Translation for information purposes only

VRANCART S.A.

Individual financial statements
as at December 31st, 2023

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.
Individual statement of financial position
for the financial year ended on December 31st, 2023
(all amounts in RON, unless otherwise stated)

	Note	December 31st, 2023	December 31st, 2022
ASSETS			
Tangible assets	4	364.630.582	376.041.514
Advances paid for tangible assets		19.706.483	1.864.753
Intangible assets		775.019	953.329
Goodwill		3.380.811	3.380.811
Financial assets	5	62.587.328	45.566.328
Other non-current assets	6	13.750.286	650.945
Total non-current assets		**464.830.509**	**428.457.680**
Inventories	7	66.810.661	61.279.453
Trade receivables	9	67.913.133	94.962.072
Prepaid expenses		972.024	1.666.742
Receivables related to current profit tax		835.908	-
Other receivables	11	10.353.820	14.980.360
Restricted cash		-	1.881.991
Cash and cash equivalents	10	2.088.021	1.288.888
Assets held for sale	8	19.725.761	-
Total current assets		**168.699.328**	**176.059.506**
TOTAL ASSETS		**633.529.837**	**604.517.186**
EQUITY			
Share capital	12	169.121.665	120.338.551
Share premiums		775.497	664.564
Revaluation reserves	13	104.393.341	106.393.534
Legal reserves	13	13.345.280	13.037.107
Other reserves	13	60.790.128	55.469.278
Retained earnings		15.101.795	24.754.468
Total equity		**363.527.706**	**320.657.501**
LIABILITIES			
Long-term loans	17	67.826.778	79.531.749
Long-term loans from bond issues	17	-	38.164.800
Long-term liabilities under leasing agreements	16	21.333.018	15.701.298
Deferred income	20	8.761.341	7.207.890
Long-term debts to employees	18	444.379	440.169
Liabilities related to deferred profit tax	19	13.160.453	13.612.888
Other long-term liabilities	15	12.961	108.022
Total long-term liabilities		**111.538.930**	**154.766.816**
Short-term trade liabilities	14	32.527.381	46.344.171
Short-term loans	17	62.541.116	56.912.405
Short-term loans from bond issues	17	38.250.000	-
Short-term liabilities under leasing agreements	16	9.300.908	7.718.425
Deferred income	20	1.361.714	1.826.984
Debts to employees	18	5.979.709	6.885.073
Liabilities related to current profit tax		-	670.788

Other liabilities	15	8.502.373	8.735.023
Total current liabilities		**158.463.201**	**129.092.869**
TOTAL LIABILITIES		**270.002.131**	**283.859.685**
TOTAL EQUITY AND LIABILITIES		**633.529.837**	**604.517.186**

The financial statements were approved by the Board of Directors.

General Manager
Nicolae Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

The notes from page 6 to page 47 are an integrant part of the financial statements.

Vrancart S.A.

Individual statement of comprehensive income

as at December 31st, 2023

(all amounts in RON, unless otherwise stated)

	Note	2023	2022
Income from turnover	21	412.011.096	525.252.258
Income from operating subsidies		12.922.747	3.421.768
Other income	22	10.041.467	11.721.911
Variation in finished product inventories and production in progress		5.074.068	5.295.240
Expenses related to raw materials and consumables	23	(215.963.362)	(310.034.864)
Expenses related to commodities		(13.612.863)	(23.465.836)
Third-party expenses	24	(37.466.894)	(44.299.954)
Personnel-related expenses	26	(102.572.974)	(87.100.187)
Expenses related to amortisation and impairment of assets	4	(39.836.284)	(31.090.782)
Other expenses	25	(13.604.750)	(14.083.008)
Operating result		**16.992.249**	**35.616.548**
Financial income	27	1.327.060	277.534
Financial expenses	27	(12.155.856)	(9.686.315)
Profit before taxation		**6.163.454**	**26.207.767**
Profit tax expenses	28	(534.431)	(2.518.876)
Profit for the year		**5.629.023**	**23.688.891**
Other comprehensive income items			
Changes in the reserve from the revaluation of tangible assets, net of deferred tax		-	54.485.505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5.629.023**	**78.174.396**
Earnings per share	29		
Base earnings per share		0,0042	0,0226
Diluted earnings per share		0,0054	0,0202

The financial statements were approved by the Board of Directors.

General Manager
Nicolae Paul Dumitrescu

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, 2023

(all amounts in RON, unless otherwise stated)

	Share capital	Revaluation reserves	Premiums	Legal reserves	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2022	**120.363.081**	**53.702.185**	**621.219**	**11.717.311**	**50.528.650**	**10.586.064**	**247.518.509**
Comprehensive income for the year							
Net profit/loss 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 the legal reserve and other reserves	-	-	43.345	1.319.796	4.940.628	(6.303.769)	-
Transfer of the revaluation reserve to retained earnings following the cassation/sale of tangible assets	-	(2.121.942)			327.786	1.794.156	-
Balance as at December 31st, 2022	**120.338.551**	**106.065.748**	**664.564**	**13.037.107**	**55.797.064**	**24.754.468**	**320.657.501**
Balance as at January 1st, 2023	**120.338.551**	**106.393.534**	**664.564**	**13.037.107**	**55.469.278**	**24.754.468**	**320.657.501**
Comprehensive income for the year							
Net profit/loss for the year	-	-	-	-	-	5.629.023	5.629.023
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**6.010.012**	**6.010.012**
Share capital increase	48.783.114	-	-	-	-	110.933	48.894.047
Distribution of dividends	-	-	-	-	-	(12.033.855)	(12.033.855)
Distribution of the legal reserve and other reserves	-	-	110.933	308.173	5.320.850	(6.106.189)	-
Transfer of the revaluation reserve to retained earnings following the cassation/sale of tangible assets	-	(2.000.193)	-	-	0	2.000.193	-
Balance as at December 31st, 2023	**169.121.665**	**104.393.341**	**775.497**	**13.345.280**	**60.790.128**	**15.101.794**	**363.527.704**

The notes from page 5 to page 47 are an integrant part of the financial statements.

	Note	2023	2022
Cash flows from operating activities			
Amounts collected from customers		511.357.338	605.702.567
Payments to suppliers		(301.751.777)	(464.825.391)
Payments to employees		(71.912.777)	(58.414.086)
Payments to the state budget		(62.652.883)	(59.493.349)
Profit tax paid		(2.112.573)	(2.559.452)
Net cash flows from operating activities		**72.927.328**	**20.410.289**
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	4	(55.937.492)	(41.107.009)
Payments for the purchase of financial assets	5	(17.021.000)	-
Loans granted to affiliates	6	(13.100.000)	-
Letters of credit for the purchase of assets		-	(1.881.991)
Amounts collected from the sale of tangible assets		3.993.119	1.354.572
Interests collected		7.041	3.257
Net cash flows from investment activities		**(82.058.332)**	**(41.631.171)**
Cash flows from financing activities			
Amounts collected from loans		40.328.879	45.360.817
Loans reimbursed		(46.175.810)	(3.260.955)
Interests paid		(10.779.251)	(8.699.780)
Payments for leasing		(10.209.182)	(7.715.515)
Interests paid under leasing agreements		(316.893)	(236.274)
Share capital increase	12	48.894.047	476.774
Dividends paid		(11.811.653)	(4.952.235)
Net cash flows from financing activities		**9.930.137**	**20.972.832**
Net increase/(reduction) of cash and cash equivalents		**799.133**	**(248.050)**
Cash and cash equivalents as at the financial year beginning	10	**1.288.888**	**1.536.938**
Cash and cash equivalents as at the financial year end	10	**2.088.021**	**1.288.888**

General Manager
Nicolae Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

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

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 on 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, 2023, 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 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 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.

(d) Basis for preparation

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.

(d) Business continuity

These financial statements were prepared on a going concern basis, which means that the Company will continue in business for the foreseeable future. In order to assess the applicability of this assumption, management analyses forecasts of future cash inflows.

In 2023, the Company recorded a net profit of RON 5.629.023 (2022: RON 23.688.891), and as at December 31st, 2023, the current assets exceeded the current liabilities by RON 10.236.127 (2022: RON 46.966.638).

The Company had a positive cash flow of RON 799.133 in 2023 (negative in 2022: RON 248.050) and it has no outstanding liabilities to the public budgets or to its private partners.

In 2023, the Group's performance was impacted by the decreasing demand for packaging, generated by the reduction in consumption at macroeconomic level, especially in the second half of the year, due to the still high level of annual inflation (10,4%), as well as by the record-high interest rates of the past 10 years. The pressure on sales prices caused by the reduction in demand has been a particular challenge in terms of maintaining the company's profitability within normal standards.
Labour force cost was also a stress factor to the company's profitability.

Vrancart S.A., even if it was below last year's profitability and the budgeted one, generated a sufficient EBITDA to contribute to supporting the debt service and fulfilling the covenants assumed with the financing banks, ensuring at the same time a solid financial balance at the Group level.

Based on these performances and the strategy of developing new projects in the energy field and modernization of production capacities, the Extraordinary General Meeting of Vrancart Shareholders achieved during the year 2023 an increase of the share capital in the amount of RON 48.783.114 and, in January 2024, approved the increase of the share capital by RON 31.920.075, an amount that will be received at the beginning of 2024 and that will allow the completion in optimal conditions of the Group's strategic plans.

As presented in the subsequent events note, in March 2024, the Group repaid the obligations in full, on the due date.

The company benefits from available credit facilities, both short-term and long-term, in line with the financing needs of current and investment activities as provided for in the 2024 budget.

The budget prepared by the Company's management and approved by the Board of Directors for the year 2024 indicates positive cash flows from operating activities, an increase in sales and profitability which directly contributes to improved liquidity and will allow the Company to meet the contractual clauses undertaken in its agreements with the financing banks. The Company's management believes that the support received from the banks and shareholders will be sufficient for the Company to continue operating under normal conditions, based on the going concern principle.

The management believes that the Company will be able to continue its activity in the foreseeable future and therefore the application of the going concern principle in the preparation of the financial statements is justified.

(e) The use of judgements and estimates

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.

The main estimates refer to:

- Cash flow and WACC forecasts used in the asset impairment analysis presented in Notes 4, 5
- Amortisation period of fixed assets presented in Note 3(d),(f)
- Adjustments for the depreciation of inventories disclosed in Note 3(i)
- Adjustments for the depreciation of receivables disclosed in Note 3(i)
- Depreciation of goodwill disclosed in Note 3(i)

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:

Foreign currency	**December 31st, 2023**	**December 31st, 2022**	**Variation**
Euro (EUR)	4.9746	4.9474	+0,55%
American dollars (USD)	4.4958	4.6346	-2,99%

b. 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.

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.

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.

The Company holds derivative financial instruments in the form of conversion and reimbursement options related to loans from bonds issues, which are detailed in Note 15.

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. The Group applies the simplified IFRS 9 approach for measuring the expected credit losses, which uses a reduction for the losses expected over the lifetime for all trade receivables. Details on the modality to calculate impairment adjustments for trade receivables are included in note i. Impairment of assets.

Receivables include trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and 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.

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.

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.

Bonds – are evaluated at amortised cost. Details of loans from bond issues are presented in Note 17.

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.

c. 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.

If the result of revaluation is an increase over the net book value, it is treated as follows: as an increase in the revaluation reserve shown in equity, if there has not been a previous decrease recognised as an expense in respect of that asset, or as income to offset the expense related to the decrease previously recognised for that asset.

If the result of revaluation is a decrease in the net book value, it shall be treated as an expense related to the full amount of the depreciation when no amount relating to that asset (revaluation surplus) is recognised in the revaluation reserve, or as a decrease in the revaluation reserve by the lesser of the amount of that reserve or the amount of the depreciation, and any uncovered difference shall be recognised as an expense.

The expenses related to the maintenance and repair of tangible assets are recognised by the Company in the statement of comprehensive income when incurred, and significant improvements to tangible assets, that increase their value or useful lifetime, or that significantly increase 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) Depreciation

Tangible assets items are depreciated as of 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.

Depreciation is calculated using the linear method over the estimated useful lifetime of the assets as follows:

- Land improvements 3-10 years
- Constructions 30-60 years

– Equipment and other tangible assets 2-16 years

Land is not subject to depreciation.

Depreciation 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 depreciation 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 depreciation. Any profit or loss resulting from such operation are included in the current profit or loss.

d. Rights of use (Leasing)

The company assesses whether a contract is or contains a lease, at the beginning of the contract. The Company recognises a right of use and a corresponding lease liability in respect of all leases in which it is a lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases for low value assets.

For these leases, the Company recognizes lease payments as an operating expense on a linear basis over the lease term.

The lease liability is initially evaluated at the current value of lease payments that are not paid at the lease commencement date, discounted using the implicit rate in the lease. If this rate cannot be easily determined, the Company uses the incremental borrowing rate. The lease payments included in the evaluation of the lease liability comprise the fixed lease payments and the purchase option exertion price, if the lessee is reasonably certain that it will exert its options, in the case of vehicles.

Following the application of IFRS 16 in the current financial year, the Company recognised the rights of use as assets, while increasing the total liabilities by the same amount.

The rights of use that the Company holds and records in accordance with IFRS 16 refer to buildings and land, vehicles and equipment. Details of the amounts of rights of use by the categories mentioned are given in Note 4.

Rights of use are stated at cost in accordance with IAS 16 and depreciated over the lease term.

The Company has chosen to present its rights of use resulting from the application of IFRS 16 along with the property, plant and equipment in the statement of financial position in accordance with IFRS 16, details of which are given in Note 4.

e. 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) Goodwill*

Goodwill recorded by the Company is the result of its merger with the company Giant, in accordance with IFRS 3. Goodwill is not amortised, it is tested annually for impairment; details of impairment testing and the amount of impairment recorded are disclosed in Note 5.

(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.

(v) EUA certificates

Vrancart is a company participating in the EU Emission Trading Scheme (ETS) in its 4th phase during the period 2021 - 2025. Under the programme, the company receives a number of EUA credits through the allocation programme, which are used to comply with the CO_2 emission obligations related to its activity.

The Company applies IAS 38 for their recognition. The cost of the allocated allowances being nil, they are only reflected off-balance sheet.

To the extent that the Company records any surpluses for allocated allowances, they may be sold by the Company, the income recorded on the sale being reflected in the "Other income" category - see Note 22.

f. Financial assets

Financial assets include the shares held in affiliated entities.

The Company chose to reflect in its individual financial statements the shares held in affiliated entities included in the scope of consolidation at cost less impairment losses in accordance with IAS 27.

g. Inventories

Inventories are evaluated at the lower of cost and 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.

Raw materials are evaluated at purchase price including transportation, handling costs and net of trade discounts.

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.

h. Assets held for sale

Non-current assets held for sale are recognised at the minimum value between the book value and the fair value less the selling costs.

The Company classifies a non-current asset (or group of assets) as held for sale if its (their) book value is covered mainly through a sale transaction rather than through continuous use. For this purpose, the asset (or group of assets) must be available for immediate sale in its (their) current condition, only under the usual and customary conditions of sale existing for such assets (or groups of assets), and the sale of the asset must be highly probable.

For the sale of the asset to be highly probable, the appropriate level of management must have prepared a plan to sell the asset (or group of assets), and an effective programme to identify the buyer and finalise the sale plan must have been initiated. Furthermore, the asset (or group of assets) must be sellable in an active market at a price that is reasonably related to current fair value. In addition, the sale is expected to qualify for recognition as a "finalised, completed sale" within 1 year from the date of classification.

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.

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 highest 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.

In accordance with IFRS 9, the Company used the simplified approach for calculating ECL for trade receivables and contractual assets that did not contain a significant financing component. The Group performed an analysis of impairment adjustments for trade receivables that took into account historical credit loss experience based on the evolution of debtors' arrears, adjusted to reflect the current conditions and estimates of future economic conditions.

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).

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. Affiliated parties

Branches are entities controlled by the Group. Control is achieved where the parent company has the power to govern the financial and operating policies in order to obtain benefits from its activities.

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. Details on related party transactions are disclosed in Note 30.

l. 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 employee benefits

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.

m. 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.

n. 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. If the Company transports the customer's goods, the transfer of ownership is made at the time of delivery of the goods at the place of completion of the shipment, depending on the conditions of delivery. Thus, these shipment services are not recognized as a separate performance obligation.

The income from the sale of goods are recognised when control is transferred to the customer.

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.

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.

o. 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 depending on currency exchange fluctuations: 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.

Financial income 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.

p. 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, 2023, the profit tax rate was 16% (December 31st, 2022: 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.

q. 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.

r. 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.

s. 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 it is presented when an inflow of economic benefits is almost certain.

t. 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.

u. New standards and interpretations

The initial application of the 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:

- **IFRS 17 „ Insurance Contracts" - including the amendments to IFRS 17 issued by the 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 IAS 1 Submission of financial statements - Presentation of accounting policies (applicable for annual periods beginning on or after January 1st, 2023**),
- **Amendments to IAS 12 „Profit tax" –** Deferred tax on receivables and payables arising from a single transaction (applicable for annual periods beginning on or after January 1st, 2023),

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

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 consolidated financial statements, the following amendments to the existing standards issued by the IASB and adopted by the EU are not yet effective:

- **Amendments to IAS 1 „Submission of financial statements" –** Long-term liabilities with financial indicators (applicable for annual periods beginning on or after January 1st, 2024),
- **Amendments to IFRS 16 „Leases" -** Lease liabilities in a sale and leaseback transaction (applicable for annual periods beginning on or after January 1st, 2024),
- **Amendments to IFRS 10 „Consolidated financial statements" and IAS 28 „Investments in associated entities and joint ventures"-** Sale of or contribution with assets between an investor and its associated entities or joint ventures and the subsequent amendments (the effective date has been postponed indefinitely, pending the completion of the equity method research project).
- **Amendments to IAS 7 „Statements of cash flows" and IFRS 7 „Financial instruments" –** supplier financing agreements (applicable for annual periods beginning on or after January 1st, 2024),

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.

v. 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 (c) *(i)* for tangible assets.

4. Tangible assets

	Land and land improvements	Buildings and special constructions	Plant and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
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**
Cumulated amortisation and impairment losses					
As at January 1st, 2022	**445.700**	**10.399.097**	**82.272.004**	-	**93.116.801**
Depreciation expense	244.005	2.290.555	24.735.237	-	27.269.797
Expense related to the depreciation 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**
Net book value					
As at December 31st, 2022	**15.638.888**	**87.088.532**	**224.227.859**	**49.086.235**	**376.041.514**

	Land and land improvements	Buildings and special constructions	Plant and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
As at January 1st, 2023	**15.638.888**	**97.538.197**	**273.574.808**	**49.086.235**	**435.838.127**
Purchases	657.615	338.762	204.201	33.416.766	34.617.344
Assets related to the rights of use of leased assets	-	11.858.382	5.135.013	-	16.993.395
Transfers from assets in progress	1.274.592	23.752.700	24.079.248	(49.106.540)	-
Outflows	(1.033.017)	(1.980.807)	(4.693.611)	(16.698.276)	(24.405.711)
Outflows of assets related to rights of use	-	(373.586)	(138.318)		(511.904)
As at December 31st, 2023	**16.538.077**	**131.133.649**	**298.161.340**	**16.698.175**	**462.531.242**
Cumulated amortisation and impairment losses					
As at January 1st, 2023	**-**	**10.449.665**	**49.346.948**	-	**59.796.613**
Amortisation expense	210.840	2.825.124	27.255.417	-	30.291.380
Expense related to the amortisation of assets related to the rights of use of leased assets	-	5.444.095	3.843.197	-	9.287.293
Outflows	-	(659)	(1.097.088)	-	(1.097.747)
Outflows of assets related to rights of use	-	(274.064)	(102.816)	-	(376.880)
As at December 31st, 2023	**210.840**	**18.444.161**	**79.245.658**	**-**	**97.900.659**
Net book value					
As at December 31st, 2023	**16.327.237**	**112.689.488**	**218.915.682**	**16.698.175**	**364.630.583**

As at December 31st, 2022, based on a report prepared by an authorized appraiser, the Company recorded a revaluation surplus for land and land improvements, special buildings and constructions and production lines in the amount of RON 64.849.738 and a net increase in the amount of RON 4.348.870 (at income). The fair value of fixed assets subject to revaluation was determined by applying the market comparison method, where market information is available (IFRS 13 Level 2), respectively by the net replacement cost method (IFRS 13 Level 3). For the current year, the Company estimates that there are no significant changes in fair value. There have also been no movements in the revaluation reserve that would have an effect on the profit and loss account or on other comprehensive income items.

The method of canceling the accumulated depreciation is used to record the revaluation results in the accounting.

Impairment tests

As at December 31st, 2023 the Company performed impairment testing for the Vrancart fixed assets line, the appropriate type of value is "value in use", defined by IAS 36 - Depreciation of assets, as: "the discounted value of future cash flows expected to be obtained from an asset or a cash-generating unit"..

The company performed the impairment testing for the Vrancart fixed assets line, with the help of an authorized appraiser, and concluded that there is no need to record any additional impairment.

According to the analysis, there is only one cash-generating unit in Vrancart line of business (the corrugated cardboard packaging business). The input data used to estimate the value in use of the assets under test was as follows:

- **Net cash flow -** these flows (the income and expenditure budget) were forecasted by the Company's representatives for the entire explicit forecast period, and for perpetuity, they were estimated by the appraiser by applying the 3% growth rate in perpetuity represented by the inflation forecast for RON on the long term by the National Bank of Romania.

- **The discount rate** and the capitalisation rate for residual value **-** estimated by the appraiser. The discount rate was estimated by the weighted average cost of capital (WACC) by calculating each of its components and then, for verification, reference was also made to data found in the market for other manufacturers of similar products. Thus, the results identified in the Damodaran database at the European level, we found the average EBITDA margin between 12% - 16%. WACC (weighted average cost of capital) on 31.12.2023 was 11.58%.

- **The change in net working capital -** estimated by the appraiser based on the working capital for the first forecast year, i.e. 3,1% of the estimated turnover in the explicit forecast period, and for the remainder of the explicit forecast period, respectively for perpetuity, it was kept at the same level as mentioned above.

Thus, the value of use of the fixed assets related to the Vrancart business line, which is to be subjected to the impairment test, was determined: 384,795,242 lei. This value was then compared with the net accounting value of 316,593,953 lei.

Applying the sensitivity analysis on the impact generated on the value of the use of fixed assets, we observe that at a decrease of EBITDA by up to app. 8%, the value in use remains higher than the accounting value, while a change in the share of working capital up to 8% (estimated 3.1%) of the turnover will not generate any negative impact. If we apply the same analysis on the discount rate (WACC), an increase in it to around 13.3% will not have a negative impact, although in reality we observe a decrease in the WACC for the year 2024 and beyond, taking into account the evolution of the cost of borrowing. If we apply a growth rate in perpetuity of only 0.5%, compared to the estimate of 3%, we also observe that the value in use will be above the accounting value.

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 212.404 thousand as at December 31st, 2023 (December 31st, 2022: RON 178.945 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, 2023 would have been as follows:

	Cost	Cumulated amortisation	Net book value
Land and land improvements	20.251.685	2.886.882	17.364.803
Constructions and special buildings	89.332.269	24.398.398	64.933.871
Production lines	322.538.914	191.124.083	131.414.831
Total	**432.122.868**	**218.409.363**	**213.713.505**

The main purchases of tangible assets in 2023 were: buildings and related warehouses for the production of corrugated board, as well as equipment and production lines related to the production lines for paperboards, corrugated board and tissue paper.

The unamortised value of fixed assets which are no longer part of the patrimony following the sale and/or cassation as at December 31st, 2023 was RON 3.543.943 (see note 22) (31.12.2022: RON 1.129.839).

The net book value of the fixed assets purchased through the government subsidies received until December 31st, 2023 was RON 32.774.382 (see note 17) (31.12.2022: RON 32.575.214).

5. Financial assets

	December 31st, 2023	December 31st, 2022
Rom Paper SRL	28.866.728	28.866.728
Vrancart Recycling SRL	33.621.000	16.600.000
Ecorep Group SA	99.600	99.600
Total	**62.587.328**	**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 tissue paper products, such as: napkins, folded towels, tissue paper, professional rolls, facial tissues and boxed tissues. The products are sold in 6 countries, both in Romania and abroad, through store chain (hypermarkets, supermarkets, cash and carry), but also through distributors.

On January 20th, 2017, we completed the acquisition of the majority stake (70%) of Rom Paper SRL. As at December 31st, 2023, 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 89 employees as of December 31st, 2023 (2022: 73 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 has a number of 7 employees as at December 31st, 2023 (2022: 6 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.

The shareholding in Vrancart Recycling is relatively new and increased by a new investment during the financial year 2023. The company is in its early stages of operation, so at this time there are no indications of impairment that would require a test of these shareholdings.

The Company tested for impairment its shareholding in Rom Paper SRL, as well as the goodwill in the amount of 3.380.811 generated following the merger of the Company with Giant, and it was not necessary to record any impairment.

In the case of the ROM PAPER SRL business line, there is only one cash generating unit (the business of manufacturing of tissue paper products). The input data for estimating the value in use of the assets under test is as follows:

- **The net cash flow -** these flows (income and expenditure budget) were forecasted by the Company's representatives for the entire explicit forecast period, and for perpetuity, they were estimated by the appraiser by applying the 3% growth rate in perpetuity represented by the inflation forecast for RON on the long term by the National Bank of Romania.

  The discount rate and the capitalisation rate for residual value - estimated by the appraiser. The discount rate was estimated by the weighted average cost of capital (WACC). In order to determine it, we calculated each of its components.

- In order to verify the EBITDA margins forecast by the client, the appraiser considered it appropriate to refer to data found in the market for other manufacturers of similar products. Thus, the results identified in the Damodaran database at European level, we found the average EBITDA margin between 12% - 16%.

- **The change in net working capital -** estimated by the appraiser based on the NFR submitted by the client for the entire explicit forecast period, and for perpetuity, the client's estimated percentage for the last year of the explicit period was applied.

  In the case of the participation in Rom Paper, the use value of the financial immobilization was determined - ROM PAPER participation, which will be subjected to the impairment test: 57,915,896 lei. This value was then compared with the net accounting value of 28,866,728 lei.
  Applying the sensitivity analysis on the impact generated on the value in use of the financial immobilization - ROM PAPER participation, we observe that with a decrease in EBITDA by any percentage up to 20%, the value in use remains above or close to the book value, while a share of the capital of work in the turnover of up to 15% (5.8% estimated) will not generate a negative impact. If we apply the same analysis on the discount rate (WACC), an increase in it up to around 16% will not have a negative impact, although in reality we observe a decrease in the WACC for the year 2024 and beyond, taking into account the evolution of the cost debtors. If we apply a zero-growth rate in perpetuity ("g") instead of 3%, we notice that the value in use will remain much higher than the accounting value.

  In the case of the GIANT business line, there is only one cash generating unit (the corrugated cardboard packaging business). The input data for estimating the value in use of the assets under test is as follows:

- **The net cash flow -** these flows (income and expenditure budget) were forecasted by the Company's representatives for the entire explicit forecast period, and for perpetuity, they were estimated by the appraiser by applying the 3% growth rate in perpetuity represented by the inflation forecast for RON on the long term by the National Bank of Romania.

The discount rate and capitalisation rate for residual value - estimated by the appraiser. The discount rate was estimated by the weighted average cost of capital (WACC). In order to determine it, we calculated each of its components. In order to verify the EBITDA margins forecast by the client, the appraiser considered it appropriate to refer to data found in the market for other manufacturers of similar products. Thus, the results identified in the Damodaran database at European level, we found the average EBITDA margin between 12% - 16%.

- **The change in net working capital -** estimated by the appraiser based on the NFR submitted by the client for the entire explicit forecast period, and for perpetuity, the percentage estimated by the client for the last year of the explicit period was applied.

The value in use of the goodwill related to the GIANT business line, which was subjected to the impairment test, is 17,545,426 lei. This value was then compared with the net accounting value of 3,380,811 lei.
Applying the sensitivity analysis on the impact generated on the value in use of the GIANT business line, we observe that with a decrease in EBITDA by any percentage up to 22%, the value in use remains above or close to the accounting value, while a share of the capital of work in the turnover of up to 44% (15% estimated), will not generate a negative impact. If we apply the same analysis on the discount rate (WACC), an increase in it up to around 16% will not have a negative impact, although in reality we observe a decrease in the WACC for the year 2024 and beyond, taking into account the evolution of the cost debtors. If, instead of 3%, we apply a growth rate in perpetuity ("g"), of only 0.9% (estimated 3%), we also notice that the value in use will be close to the accounting value.

6. Other non-current assets

The Company granted to its branch Vrancart Recycling a financing line of RON 34 million, whose repayment due date is December 31st, 2031. The financing used by Vrancart Recycling as at December 31st, 2023 is RON 13.100.000. An interest rate equal to the 3-month Robor plus a margin of 2% is charged on the loan.

7. Inventories

	December 31st, 2023	**December 31st, 2022**
Raw materials and consumables	27.495.917	27.108.950
Finished products and goods	11.081.654	10.491.475
Production in progress	29.725.919	25.024.905
Down-payments for inventories	74.494	74.640
Adjustments for the impairment of inventories	(1.567.323)	(1.420.517)
Total	**66.810.661**	**61.279.453**

8. Assets held for sale

In 2023, the Board of Directors decided to reclassify the assets of 2 locations as held for sale, as follows:

- Piatra Neamt location – tissue paper production line – initially, the intention was to relocate the production line to Adjud, but as the costs of the special constructions are significant, it was decided to sell the asset.

- Ungheni, Mures location – land and production hall - the production centre was relocated to Santana de Mures, in a rented space, as the location in Ungheni was insufficient to increase the production and storage capacity.

Asset category	Book value
PIATRA NEAMT LOCATION	
Technological line for tissue paper production	16.660.015
UNGHENI, MURES LOCATION	
The land in Ungheni and the related infrastructure	1.474.098
The production hall and the related installations	1.030.774
The dismountable tent	560.874
TOTAL	**19.725.761**

9. Trade receivables

	December 31st, 2023	December 31st, 2022
Customers	73.096.976	100.192.106
Adjustments for the impairment of receivables – customers	(5.183.843)	(5.230.034)
Total	**67.913.133**	**94.962.072**

Adjustments for the impairment of receivables – customers	**December 31st, 2023**	**December 31st, 2022**
Balance as at the beginning of the year	5.230.034	3.361.809
New adjustments during the year	924.288	3.199.775
Cancellation of adjustments during the year	(970.479)	(1.331.550)
Balance as at the year end	5.183.843	5.230.034

10. Cash and cash equivalents

	December 31st, 2023	December 31st, 2022
Current accounts at banks and other values	2.054.661	1.261.228
Petty cash	33.359	27.660
Total cash and cash equivalents	**2.088.020**	**1.288.888**

11. Other receivables

	December 31st, 2023	December 31st, 2022
Other personnel-related receivables	684.798	600.771
Other receivables	1.752.343	542.517

Subsidies	7.112.867	-
Down-payments for services	42.431	14.137.072
Receivables related to the state budget	1.061.380	-
Adjustments for the impairment of other receivables	(300.000)	(300.000)
Total	**10.353.820**	**14.980.360**

12. Share capital

Company's shareholding structure

December 31st, 2023	**Number of shares**	**Amount (RON)**	**(%)**
LION Capital SA	1.286.197.217	128.619.722	76.05%
Paval Holding SRL	292.390.802	29.239.080	17.29%
Other shareholders	112.628.634	11.262.863	6.66%
Total	**1.691.216.653**	**169.121.665**	**100%**

December 31st, 2022	**Number of shares**	**Amount (RON)**	**(%)**
SIF Banat Crișana	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%**

Through the Decision no. 1 of April 27th, 2023, the Extraordinary General Meeting of the Shareholders decided to increase the share capital through the issuance of 488.409.440 new shares, with a nominal value of RON 0,10 each.

On September 13th, 2023 we completed the share capital increase procedure. The increased amount was RON 48.783.114.

Dividends

Through the Decision no. 4 dated April 27th, 2023, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2022, amounting to RON 12.033.855, respectively a gross amount of a dividend of RON 0,01/share.

13. Reserves

	December 31st, 2023	**December 31st, 2022**
Revaluation reserves	104.393.341	106.393.534
Premiums	775.497	664.564
Legal reserves	13.345.280	13.037.107
Other reserves	60.790.128	55.469.278

Total reserves	**179.304.246**	**175.564.482**

Legal reserves

According to the legal requirements, the Company sets up legal reserves in the amount of 5% of the recorded profit up to the level of 20% of the share capital. The amount of the legal reserve as at December 31st, 2023 is RON 13.345.280 (December 31st, 2022: RON 13.037.107). Legal reserves cannot be distributed to the shareholders. Other reserves comprise reserves from tax on reinvested profit and other reserves, established in accordance with 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%).

The difference between the revaluation value and the net book value of tangible assets is shown in revaluation reserve as a separate sub-item under “Equity”.

The revaluation surplus included in the revaluation reserve is transferred to retained earnings when this surplus represents an achieved gain. The gain is deemed to be achieved when the asset is retired from service following its sale or cassation. No part of the revaluation reserve may be distributed, directly or indirectly, unless the revalued asset has been revalued, in which case the revaluation surplus represents an actual achieved gain.

As of May 1st, 2009, due to changes in tax legislation, revaluation reserves recorded after January 1st, 2004 become taxable as the fixed asset concerned is amortised. Consequently, the Company has recorded a deferred tax liability in respect of this revaluation difference, which is debited against the amount of the revaluation surplus recorded in revaluation reserves in respect of the fixed assets concerned.

Other reserves

Other reserves in the statement of changes in equity include reserves from tax facilities and other reserves. In 2023 the Company benefited from tax exemption on reinvested profits, as provided for in the Tax Code (art. 22). The value of the reserve established in 2023, related to reinvested profit, is RON 5.320.851 (in 2022: RON 4.940.628), the balance of this reserve as at December 31st, 2023 being RON 60.589.500 (December 31st, 2022: RON 55.268.649).

Premiums related to capital

Premiums related to capital represent merger premiums of RON 612.219 and share premiums of RON 154.278. During the year, share premiums amounting to RON 110.933 were set up in connection with the share capital increase during the year.

14. Trade liabilities

Short-term trade liabilities

	December 31st, 2023	December 31st, 2022
Trade liabilities	31.554.532	45.464.436
Advances collected for orders	972.489	879.735
Total	**32.527.381**	**46.344.171**

15. Other liabilities

	December 31st, 2023	December 31st, 2022
Debts to the state budget	4.667.824	6.076.996
Dividends to be paid	1.475.383	1.253.181
Other liabilities	2.359.165	1.404.846
Other short-term liabilities	**8.502.372**	**8.735.023**
Provisions for disputes	12,961	22.822
Options related to the bonds issued (Note 14)	-	85.200
Other long-term liabilities	**12.961**	**108.022**

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

Reconciliation of provisions for disputes	December 31st, 2023	December 31st, 2022
Balance as at the beginning of the year	22.822	22.822
Provisions set up during the year	-	-
Provisions used during the year	9.861	-
Balance as at the year end	**12.961**	**22.822**

16. Lease liabilities

	December 31st, 2023	December 31st, 2022
Long-term liabilities under leasing agreements	21.333.018	15.701.298
Short-term liabilities under leasing agreements	9.300.908	7.718.425
Total liabilities under leasing agreements	**30.633.926**	**23.419.723**

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

Lease liabilities	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2023	**13.900.030**	**9.464.556**	**23.364.586**
Debts set up under rental agreements	11.858.382	5.390.176	17.248.558
Debts extinguished under ceased rental agreements	(107.904)	(50.062)	(157.966)
Interest and currency exchanges differences	456.190	193.496	649.686
Lease payments	(5.785.657)	(4.740.418)	(10.526.075)
As at December 31st, 2023, out of which:	**20.321.041**	**10.312.885**	**30.633.926**
Long-term lease liabilities	15.424.053	5.908.966	21.333.019
Short-term lease liabilities	4.896.989	4.403.919	9.300.908

Lease liabilities	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2022	**16.459.711**	**7.172.798**	**23.632.509**
Debts set up under rental agreements	2.222.983	5.572.165	7.795.148
Debts extinguished under ceased rental agreements	(266.750)	-	(266.750)
Interest and currency exchanges 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 lease liabilities	9.919.364	5781.934	15.701.298
Short-term lease liabilities	3.980.667	3.737.759	7.718.425

Rights of use	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
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)
As at January 1st, 2023	**12.964.500**	**9.852.620**	**22.817.120**
Inflows	11.858.382	5.135.013	16.993.395
Amortisation	(5.444.095)	(3.843.197)	(9.287.293)
Outflows	(99.522)	(35.502)	(135.024)
Net values as at December 31st, 2023	**19.279.265**	**11.108.934**	**30.388.198**

17. Loans

	December 31st, 2023	**December 31st, 2022**
Bank loans	58.847.028	70.337.193
Loans from bond issues	-	38.164.800
Other long-term loans	8.979.750	9.194.556
Total long-term loans	**67.826.778**	**117.696.549**
Bank loans	62.395.806	53.257.235
Loans from bond issues	38.250.000	-

Other short-term loans	145.310	3.655.170
Total short-term loans	**100.791.116**	**56.912.405**

Long-term bank loans	**December 31st, 2023**	**December 31st, 2022**
Initial balance	123.594.427	94.234.915
Draws	40.338.879	33.131.067
Reimbursements	(42.925.810)	(3.260.955)
Net currency exchange differences	241.938	(510.600)
Final balance	**121.242.834**	**123.594.427**

Loans from affiliates	**December 31st, 2023**	**December 31st, 2022**
Initial balance	12.849.726	-
Draws	-	12.229.750
Reimbursements	(3.250.000)	-
Interest	(474.666)	619.976
Final balance	**9.125.060**	**12.849.726**

Bonds	**December 31st, 2023**	**December 31st, 2022**
Initial balance	38.164.800	37.949.400
Conversion option	85.200	215.400
Reimbursements	-	-
Final balance	**38.250.000**	**38.164.800**

No.	**Date of granting of the loan**	**Currency**	**Type of interest (fixed/ variable)**	**Nature**	**Final maturity date**	**Principal in balance as at December 31st, 2023 – RON equivalent**	**Principal in balance as at December 31st, 2022 – RON equivalent**
1	31.07.2023	RON EUR	variable	overdraft	20.01.2026	382.330	956.672
2	02.06.2023	EUR	variable	long-term	15.10.2027	1.497.166	-
3	09.05.2018	RON	variable	long-term	20.04.2025	2.656.966	4.649.690
4	29.11.2017	RON	variable	long-term	29.11.2024	4.147.541	8.672.131
5	12.10.2023	EUR	variable	long-term	12.10.2033	10.176.519	-

No.	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31st, 2023 – RON equivalent	Principal in balance as at December 31st, 2022 – RON equivalent
6	12.10.2033	RON	variable	long-term	31.12.2024	7.238.802	-
7	08.07.2023	RON	variable	overdraft	19.08.2024	2.021.021	9.509.442
8	23.08.2021	RON	variable	long-term	31.12.2023	-	8.741.319
9	28.12.2022	EUR	variable	long-term	28.12.2027	6.367.488	2.869.492
10	19.12.2023	EUR	variable	long-term	29.07.2026	6.305.591	-
11	26.12.2023	EUR	variable	overdraft	26.12.2024	2.158.707	4.604.010
12	21.12.2021	RON	variable	long-term	20.12.2024	5.785.900	11.571.800
13	03.01.2017	RON	variable	long-term	29.11.2023	-	1.147.143
14	26.09.2019	RON	variable	long-term	20.09.2026	1.692.310	2.307.694
15	22.12.2023	EUR	variable	long-term	30.09.2033	6.267.996	-
16	29.10.2019	EUR	fixed	long-term	20.11.2024	489.981	1.018.905
17	23.10.2020	RON	variable	long-term	23.10.2025	1.736.842	2.684.210
18	18.05.2023	RON	variable	overdraft	18.05.2024	16.144.165	6.030.236
19	23.12.2020	RON	variable	long-term	20.12.2026	1.253.389	1.671.186
20	21.12.2022	EUR	variable	long-term	21.12.2027	5.173.584	6.431.620
21	20.12.2022	EUR	variable	long-term	20.01.2026	20.980.715	25.039.197
22	20.12.2022	EUR	variable	long-term	15.01.2026	4.208.800	5.022.945
23	27.12.2022	EUR	variable	long-term	27.07.2024	742.971	2.005.609
24	21.12.2022	EUR	variable	long-term	21.12.2027	4.382.208	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	9.431.842	11.725.338
	Total					**121.242.834**	**123.594.427**

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 the case of long-term loans may lead to early maturity and other penalties. All the financial and non-financial conditions attached to the loan agreements existing as at December 31st, 2023 have been met and there is no risk of early repayment.

The interest rate for loans in RON is determined as Robor + margin, with the final interest rate in the range of 6% - 8%. The interest rate for loans in EUR is determined as Euribor + margin, the final interest rate being in the range 2% - 4%.

As guarantee for its loans, the Company set up the following security interests in favour of banks: on its inventories of raw materials, finished and semi-finished products, on the balances of accounts opened with banks, on claims arising from present and future contracts and on its rights of claims arising from insurance policies covering the goods pledged as security. In addition, as at December 31st, 2023, tangible fixed 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, 2023, LION Capital S.A. 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, 2024 was the fifth 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.

18. Debts to employees

	December 31st, 2023	**December 31st, 2022**
Debts related to salaries	2.533.705	2.398.317
Other debts to employees	3.446.004	4.486.756
Retirement benefits (long-term)	444.379	440.169
Total debts to employees	**6.424.088**	**7.325.242**

19. Liabilities or receivables related to deferred tax

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

December 31st, 2023	**Liabilities**	**Assets**	**Net**
Tangible assets	90.753.810	-	90.753.810
Assets held for sale	1.765.655	-	1.765.655

Provision for inventories	-	1.567.321	(1.567.321)
Depreciation of receivables	-	5.183.843	(5.183.843)
Other receivables	-	300.000	(300.000)
Other liabilities	-	3.215.470	(3.215.470)
	92.519.465	**10.266.634**	**82.252.831**
Net temporary differences - 16% share			**82.252.831**
Liabilities related to deferred profit tax			**13.160.453**

December 31st, 2022	**Liabilities**	**Assets**	**Net**
Tangible assets	96.405.495	-	96.405.495
Provision for inventories		1.420.517	(1.420.517)
Depreciation of receivables		5.230.033	(5.230.033)
Other receivables		300.000	(300.000)
Other liabilities		4.374.394	(4.374.394)
	96.405.495	**11.324.944**	**85.080.551**
Net temporary differences - 16% share			**85.080.551**
Liabilities related to deferred profit tax			**13.612.888**

	December 31st, 2023	**Difference**	**December 31st, 2022**
Deferred tax to be paid			
Tangible assets	(14,520,610)	904,269	(15,424,879)
Assets held for sale	(282,505)	(282,505)	-
Deferred tax to be recovered			
Provision for inventories	250,772	23,489	227,283
Depreciation of receivables	829,415	(7,390)	836,805
Other receivables	48.000	-	48.000
Other liabilities	514.475	(185,428)	699.903
	(13.160.453)	**452.435**	**(13.612.888)**

Deferred income tax is mainly generated by the revaluation of fixed assets that is not recognized for tax purposes, impairment adjustments for inventories, customers and provisions for employee benefits.

20. 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, 2023	**December 31st, 2022**
The Ministry of Economy and Research II	2.897.518	3.619.168
Innovation Norway - 1MW Photovoltaic park	2.329.548	-
The Environmental Fund Administration	2.254.785	2.415.837

Innovation Norway 1	231.069	298.669
Innovation Norway 2	2.332.926	2.613.944
Non-reimbursable financial aid for microenterprises	5.415	6.712
The European Bank for Reconstruction and Development	71.794	80.544
Total	**10.123.05**	**9.034.874**

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.

21. Income from turnover

	2023	2022
Income from the sale of finished products	372.166.698	476.430.356
Income from the sale of goods	23.621.641	36.725.819
Income from services provided	16.126.810	11.827.432
Income from various activities	95.948	268.651
Total	**412.011.097**	**525.252.258**

The company recognizes its income on a point in time basis for the sale of finished products and goods, while its income from services rendered and other miscellaneous activities is recognized over time.

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.

22. Other income

	2023	2022
Income from investment subsidies	1.274.177	2.012.761
Income from the trading of CO_2 certificates	6.146.158	7.856.024
Income from compensations, fines and penalties	337.339	37.940
Income from royalties, locations under management and rents	672,034	779,607
Net profit from the sale of tangible assets	520.449	470.258
Other operating income	1.091.310	565.322
Total	**10.041.467**	**11.721.912**

23.Expenses related to raw materials and consumables

	2023	2022
Expenses related to raw materials	83.832.584	141.836.371
Expenses related to consumables and auxiliary materials	44.461.666	46.622.374
Expenses related to fuels	42.302.003	43.768.456
Expenses related to water and electricity	38.974.823	73.174.652
Expenses related to spare parts	6.592.286	4.633.010
Total	**215.963.362**	**310.034.863**

24. Third-party expenses

	2023	2022
Expenses related to maintenance and repairs	5.020.873	5.316.123
Expenses related to the transportation of goods	19.189.976	20.334.490
Waste recovery services provided	2.771.185	2.644.422
Provision of services related to the operation of the Piatra Neamt production centre	133.461	7.223.983
Waste management services provided	2.089.237	1.510.573
Provision of services related to fulfilment of environmental objectives	982.640	895.401
Expenses related to security services	1.802.903	1.251.148
Other third-party expenses	5.476.620	5.123.814
Total	**37.466.895**	**44.299.954**

25. Other expenses

	2023	2022
Expenses related to commissions and fees	1.024.557	186.170
Expenses related to royalties, locations under management and rents	764.903	846.118
Expenses related to bank services and similar	706.967	800.784
Expenses related to insurance premiums	2.118.258	1.756.799

Expenses related to other taxes, duties and similar payments	2.904.450	3.369.102
Donations granted	353.431	426.380
Expenses related to travels, secondments and transfers	621.247	454.072
Postage and telecommunication fees	379.290	362.322
Expenses related to entertainment, advertising and publicity	363.035	546.888
Expenses related to compensations, fines and penalties	68.277	226.792
Value adjustments on inventories	141.155	995.842
Value adjustments on receivables	930.413	1.868.225
Expenses related to personnel transportation	1.470.939	807.533
Expenses related to social benefits according to the collective labour agreement	1.350.601	1.233.640
Other operating expenses	407.226	202.341
Total	**13.604.749**	**14.083.008**

26. Personnel-related expenses

	2023	2022
Salary expenses	92.369.219	79.951.850
Expenses related to insurance and social protection	2.114.165	1.772.337
Luncheon vouchers granted	8.089.590	5.376.000
Total	**102.572.974**	**87.100.187**

In 2023, the average number of employees of the Company was 1221 (2022: 1202).

27. Financial income and expenses

	2023	2022
Interest income	1.308.417	130.403
Other financial income	18.643	147.132
Total income	**1.327.060**	**277.535**
Expenses related to interests associated to loans	10.993.639	8.699.780
Expenses related to interests associated to leasing agreements	316.893	236.274
Currency exchange losses	838.928	750.261
Other financial expenses	6.396	-
Total expenses	**12.155.856**	**9.686.315**

28. Profit tax expense

	2023	2022
Current profit tax expenses	605.877	3.530.742
Corrections of profit tax from the previous years	-	(114.893)

Deferred profit tax expenses	(71.446)	(896.973)
Total	**534.431**	**2.518.876**

	2023	2022
Profit/loss before taxation	**6.163.454**	**26.207.767**
Tax in accordance with the statutory taxation rate of 16% (2022: 16%)	**986.153**	**4.193.243**
Effect onto the profit tax of the:		
Legal reserve	(49.308)	(211.167)
Non-deductible expenses	5.119.763	6.034.920
Fiscal amortisation	(4.274.264)	(5.059.599)
Exemptions for sponsorships	(52.752)	(594.549)
Recording of temporary differences	(71.446)	(896.973)
Reinvested profit – tax credit	(1.123.715)	(832.106)
Profit tax	**534.431**	**2.633.769**

29. 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:

	2023	2022
Profit attributable to ordinary shareholders	5.629.023	23.688.891
Weighted average number of ordinary shares	1.349.066.594	1.049.082.590
Base earnings per share	**0,0042**	**0,0226**

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

	2023	2022
Profit attributable to ordinary shareholders	5.629.023	23.688.891
Adjustment related to the bonds interest and the tax effect	2.841.280	2.057.618
Profit attributable to ordinary shareholders – adjusted	**8.470.303**	**25.746.509**
Weighted average number of ordinary shares	1.349.066.594	1.049.082.590
Potential shares from bond conversion	228.358.209	227.849.552
Weighted average number of ordinary shares – adjusted	**1.577.424.803**	**1.276.932.142**
Diluted earnings per share	**0,0054**	**0,0202**

30. 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, 2023:

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:

	2023	2022
Remuneration of the members of the Board of Directors	3.948.718	3.393.548

The amounts mentioned include the total gross remuneration (fixed and variable) for the financial years 2022 and 2023 for all the members of the Board of Directors, as well as the total remuneration of the General Manager.

Transactions with affiliated parties:

Affiliated party		Transactions in* 2023	Transactions in* 2022	Balance in 2023	Balance in 2022
Rom Paper/ branch	Supplier	360.331	6.435.843	100.312	47.714
Rom Paper/ branch	Customer	42.731.696	38.693.594	12.996.327	15.057.580
Vrancart Recycling	Supplier	6.757.874	4.423.363	1.278.701	881.610
Vrancart Recycling	Customer	2.504.578	908.009	70.863	150.844
Vrancart Recycling	Loan	30.100.000	-	13.100.000	-
Vrancart Recycling	Other debts	5.490.238	1.394.143	1.509.112	193.395
Ecorep Group SA	Customer	2.428.194	1.082.872	1.782.072	173.156
Ecorep Group SA	Supplier	1.071.083	968.047	167.827	258.571
SIF1 IMGB SA	Loan	1.021.976	12.229.750	9.125.060	12.229.750
Biofarm S.A.	Customer	290.777	412.329	46.259	91.969
Biofarm S.A.	Supplier	1.121	796	-	-
LION Capital SA	Supplier	36	118	-	-
Bucur SA	Supplier	-	412	-	-
Ci-Co SA	Supplier	9.351	9.076	754	1.493
Sifi Cj Logistic SA	Supplier	137.688	129.049	5.761	908
Semtest Craiova SA	Supplier	177.431	173.922	17.689	16.170

*Note: The values do not include VAT.

Other operations:

Affiliated party		Transactions in 2023	Transactions in 2022	Balance in 2023	Balance in 2022
SIF Banat Crișana SA	Payment of dividends distributed during the year	9.086.125	3.816.173	-	-
ARIO Bistrița	Debtor	-	-	300.000	300.000

31. Events subsequent to the balance sheet date

The Ordinary General Meeting of Shareholders took place on January 9th, 2023, approving the ratification of the resolution of the Board of Directors no. 43/05.10.2023, regarding the modification of some credit facilities in the relation with BRD-GSG, in order to implement the state aid project.

The Extraordinary General Meeting of the Shareholders took place on January 25th, 2024, approving the Company's share capital increase by the amount of RON 31.920.075, through the issuance of new shares.

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, 2023**	**December 31st, 2022**
Trade receivables and other receivables	68.925.494	94.962.072
Restricted cash	-	1.881.991
Cash and cash equivalents	2.088.021	1.288.888
Total	**71.013.515**	**98.132.951**

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.

32. Financial risk management (continued)

Impairment losses

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

December 31st, 2023	**Gross value**	**Depreciation**
Current and outstanding receivables between 0 and 30 days	44.871.975	306.084
Outstanding receivables between 31 and 60 days	4.105.313	28.584
Outstanding receivables between 61 and 90 days	782.592	12.716
Outstanding receivables between 91 and 180 days	2.037.845	751.963
Outstanding receivables between 181 and 360 days	661.052	603.103
Outstanding receivables for more than 360 days	21.950.559	3.781.393
Total	**74.109.336**	**5.483.843**

December 31st, 2022	**Gross value**	**Depreciation**
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**

Provision percentages overview	**December 31st, 2023**	**December 31st, 2022**
Current and outstanding between 0 and 30 days	0,7%	0,7%
Outstanding between 31 and 60 days	0,7%	0,7%
Outstanding between 61 and 90 days	1,6%	1,6%
Outstanding between 91 and 120 days	19,4%	19,4%
Outstanding between 121 and 180 days	59,7%	59,7%
Outstanding between 181 and 9365 days	91,2%	91,2%
More than 365 days	100%	100%

(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, 2023	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	130.367.894	143.533.037	26.706.963	116.826.075	-
Bonds	38.250.000	38.250.000	38.250.000	-	-
Lease liabilities	30.633.926	30.633.926	9.300.908	21.333.018	-
Trade liabilities and other liabilities	47.466.803	47.466.803	47.009.463	457.340	-
Total	**246.718.623**	**259.883.766**	**121.267.334**	**138.616.432**	**-**

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 their conversion options could be exerted. The bonds with a total value of RON 38.250.000 reach the maturity dates on March 17th, 2024.

32. Financial risk management (continued)

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	-
Bonds	38.250.000	38.250.000	-	38.250.000	-
Lease liabilities	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	**261.297.122**	**274.162.349**	**132.576.614**	**139.953.094**	**1.632.642**

(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:

Variable rate instruments	**December 31st, 2023**	**December 31st, 2022**
Bank loans	120.752.853	122.575.522
Loans from bond issues	38.250.000	38.250.000
Other loans	9.125.060	12.849.726
Debts related to leasing agreements	30.633.926	23.419.723
Total	**198.761.839**	**197.094.971**

(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 1.992.518 (RON 1.981.139 as at December 31st, 2022). 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 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.

32. Financial risk management (continued)

(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, 2023	**TOTAL**	**RON**	**EUR**	**USD**	**Other currencies**
Trade receivables and other receivables	71.154.086	64.375.315	6.748.200	30.571	-
Cash and cash equivalents	2.088.021	2.060.820	20.735	682	5.784
Financial assets	**73.242.107**	**66.436.134**	**6.768.935**	**31.254**	**5.784**
Loans	130.367.894	35.944.632	94.423.262	-	-
Debts under leasing agreements	30.633.926	-	30.633.926	-	-
Trade liabilities and other liabilities	47.022.424	38.081.305	8.529.855	411.264	-

Financial liabilities	**208.024.244**	**74.025.938**	**133.587.043**	**411.264**	**-**
Total net financial assets/(liabilities)	**(134.782.137)**	**(7.589.803)**	**(126.818.107)**	**(380.010)**	**5.784**

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)	-
Cash and cash equivalents	1.881.991	-	1.881.991	-	-
Financial assets	1.288.888	1.053.606	233.060	1.408	815
	113.764.256	**103.275.082**	**10.599.934**	**(111.574)**	**815**
Loans					
Debts under leasing agreements	174.608.954	99.336.434	75.272.520	-	-
Trade liabilities and other liabilities	23.419.723	298.958	23.120.765		
Financial liabilities	62.743.076	52.794.268	9.703.272	245.536	-
	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**

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, 2023: + RON 12.719.233 (December 31st, 2022: + RON 9.785.292). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

32. Financial risk management (continued)

A decrease by 10 percentage points of RON as at December 31st, 2023 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 authorized 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 applicable.

(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.

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.

32. Financial risk management (continued)

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.