	47.004.105	37.053.743
Expenses related to fuels	43.835.282	24.712.550
Expenses related to water and electricity	74.449.269	43.993.785
Expenses related to spare parts	4.633.122	4.144.194
Total	331.925.706	271.358.232

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***22. Third-party expenses**

	2022	2021
Expenses related to maintenance and repairs	5.564.963	5.180.605
Expenses related to the shipment of goods	25.086.996	22.027.855
Other third party expenses	22.610.843	13.226.490
Total	53.262.802	40.434.950

23. Other expenses

	2022	2021
Expenses related to commissions and fees	8.027.336	2.734.961
Expenses related to royalties, locations under management and rents	1.898.884	2.656.846
Expenses related to bank services and similar	906.404	589.409
Expenses related to insurance premiums	1.863.767	1.430.427
Other taxes, duties and similar payments	3.755.741	2.484.426
Expenses related to donations made	426.479	694.842
Expenses related to travels, secondments and transfers	528.294	314.316
Postage and telecommunications fees	429.315	351.813
Expenses related to entertainment, advertising and publicity	608.275	271.750
Expenses related to compensations, fines and penalties	254.567	174.840
Value adjustments on stocks	995.842	(251.414)
Value adjustments on receivables	1.455.206	(1.059.317)
Net loss from the cassation of tangible assets	688.243	400.708
Other operating expenses	2.339.859	1.557.461
Total	24.178.212	12.351.068

The net loss from the cassation 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

	2022	2021
Salary expenses	91.305.860	75.282.708
Expenses related to insurance and social protection	2.036.803	1.725.354
Expenses related to luncheon vouchers given	6.200.246	5.602.160
Total	99.542.909	82.610.222

In 2022, the average number of employees of the Group was of 1.389 (2021: 1.294).

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***25. Financial income and expenses**

	2022	2021
Interest income	410.323	195.018
Other financial income	147.132	393.259
Total income	557.455	588.277
Interest-related expenses	11.422.391	4.662.932
Expenses from currency exchange differences	1.136.059	444.042
Other financial expenses	3.069	126.977
Total expenses	12.561.519	5.233.951

26. Profit tax expense

	2022	2021
Current profit tax expense	3.455.747	1.641.333
Corrections on current profit tax from previous years	(114.893)	-
Deferred profit tax expenses/(income)	(726.383)	(218.527)
Total	2.614.471	1.422.806

	2022	2021
Loss/ Profit before taxation	25.676.257	7.767.061
Tax according to the statutory taxation rate of 16% (2021: 16%)	4.108.201	1.242.730
The effect onto the profit tax of:		
The legal reserve	(211.167)	(92.292)
The non-deductible expenses	6.466.583	5.170.878
The fiscal amortisation	(5.077.781)	(4.084.280)
Items similar to income	9.872	57.875
Exemptions for sponsorships	(604.523)	(410.333)
The recording of temporary differences	(896.973)	(218.527)
Reinvested profit – tax credit	(832.106)	(243.245)
Profit tax	2.729.364	1.422.806

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts 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:

	2022	2021
Profit attributable to ordinary shareholders	22.946.893	6.344.255
Weighted average number of ordinary shares	1.049.082.590	1.049.108.128
Base earnings per share	0,0219	0,0060

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

	2022	2021
Profit attributable to ordinary shareholders	22.948.967	6.345.576
Adjustment on bond interest and tax effect	2.057.618	1.200.972
Profit attributable to ordinary shareholders - adjusted	25.006.585	7.546.547
Weighted average number of ordinary shares	1.049.082.590	1.049.108.128
Potential shares from bond conversion	227.849.552	183.153.475
Weighted average number of ordinary shares – adjusted	1.276.932.142	1.232.261.603
Diluted earnings per share	0,0196	0,0061

28. Affiliates parties

The persons that are part of the Board of Directors 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 Directors of the parent-company as at December 31st, 2022:

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

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

As at December 31st, 2022: not applicable

As at December 31st, 2021: not applicable

The list of persons that were part of the Board of Directors of the branch Rompaper as at December 31st, 2022:

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

The list of persons that were part of the Board of Directors of the branch Vrancart Recycling as at December 31st, 2022:

Ciucioi Ionel-Marian	Sole director
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Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)*

The list of persons that were part of the Board of Directors of the branch Ecorep Group S.A. as at December 31st, 2022:

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

Transactions with affiliated parties:

Affiliated party		Transactions* in 2022	Transactions* in 2021	Balance in 2022	Balance in 2021
Biofarm S.A.	Customer	412.329	255.308	91.969	62.347
Biofarm S.A.	Supplier	796	1.286	-	-
SIF1 IMGB SA	Loan	12.229.750	-	12.229.750	-
SIF Banat Crisana SA	Supplier	118	67	-	-
Bucur SA	Supplier	412	1.504	-	-
Ci-Co SA	Supplier	9.076	11.828	1.493	581
Gaz Vest SA	Supplier	-	2.826.267	-	-
Napomar SA	Customer	140	887	-	946
Sifi Cj Logistic SA	Supplier	129.049	120.129	908	4.727
Semtest Craiova SA	Supplier	173.922	109.982	16.170	23.107

* Note: The values do not include VAT.

Other operations:

Affiliated party		Transactions in 2022	Transactions in 2021	Balance in 2022	Balance in 2021
SIF Banat Crişana SA	payment of dividends distributed during the year	3.816.173	7.511.836	-	-
ARIO Bistriţa	Debtor	-	-	300.000	300.000

Transactions with the key management personnel:

	2022	2021
Remuneration of the members of the Board of Directors	1.951.774	3.637.788

The amounts mentioned include total gross remuneration (fixed and variable).

29. Commitments

Not applicable.

30. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at December 31st, 2022 (December 31st, 2021: zero).

31. Events subsequent to the balance sheet date

The Ordinary General Meeting of Shareholders took place on February 8th, 2023, approving the ratification of the resolution of the Board of Directors no. 41/29.11.2022, regarding the modification of some credit facilities granted to the branch Vrancart Recycling, in order to carry out the state aid project.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts 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:

Book value	December 31st, 2022	
	December 31st, 2021	December 31st, 2021
Trade receivables and other receivables	121.768.167	105.783.606
Cash and cash equivalents	3.563.830	2.368.775
Restricted cash	1.881.991	-
Total	127.213.988	108.152.381

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 31st, 2022**(all amounts 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:

December 31st, 2022	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	111.291.043	479.825
Outstanding receivables between 31 and 60 days	5.339.609	19.478
Outstanding receivables between 61 and 90 days	863.038	19.817
Outstanding receivables between 91 and 180 days	854.236	362.405
Outstanding receivables between 181 and 360 days	828.115	604.120
Outstanding receivables for more than 360 days	8.376.115	4.298.343
Total	127.552.156	5.783.988

December 31st, 2021	Gross value	Impairment
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
Total	109.907.673	4.124.067

(b) 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:

December 31st, 2022	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Bank loans	194.522.500	203.597.654	71.897.076	119.099.604	12.600.973
Financial leasing	24.064.469	24.064.469	7.718.425	14.713.402	1.632.642
Trade liabilities and other liabilities	88.546.934	88.546.934	87.918.343	628.591	-
Total	307.133.903	316.209.057	167.533.844	134.441.597	14.233.615

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.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***32. Financial risk management (continued)**

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

(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:

	December 31st, 2022	December 31st, 2021
Variable rate instruments		
Bank loans	181.672.774	130.008.685
Other loans	12.849.726	-
Loans from bond issues	38.164.800	37.949.400
Debts related to leasing contracts	24.064.469	23.734.279
Total	256.751.769	191.692.364

(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 2.567.518 (RON 1.916.924 as at December 31st, 2021). 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 31st 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.

(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.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***32. Financial risk management (continued)**

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

December 31st, 2022	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	121.768.167	111.930.742	9.950.407	(112.982)	-
Restricted cash	1.881.991	-	1.881.991	-	-
Cash and cash equivalents	3.563.830	2.046.610	1.514.998	1.408	815
Financial assets	127.213.988	113.977.352	13.347.396	(111.574)	815
Loans	194.522.500	72.111.281	122.411.219	-	-
Debts under leasing contracts	24.064.469	943.704	23.120.765	-	-
Trade liabilities and other liabilities	88.546.934	63.155.792	25.145.606	245.536	-
Financial liabilities	307.133.904	136.210.777	170.677.590	245.536	-
Total net financial assets / (liabilities)	(179.919.916)	(22.233.425)	(157.330.194)	(357.110)	815

December 31st, 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

Sensitivity analysis

An appreciation 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, 2022: -RON 15.768.649 (December 31st, 2021: -RON 3.524.576). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A depreciation by 10 percentage points of EURO as at December 31st, 2022 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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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.

32. Financial risk management (continued)

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 conducted inspections related to the calculation of taxes and fees until December 31st, 2020 for the Parent-company and until September 30th, 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;
- 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.



INDEPENDENT AUDITORS' REPORT

To the Shareholders of VRANCART S.A.

Ecaterina Teodoroiu St., no. 17, Adjud, Vrancea county, Romania

Registration: 1454846

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of VRANCART S.A. (the Company) and its subsidiaries (the Group), which comprise the statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements as at and for the year ended 31 December 2022 are identified as follows:

- Net assets/Total equity: 315,371,591 RON
- Net profit for the year: 22,946,893 RON

2. In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards.

Basis for opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs), UE Regulation no. 537/2014 of the European Parliament and of the Council („The Regulation”) and Law no. 162/2017 („The Law”). Our responsibilities under those standards and regulations are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (“IIESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled out other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.
5. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
<p>Please see Note 18 “Revenue from turnover” and from accounting policy for revenue included in Note 3 (p).</p> <p>In accordance with International Standards on Auditing, there is an implicit risk on revenue recognition due to the pressure on management in obtaining the planned results.</p> <p>The Group’s main activity from which the Group records revenue are represented by sale of cardboard plates, cardboard packaging, sanitary goods and paper towels.</p> <p>Revenue is recorded after the control is transferred to the final client, which takes place after the formal acceptance for goods sold, which are adjusted with commercial discounts, according to the agreement concluded with customers.</p>	<p>Our audit procedures included, among other:</p> <ul style="list-style-type: none"> ▪ Evaluation of processes and controls on the existence and accuracy of the recorded revenues. ▪ Testing a sample of agreements concluded with customers to understand terms and conditions for transfer of control, also for conditions agreed for discounts to be granted. ▪ Verification of sale register to identify unusual transactions and to check the supporting documents to confirm that revenues are properly recorded. ▪ Audit procedures for testing that revenues were recorded in the appropriate period, for a sample of transactions recorded around the year-end. ▪ Testing a sample of receivables by sending direct confirmation letters.

Other information - Administrators’ Report

6. Management is responsible for the preparation and presentation of Other information. The Other information comprise the Board of Directors report, and the Remuneration Report but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the period ended at 31 December 2022, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In respect to the Board of Directors report, we read and report whether the Board of Directors report is prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19, respectively 26-28 of the accounting regulations in accordance with International Financial Reporting Standards.

In respect of Remuneration Report, we read and report if this was prepared, in all material respects, in accordance with Law 24/2017, articles 106-107.

7. Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:
- a) The information given in the Board of Directors report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the consolidated financial statements;

- b) The Board of Directors Report, including the non-financial representation has been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 26-28, of the accounting regulations compliant with the International of Financial Reporting Standards.
 - c) The remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles no. 106-107
8. In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit for the period ended at December 31, 2022, we are required to report if we have identified material misstatements in the Board of Directors report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

- 9. Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the Order of the Minister of Public Finance no. 2844/2016. and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 10. In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
- 11. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

- 12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 13. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtaining sufficient and appropriate audit evidence for the entities and activities from the Group, to issue an opinion over the consolidated financial statements. We are responsible for coordination, supervision and execution of the group audit. We are solely responsible for our audit opinion.
14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

17. We were appointed as auditor of VRANCART S.A. by the General Shareholders' Meeting on 27 April 2021 to audit the financial statements for accounting periods ended at 31 December 2021 and at 31 December 2022. Our total uninterrupted period of engagement is 4 years, covering periods ending 31 December 2019 to 31 December 2022.
18. We confirm that:
- Our audit opinion is consistent with the additional report presented to the Audit Committee of the Company, which is issued with the same date as the current report. We also remain independent of the audited entity in conducting the audit.
 - We have not provided to the Group the prohibited non-audit services referred to in article 5 (1) of EU Regulation no 537/2014.
19. For the financial year to which our statutory audit relates, in addition to the audit services, we have provided to the Company and the entities controlled by it the following services that are not presented in the consolidated financial statements or in the Report of the Board of Directors:

- Limited assurance services in relation with the prices of the transactions presented by the Company in the current reports including the legal acts concluded in the periods January 1 - June 30, 2022 and July 1 - December 31, 2022 according to the provisions of paragraph no. 108 of Law 24/2017 and of Regulation no. 5/2018 of the Financial Supervisory Authority on issuers and securities operations.

Report on compliance with Commission Delegated Regulation (EU) 2018/815 (European Single Electronic Format Regulatory Technical Standard or ESEF)

We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of the Company as shown in the digital files containing the unique code vrancart-20221231_ixbrlview (Digital Files).

Responsibility of management and those charged with governance for Digital Files prepared in accordance with ESEF

Management is responsible for preparing the Digital Files in accordance with ESEF. This responsibility includes:

- the design, implementation and maintenance of the internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- selection and implementation of appropriate iXBRL mapping;

Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with ESEF.

Auditor's Responsibilities for Audit the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of the ESEF, based on the evidence we have obtained. We conducted our reasonable assurance assignment in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing, and extent of the procedures selected depend on the auditor's judgement, including the assessment of the risk of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with the ESEF, including the relevant internal controls;
- reconciling the Digital Files with the audited financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating if all financial statements that are included in the annual financial report have been prepared in a valid XHTML format.
- Evaluating if the iXBRL mapping are in compliance with ESEF requirements.



We consider that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended December 31, 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on financial statements. Our audit opinion on the Company's financial statements for the financial year ended December 31, 2022 is included in the " Report on the Audit of the Consolidated Financial Statements" section above.

Other matters

20. This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the financial statements and the report on the Board of Directors report, or for the opinion we have formed.

For and behalf of BDO Audit SRL

Registered in the Public Electronic Report of financial auditors
and audit firms with no. FA18

Partner's name: Cristian Iliescu

Registered in the Public Electronic Report of financial auditors
and audit firms with no. AF1530

Bucharest, Romania

Refer to original signed version in Romanian language
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27 March 2023



DECLARATION

The undersigned, Ionel - Marian CIUCIOI, as Chairman of the Board of Directors and General Manager of VRANCART, and Vasilica - Monica ARSENE, as Financial Manager of VRANCART, a Romanian legal entity, with registered office in Adjud, 17th Ecaterina Teodoroiu Street, Vrancea County, registered at the Trade Register Office of the Vrancea Court under the number J39/239/1991, Unique Registration Code 1454846, being aware of the provisions of art. 326 of the Penal Code regarding false statements, we declare that, to the best of our knowledge, the individual and consolidated Financial Statements for the year 2022 have been prepared in accordance with the International Financial Reporting Standards - I.F.R.S. (Order of the Ministry of Public Finance no. 881/2012 and Order of the Ministry of Public Finance no. 2844/2016), that they give a true and fair view of the financial position and of the overall result of the Company, and that the Report of the Board of Directors includes a fair analysis of the development and performance of the Company, as well as a description of the main risks and uncertainties specific to the business.

April 27th, 2023

Ionel – Marian CIUCIOI – Chairman of the Board of Directors/General Manager

Vasilica – Monica ARSENE – Financial Manager



translation for information purposes only

REMUNERATION REPORT

FOR DIRECTORS AND MANAGERS OF VRANCART

FOR THE YEAR 2022

1. INTRODUCTION

The present Remuneration Report (hereinafter referred to as the "Report") for the senior executives (directors and managers) and the Company VRANCART (hereinafter referred to as the "Company"), prepared in accordance with the Company's Remuneration Policy, is intended to present a clear and objective picture of the remuneration and/or benefits granted by the Company to its senior executives during the financial year 2022.

The Remuneration Report is prepared by the Company in accordance with the provisions of Law no. 24/2017 on issuers of financial instruments and market operations, republished, as amended and supplemented, and will be submitted to a vote at the Ordinary General Meeting of Shareholders of the Company on April 27th/28th, 2023, the opinion of the shareholders having an advisory role.

Subsequently, the Report will be published and made publicly available for 10 years on the Company's website - www.vrancart.ro.

2. REMUNERATION REPORT AND REMUNERATION POLICY

The Remuneration Policy of the Company was approved by the Board of Directors on March 26th, 2021 and by the Ordinary General Meeting of Shareholders on April 27th, 2021 and entered into force on May 1st, 2021.

It describes the general framework for setting remuneration in the Company's management and sets out clear principles designed to demonstrate alignment of the interests of the Company's decision-makers with the interests of shareholders and other stakeholders (e.g. employees or the general public).



Through the application of the Remuneration Policy, the Company aims to ensure consistency between the remuneration offered and its business strategy, risk policies, values and objectives of the different time scales, the complexity of the operations carried out, the size and the internal organisational structures or of the Group of affiliates it controls.

The Remuneration Report highlights the applicability during the 2022 financial year of the guidelines of the Remuneration Policy.

3. COMPANY MANAGERS

The Company is managed in a unitary sistem by a Board of Directors consisting of 5 (five) members, appointed for a period of 4 (four) years, the ratio of executive to non-executive directors being 1/4. The Chairman of the Board of Directors is also appointed as the Chief Executive Officer of the Company, on the basis of a mandate contract.

The powers of the Board of Directors and of the General Manager are set out in the Company's Articles of Association, as well as in the applicable general and special legal provisions.

During 2022, the Company's Directors were:

No. crt.	First name/Name	Position	Previous mandate	Present mandate
1.	Ionel – Marian CIUCIOI	President, Executiv Director	April 27th, 2018 – April 27th, 2022	April 27th, 2022 - April 27th, 2026
2.	Bogdan – Alexandru DRĂGOI	Non-Executive Director	April 27th, 2018 – April 27th, 2022	April 27th, 2022 - April 27th, 2026
3.	Sergiu MIHAILOV	Non-Executive Director	April 27th, 2018 – April 27th, 2022	April 27th, 2022 - April 27th, 2026
4.	Adrian FERCU	Non-Executive Director	April 27th, 2020 – April 27th, 2022	April 27th, 2022 - April 27th, 2026
5.	Rachid EL LAKIS	Non-Executive Director	April 27th, 2021 – April 27th, 2022	April 27th, 2022 - April 27th, 2026

Mr. Ionel - Marian CIUCIOI is General Manager of the Company, with executive powers, being the only Director with executive powers delegated by mandate contract.

4. REMUNERATION OF MANAGERS

In 2022, the Company's executive compensation was fixed, variable and non-financial as follows:



- 4.1. Members of the Board of Directors benefit from:
- 4.1.1. a fixed monthly remuneration determined by the Ordinary General Meeting of Shareholders,
 - 4.1.2. variable remuneration within the maximum limit set by the Ordinary General Meeting of Shareholders,
 - 4.1.3. do not receive non-financial benefits,
- 4.2. The General Manager benefits from:
- 4.2.1. a fixed monthly remuneration under a mandate contract,
 - 4.2.2. an annual variable remuneration, approved by the Board of Directors, depending on the performance of the Company in the respective financial year, and within the maximum limit set by the Ordinary General Meeting of Shareholders,
 - 4.2.3. non-financial benefits, as follows: company car, computer equipment, telephone, medical insurance.

No. crt.	First name/Name	Position	Fixed annual net remuneration	Variable annual remuneration
1.	Ionel – Marian CIUCIOI	General Manager	576 thousand lei	89 thousand lei
		President, Executiv Director	144 thousand lei	120 thousand lei
2.	Bogdan – Alexandru DRĂGOI	Non-Executive Director	144 thousand lei	120 thousand lei
3.	Sergiu MIHAILOV	Non-Executive Director	144 thousand lei	120 thousand lei
4.	Adrian FERCU	Non-Executive Director	144 thousand lei	120 thousand lei
5.	Rachid EL LAKIS	Non-Executive Director	144 thousand lei	120 thousand lei

In 2022, Mr. Ionel-Marian CIUCIOI received net remuneration in the amount of 54 thousand lei from three other subsidiaries of VRANCART. In 2022, Mr. Sergiu MIHAILOV received net remuneration in the amount of 18 thousand lei from another subsidiary of VRANCART.

In 2022, there were no increases in the fixed remuneration of the members of the Board of Directors of the Company. The fixed remuneration of the General Manager increased in 2022 by 18.5% compared to 2021, from 486 thousand lei annually to 576 thousand lei annually.

Regarding other remuneration received by the Directors from Group companies, these are detailed in the Report issued by the majority shareholder SIF BANAT - CRIȘANA, a



Romanian legal entity, with registered office in Arad, 35A Calea Victoriei, Arad County, registered at the Trade Register Office of the Court of Arad under number Jo2 / 1898 / 1992, unique registration code 2761040.

The Company's policy in relation to all its executives does not provide for benefits in relation to supplementary pension or early retirement schemes, in relation to the recovery of variable remuneration or in relation to shares or the grant of share options.

With reference to the remuneration of managers over the last 5 years, the following can be observed:

- In the period 2018 - 2022, the fixed remuneration of the members of the Board of Directors did not change.
- During the period 2018 - 2021, the fixed remuneration of the General Manager did not change. In 2022 the fixed remuneration of the General Manager increased by 18.5% compared to the previous year.
- In 2022, versus 2018, the General Manager's variable remuneration decreased by 23%.

During the same period, the remuneration of the Company's employees, i.e. the average gross salary per Company increased as shown in the table below:

Indicator	2018	2019	2020	2021	2022
Average gross salary (Lei)	4,069	4,231	4,414	4,958	5,666
Evolution of average gross salary ("% vs. previous year)	+7%	+4%	+4%	+12%	+14%

As presented in the Report, there were no derogations or deviations from the Remuneration Policy in its implementation.

1. COMPANY PERFORMANCE

During the period under review, the Company recorded a good and very good performance in terms of economic and financial indicators, but also in terms of market share growth in the segments in which it operates, modernization of production facilities and development of new business lines.

The downward curve in profits for 2020 and 2021 is also due to the negative effects of the Covid-19 pandemic, felt by the Company at all levels, from production staff to sales and collections, and the spiralling acceleration of raw material, electricity and natural gas costs (in 2021).



Centralisation with changes in net profit are shown in the table below:

Indicator	2018	2019	2020	2021	2022
Turnover (thousand lei)	295,295	300,788	286,477	387,018	526,032
Evolution of turnover (%)	+14%	+2%	-5%	+35%	+36%
EBITDA (thousand lei)	45,713*	57,389	57,592	47,813	66,707
EBITDA evolution (%)	-2%	+26%	+0.4%	-17%	+40%
Net profit (thousand lei)	17,772*	22,328	18,534	9,869	23,689
Net profit evolution (%)	-20%	+26%	-17%	-44%	+140%

* In 2018 the result was affected by the scrapping of a historical, high value fixed asset (6 million lei).

2. FINAL PROVISIONS

The present Remuneration Report has been prepared by the Company in accordance with the provisions of Law no. 24/2017 on issuers of financial instruments and market operations, republished, as amended and supplemented, and will be submitted to a vote at the Ordinary General Meeting of Shareholders of the Company on April 27th/28th, 2023, the opinion of the shareholders having an advisory role.

In its next Remuneration Report for 2023, the Company will detail how the shareholders' vote was expressed and implemented.

The Remuneration Report for 2022 was approved by the shareholders at the Ordinary General Meeting of Shareholders of the Company on April 27th, 2022.

This Remuneration Report was approved by the Board of Directors of the Company at its meeting of March 27th, 2023.

Ciucioi Ionel-Marian

Chairman of the Board of Directors

Arsene Vasilica-Monica

Financial Director

**THE STAGE OF COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE
OF THE BUCHAREST STOCK EXCHANGE**

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section A – Responsibilities			
A.1	All the companies must have an Internal Board Regulation that includes the reference terms/ the responsibilities of the Board and the company's key management positions and that applies, among others, the General principles in this section.	YES	
A.2	The provisions on the management of conflicts of interests must be included in the Board Regulation.	YES	
A.3	The Board of Directors must be composed of at least five members.	YES	
A.4	Most of the members of the Board of Directors must not hold an executive position. At least one member of the Board of Directors must be independent in case of the companies from the Standard Category. Each independent member of the Board of Directors must submit a statement at the time of his/ her appointment for election or re-election, as well as whenever a change in his/ her statute occurs, stating the elements based on which it is considered that he/ she is independent in terms of his/ her character and judgement.	YES	

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section A – Responsibilities			
A.5	Other relatively permanent professional commitments and obligations of a member of the Board, including any executive and non-executive positions held within the Board of any companies and non-profit	YES	

	institutions, must be revealed to the shareholders and to the potential investors prior to his/ her appointment and during his/ her mandate.		
A.6	Any member of the Board of Directors must submit to the Board information on any relation with a shareholder that holds, either directly or indirectly, shares representing over 5% of all the voting rights.	YES	
A.7	The company must appoint a Secretary of the Board that shall have the responsibility to support the activity of the Board.	YES	
A.8	The statement on the Corporate Governance will state whether an evaluation of the Board took place under the management of the Chairman or of the appointment committee and, if so, it will summarize the key actions and the changes arising out of it. The company must have a policy/ a guide on the evaluation of the Board, including the purpose, the criteria and the frequency of the evaluation process.	NO	The Board of Directors submits on an annual basis the Activity Report for the previous year during the Ordinary General Meeting of the Shareholders and the Board's activity is analysed by the General Meeting of the Shareholders.

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Secțiunea A – Responsabilități			
A.9	The statement on the Corporate Governance must include information on the number of meetings of the Board and of the committees within the past year, on the attendance of the Directors (personally and in their absence) and a report of the Board and of the committees on their activities.	YES	
A.10	The statement on Corporate Governance must include information on the exact number of independent members of the Board of Directors.	YES	
A.11	The Board of Directors of the companies in the Premium category must establish an appointment committee formed of non-executive members, that will perform the procedure for the appointment of new members of the Board and will make recommendations to the Board. Most of the members of the appointment committee must be independent.	N/A	This provision is recommended to be applied by the companies from the Premium category. Within Vrancart the responsibilities of an appointment committee are undertaken by all the members of the Board of Directors.
Section B – The risk management system and the Internal Control			
B.1	The Board must establish an Audit Committee where at least one member must be an independent non-executive Board member. Most of	YES	

	the members, including the president, must have proven that they have a relevant adequate qualification for the functions and responsibilities of the Board. At least one member of the Audit Committee must have adequate and proven experience in audit and accounting.		
B.2	The President of the Audit Committee must be an independent non-executive Board member.	YES	
B.3	Among its responsibilities, the Audit Committee must perform an annual evaluation of the Internal Control system.	YES	
B.4	The evaluation must consider the effectiveness and the inclusion of the internal audit function, the degree of adequacy of the risk management and internal control reports submitted to the Audit committee of the Board, the promptitude and the effectiveness that the executive management uses to settle deficiencies or weaknesses identified following the internal control and the submission of relevant reports for the attention of the Board.	YES	

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section B – The risk management system and the Internal Control			
B.5	The Audit Committee must evaluate the conflicts of interests related to the company's transactions and the transactions of its branches with affiliated parties.	YES	
B.6	The Audit Committee must evaluate the effectiveness of the internal control system and of the risk management system.	YES	
B.7	The Audit Committee must monitor the application of the generally accepted legal standards and of the internal audit standards. The Audit Committee must receive and evaluate the reports of the internal audit team.	YES	
B.8	Whenever the Code mentions any reports or analyses initiated by the Audit Committee, these must be followed by regular reports (at least on an annual basis) or ad-hoc reports that must be subsequently submitted to the Board.	YES	

B.9	None of the shareholders will benefit from any preferential treatment compared to other shareholders in relation to any transactions and agreements concluded by the company and their affiliates.	YES	
B.10	The Board must adopt a policy through which it will make sure that any transaction of the company with any of the companies with which it has close relations, the value of which is equal to or greater than 5% of the company's net assets (according to the last financial report) is approved by the Board following a mandatory opinion of the audit committee of the Board.	YES	

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section B – The risk management system and the Internal Control			
B.11	The internal audits must be performed by a structurally separate division (the internal audit department) within the company or by employing an independent third party.	YES	
B.12	For the purpose of performing the main functions of the internal audit department, it must report from a functional point of view to the Board by means of the audit committee. For administrative purposes and within the management's obligations to monitor and mitigate the risks, it must report directly to the General Manager.	YES	
Section C – The fair compensation and motivation			
C.1	The company must post on its webpage its Remuneration Policy and must include in its annual report a statement on the implementation of the Remuneration Policy during the annual period subject to analysis. The Remuneration Policy must be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Manager. Any major changes occurred in the Remuneration Policy must be posted in due time on the company's webpage.	YES	

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section D – Adding value through Investor Relations			
D.1	<p>The company must organise a department for Investor Relations – indicating to the public the responsible person/ persons or the organisational unit. Besides the information required by the legal provisions, the company must also include on its webpage a section dedicated to Investor Relations, both in Romanian and English with all the relevant information that is of interest for the investors, including:</p> <p>D.1.1. The main corporate regulations: the Articles of Incorporation, the procedures related to the general meetings of the shareholders;</p> <p>D.1.2. The professional resumés of the members of the company’s management bodies, other professional commitments of the members of the Board, including executive and non-executive positions held within management boards of companies or of non-profit institutions;</p> <p>D.1.3. The current reports and the regular reports (quarterly, half-yearly and annual reports);</p> <p>D.1.4. Information on the general meetings of the shareholders;</p> <p>D.1.5 Information on corporate events;</p> <p>D.1.6.The names and contact data of a person that can provide, upon request, any relevant information;</p> <p>D.1.7. The company’s presentations (e.g. presentations for investors, presentations of the quarterly results etc.), the financial statements</p>	YES	

	(quarterly, half-yearly, annual financial statements), the audit reports and the annual reports.		
D.2	The company will have a policy on the annual distribution of dividends or of other benefits to the shareholders. The principles of the annual policy for the distribution of dividends to the shareholders will be posted on the company's webpage.	NO	The company does not have a distinct policy on the distribution of dividends, as this attribution falls under the responsibility of the General Meeting of the Shareholders, that aims at maintaining a balance between the distribution of dividends and the company's strategic needs.

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section D – Adding value through Investor Relations			
D.3	The company will adopt a policy in relation to forecasts, regardless of whether they are made public or not. The policy on the forecasts will be posted on the company's webpage.	NO	The company does not have a distinct policy on forecasts but these are brought to the attention of shareholders and investors by means of the Revenues and Expenditures Budget and the Investment Plan that are submitted for the approval of the General Meeting of the Shareholders every year and that are posted on the company's website.
D.4	The rules of the general meetings of the shareholders must not restrict the participation of the shareholders in the general meetings and the exercise of their rights. The changes of the rules will become effective no sooner than the following meeting of the shareholders.	YES	
D.5	The external auditors will be present at the general meeting of the shareholders when their reports are presented within these meetings.	YES	The company always took the necessary measures for the attendance of the external auditors within the General Meetings of the Shareholders where the audit reports are presented.
D.6	The Board will submit to the annual general meeting of the shareholders a short assessment of the internal control systems and of the major risks management systems, as well as opinions on some issues subject to the decision of the general meeting.	YES	
D.7	Any specialist, consultant, expert or financial analyst may attend the	YES	

	meeting of the shareholders based on a prior invitation from the Board. Accredited journalists may also take part in the general meeting of the shareholders, except for the case when the Chairman of the Board decides otherwise.		
D.8	The quarterly and half-yearly financial reports will include information both in Romanian and in English on the key factors that influence the changes in sales, operational profit, net profit and in other relevant financial indicators, both from one quarter to another, and from one year to another.	YES	

No.	The provisions of the New Corporate Governance Code of the Bucharest Stock Exchange	Stage of compliance YES / NO	EXPLANATIONS
Section D – Adding value through Investor Relations			
D.9	A company will organise at least two meetings/ telephone conferences with the analysts and the investors each year. The information presented on these occasions will be posted on Investor Relations section of the company's webpage on the date of the meetings/ telephone conferences.	YES	
D.10	If a company supports various forms of artistic and cultural events, sports events, educational or scientific activities and believes that their impact onto the company's innovative nature and competitiveness are part of its mission and development strategy, it will post the policy on its activity in this field.	YES	

**CHAIRMAN OF THE BOARD OF DIRECTORS
Ionel-Marian CIUCIOI**

March 27th, 2023