



REPORT OF THE BOARD OF DIRECTORS

FOR THE FINANCIAL YEAR 2023

Name of the issuing entity:	VRANCART S.A.
Registered office:	Adjud, 17 Ec. Teodoroiu Street, Vrancea
Telephone/fax no.:	0237-640.800 / 0237-641.720
Tax Identification Number:	1454846
Trade Registry registration number:	J39/239/1991
Subscribed and paid-in share capital:	RON 169.121.665
The regulated market onto which the issued securities are traded:	The Bucharest Stock Exchange



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

1.1.1. General information

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

General presentation

Trade company name	„VRANCART”
Type of company	Joint-stock trade company
Address	Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, 625100
Telephone/fax no.	0237.640.800 / 0237.641.720
Registered with the Trade Registry Office under no.:	J39/239/1991
Tax code	1454846
Tax Identification Number	RO1454846
Paid-in share capital	RON 169.121.665
Nominal share value	RON 0,10/share
Number of shares	1.691.216.653

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

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

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

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

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

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

Although the economic effects of the political crisis in the region cannot be fully estimated, the Company considers that its good financial situation, the access to financing and the markets where



it operates are a solid basis for ensuring business continuity and for restricting the negative effects of the economic and political crisis, in general.

General evaluation items:

a) gross book profit		RON 6.163 thousand
b) turnover		RON 412.011 thousand
c) operating costs		RON 423.057 thousand
d) liquidity as at the year-end		RON 2.088 thousand
e) % of the market held (internal estimates)		
<u>In 2023</u>	Tissue paper	- 10 %
	Paperboards	- 15 %
	Corrugated cardboard	- 14 %

1.1.2. Evaluation of the Company's technical level

The main production activities of „VRANCART” are organised by three different lines of business managed based on their own budgets, component parts of the general budget of the Company, that manufacture products for three different markets, namely:

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

The evolution of the company's production by lines of business is presented in the table below:

Business lines	M.U.	2023	2022	2021
The paperboards mill	to	69.597	87.010	88.255
The corrugated cardboard and packaging mill	to	59.222	69.655	69.627
The tissue paper mill	to	17.639	20.760	20.164

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

Business lines	M.U.	2023	2022	2021
The paperboards mill	%	6%	9%	12%
The corrugated cardboard and packaging mill	%	63%	63%	65%
The tissue paper mill	%	23%	19%	17%
Other activities	%	8%	9%	6%

The investments made in 2023, by groups of fixed assets, were:

Investments made	Value (RON)
Land, buildings and building improvements	26.023.668
Technological equipment	18.667.648



Apparatus and working installations	2.523.797
Means of transport and other fixed assets	3.092.005
Intangible assets	38.261
TOTAL	50.345.379

1.1.3. Evaluation of the technical and material supply activity

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

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

Wastepaper purchase	M.U.	2023	2022	2021
Wastepaper purchases through the collection centres	to	87.864	87.866	82.484
	% out of the total amount	66%	59%	57%
Direct purchase (Adjud)	to	44.996	61.793	62.100
	% out of the total amount	34%	41%	43%
Total purchases	To	132.860	149.659	144.584
	%	100%	100%	100%

1.1.4. Evaluation of the sales activity

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

Lines of business	M.U.	2023	2022	2021
The paperboards mill	to	9.427	14.755	23.384
The corrugated cardboard and packaging mill	to	59.128	70.040	69.243
The tissue paper mill	to	17.352	21.703	18.822

The state of competition

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

A. On the paperboards market in Romania there were four competitors in 2023. The production capacities of the paper production plants based on the public statements of the producers are as follows:

Producer	Annual production capacity (to/year)
Ambro Suceava (Rossmann Group)	155.000
DS Smith, Zărnești	200.000



Vrancart Adjud	100.000
Romwelle (“CCH”), Turnu Severin	80.000
Total	535.000

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

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

Market share evolution for paperboards

Producers	2023	2022	2021
Vrancart Adjud	15%	16%	16%
Other producers	85%	84%	84%
Total	100%	100%	100%

Source: VRANCART estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2023 there were 9 competitors, out of which 5 have two mills each (Vrancart, Dunapack, DS Smith, Rossmann and Rondocarton).

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

The estimated production capacity of the 15 corrugated cardboard mills amounts to over 750 thousand tons per year. The consumption in 2023 was of 426 thousand tons (57% of the total production capacity), recording a reduction of approx. 3,1% in tons compared to the previous year.

Corrugated cardboard producers in 2023 in Romania:

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

Source: VRANCART estimates

Market share evolution for Corrugated cardboard and corrugated cardboard packaging:

Producers	2023	2022	2021
Vrancart Adjud	14%	17%	17%
Other producers	86%	83%	83%



Total	100%	100%	100%
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Source: VRANCART estimates

C. On the tissue paper market, with a market share of 10% in 2023 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.

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

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

At the end of 2020, Vrancart purchased, through bid, the tissue paper production machine from Petrocart, being included in the category of assets held for sale.

New production capacities will appear on the market in the coming period. Pehart Tec Group plans to invest Euro 20 million to develop new production capacities in order to increase its export volumes, for the energy efficiency of the production lines and for the diversification of its portfolio. (Source: <https://www.zfcorporate.ro>)

Market share evolution for Tissue paper

Producers	2023	2022	2021
Vrancart Adjud	10%	10%	10%
Other producers	90%	90%	90%
Total	100%	100%	100%

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

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

The average number of employees in 2023 was 1221 employees, out of which:

- 177 higher education graduates
- 478 high school graduates
- 362 vocational school graduates
- 204 middle school graduates

Out of the total number of employees, 150 are trade union members (there is only one trade union within the Company).

The labour force fluctuation index in 2023 was 24% (the number of employees that left the Company/ average number of employees x 100).

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

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



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

VRANCART S.A. has implemented an integrated quality-environment-health management and labour security system which was re-certified for multi-site in September 2022 by Lloyd's Register England, Bucharest Agency. The certified sites are: Vrancart S.A. Adjud, 17 Ecaterina Teodoroiu Street and the work point in Adjud, located in 17 Revolutiei Street.

The impact of the Company's activity onto the environment is constantly monitored through the implementation of the Environmental Management System and implicitly through the compliance with the laws in force and the **INTEGRATED ENVIRONMENT AUTHORISATION no. 1/18.03.2015, which was revised on April 14th, 2020.** According to the legislation in force, the INTEGRATED ENVIRONMENTAL AUTHORISATION is valid only with an annual endorsement. The work point did not require an environmental authorisation.

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

ENVIRONMENTAL FACTOR: AIR

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

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

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

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

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

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

In 2023, we carried out measurements of the pollutants discharged by fixed sources, in accordance with the Integrated Environmental Authorisation, with ICEMENERG Bucharest (a laboratory accredited according to ISO 17025); the results were below the maximum limits allowed, imposed through the abovementioned authorisation.



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

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

ENVIRONMENTAL FACTOR: WATER

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

In 2023, the wastewater discharged from Vrancart's wastewater treatment plant into Siret river were within the limits imposed by the revised Water Management Permit, as revised, according to the current monitoring and the determinations carried out by ALS GLOBAL Ltd, Ploiești (a laboratory accredited according to ISO 17025).

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

ENVIRONMENTAL FACTOR: SOIL

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

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



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

According to the requirements on the protection of soil imposed by the “Integrated Environmental Permit”, in November 2023, ALS GLOBAL Ltd Ploiesti (a laboratory accredited according to ISO 17025) made determinations of the concentrations of pollutants. The results showed that the measured values are below the maximum limits allowed.

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

1.1.7. Evaluation of the research and development activity

The company is involved as a partner in various research and development projects. In 2019, “Gheorghe Asachi” Technical University of Iasi submitted a project for financing with the programme: PN-III-CERC-CO-PED-2016 with the name „Novel materials with optical properties for anti-counterfeiting paper” (OptiPaper). The project objective is to manufacture secured paper for money production, so as not to allow its counterfeiting and it will be carried out over a period of 2 years. Vrancart was a partner within the project, approved in November 2020. The project value amounted to RON 653.850, financed by the state budget in a proportion of 92%. The project was completed at the end of 2022.

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

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

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

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

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

Book value	December 31st, 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
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The Company covers the credit risk through the preparation and implementation of relevant credit policies (e.g. each new customer is analysed on an individual basis in terms of its trustworthiness before being given the standard payment and delivery conditions of the Company; sales limits are established for each separate customer), the customers failing to meet the conditions established by the Company may make transactions with it only after making an advance payment. Also, the Company has concluded with Coface Romania an insurance policy for trade receivables, which gives it flexibility and agility in developing its existing and new business relations.

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

December 31st, 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	-	-
Debts under leasing agreements	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	-

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	-
Debts under leasing agreements	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

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

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

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



currencies and multi-option financing facilities, as well as interest rate swap and currency hedging facilities available, based on forward transactions with and without delivery.

1.1.9. Prospects for the Company's business

In 2024, the Company will continue its development process through the implementation of large scale investments that will lead to the optimization and increase of its production capacity, as well as to the diversification of its product portfolio. Although their implementation will require great investment efforts and discontinuations of the production flow (for the replacement/upgrade of equipment), the Company expects its results will be at the same level as in the previous year.

1.1.10. Operating permits and certifications

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

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

During August-September 2023, the multi-site recertification audit of the three ISO management systems - quality, environment, occupational health and safety - took place (at the company headquarters and the work point in Adjud). During the audit it was found that the processes are well kept under control. The system has a good level of compliance with the reference standards, which is why the recertification was obtained. The validity of the ISO management system certificates is:

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

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

Starting from January 2023, the management of VRANCART S.A. has decided to extend the FSC Management System certification in a multi-site approach to the following locations:

1. The registered office - site A:
 - Site address: Adjud, 17 Ecaterina Teodoroiu Street
 - Field of activity: manufacture of tissue paper, paperboards, corrugated cardboard and corrugated cardboard packaging.
2. Work point- site B:
 - Site address: Adjud, 17 Revolutiei Street



- Field of activity: manufacture of household and sanitary products made of tissue paper (tissue paper rolls, towels, etc.).

The annual audit in 2023 found a good level of compliance with the standards chosen as a reference model. "VRANCART" is operating in compliance with the provisions of:

- **THE INTEGRATED ENVIRONMENTAL AUTHORIZATION no.1/18.03.2015, revised on 14.04.2020**, valid with an annual endorsement.
- **THE WATER MANAGEMENT AUTHORISATION No. 156/17.08.2022, valid until 17.08.2027**. The value of the indicators is in accordance with NTPA 001/2005.

The general objectives of the ISO and FSC management systems have been included in the policies on quality, environment, occupational health and safety. Specific process objectives have been set to achieve the general objectives. The ISO and FSC certificates and the related policies are available for consultation at www.vrancart.ro.





2. THE COMPANY'S TANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

The degree of wear in the records as at December 31st, 2023 is as follows:



(all values are expressed in thousands RON)

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	120.141	26.739	32%
Equipment and other fixed assets	463.229	255.415	55%

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

A part of the Company's tangible assets is mortgaged or pledged to guarantee the loans granted by banks. The net book value of these pledged or mortgaged assets was RON 212.404 thousand as at 31.12.2023 (31.12.2022: RON 178.945 thousand). The net book value of the assets purchased through financial leasing as at 31.12.2023 is RON 181 thousand (31.12.2022: 0).

3. THE MARKET OF THE SECURITIES ISSUED BY THE COMPANY

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

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

The shareholding structure as at December 31st, 2023 is as follows:

- LION Capital - 76,05%
- Paval Holding - 17,29%
- Legal entities - 2,75%
- Natural persons - 3,91%

3.2. Description of the Company's policy on dividends

The Company's policy on dividends is established by the Ordinary General Meeting of the Shareholders. Through the Decision no. 4 dated April 27th, 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, in the amount of RON 12.033.855, respectively a gross amount of a dividend of RON 0,01/share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes**
2021	9.868.525	576.826	5.054.219	1.444.268	-	2.793.212
2022	23.688.891	1.319.796	12.033.855	4.940.628	-	5.394.612
2023	5.629.023	308.173	-	5.320.850	-	-

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

** The distribution of the Company's profit for 2023 is the responsibility of the Ordinary General Meeting of Shareholders and will be determined at the meeting of April 29th/30th, 2024.



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

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

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

The company **Rom Paper SRL, Brasov (Branch 1)** was acquired in January 2017. The acquisition contract provided the acquisition in three stages, namely 70% (in January 2017), 15% (in June 2017) and 15% (in June 2018). The acquisition contract was completed, so that as at December 31st, 2023, the Company holds 100% of the shares. The main activity of the company is represented by the production and sale of tissue paper products.

Vrancart Recycling S.R.L. (Branch 2) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste. The company had a number of 89 employees as at the end of 2023. The parent-Company holds 100% of the shares as at December 31st, 2023.

Ecorep Group SA (Branch 3) was established in November 2020 and it is a Romanian privately-owned company. The main activity of this branch consists of the provision of services regarding the implementation of the obligations related to the producer’s extended liability for environmental targets. The number of employees as at December 31st, 2023 is 7. The parent-Company holds 99,6% of the shares as at December 31st, 2023.

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

In 2017, the Company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1st, 2017, the Financial Supervisory Authority approved the bond issuance prospectus in the amount of RON 38.250.000, with the interest Robor 3m + 2%, with the maturity term in 7 years. On March 13th, 2017, the Company completed the issuance process through the subscription in a proportion of 100% of the issued bonds. The bonds will be reimbursed on the maturity date of March 17th, 2024, so that, at the maturity date, the loan from bond issue, including the related interests calculated to date, will be fully paid.

4. THE COMPANY’S MANAGEMENT

4.1. The Company’s Directors

a) Presentation of the list of the company’s directors and of the following information for each director (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31st, 2023:

1. Ciucioi Ionel-Marian - 46 years old, economist,
Chairman of the Board of Directors for 10 years
2. Drăgoi Bogdan Alexandru - 44 years old, economist,
Member of the Board of Directors of “Vrancart” for 8 years
3. Mihailov Sergiu - 44 years old, economist,
Member of the Board of Directors of “Vrancart” for 6 years
4. Fercu Adrian - 47 years old, economist,
Member of the Board of Directors of “Vrancart” for 3 years



5. El Lakis Rachid - 27 years old, economist,
Member of the Board of Directors of "Vrancart" for 2 years

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

Not applicable.

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

The directors' participation in the Company's capital as at December 31st, 2023:

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

d) Remuneration policy

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

e) The list of persons affiliated to the company

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

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

4.2. The Company's executive management

a) The executive management of "Vrancart" S.A. Adjud as at December 31st, 2023 was provided by Nicolae-Paul DUMITRESCU, as General Manager and Nicu-Ciprian FEDOR, as Deputy General Manager.

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

- Not applicable.

c) The participation of the Company's managing members in the share capital.

- None of the managing members of VRANCART hold any shares.

4.3. Potential disputes or administrative procedures

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

- Not applicable.



5. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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



5.2. The Company's management

The Board of Directors

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

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

In the current mandate of the Board of Directors, elected by the General Meeting of Shareholders on April 27th, 2022, the Board of Directors is formed of non-executive members as at December 31st, 2023. The election of the members of the Board of Directors by a vote of the shareholders at the General Meeting of Shareholders held on April 27th, 2022 was based on a transparent procedure, by making the contents of the application file and the criteria for fulfilling the capacity of director in a company publicly known. The mandate of the members of the Board of Directors is 4 years, according to the statutory provisions.

In accordance with the legal provisions, the General Meeting of Shareholders approves the remuneration policy for the directors and the members of the executive management. In accordance with the statutory provisions, the Board of Directors gathers at least once every 3 months to monitor the company's activities.

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

The activity of the Board of Directors in 2023

In 2023, the Board of Directors of “VRANCART” S.A. Adjud gathered 22 times in accordance with the statutory provisions and the directors' attendance in the meetings was in accordance with the legal provisions.

The chairman of the Board of Directors chaired all the meetings held in 2023. As a result of the meetings, 65 management decisions on the Company's current activity were adopted.

5.3. Respecting the shareholders' rights

„VRANCART” S.A. respects the shareholders' rights, providing their equal treatment. For the General Meeting of the Shareholders held in 2023, namely on April 27th, 2023, in a dedicated section of the Company's website www.vrancart.ro – “For Shareholders”, the details on the conduct of the meeting were published: the notice to attend the General Meeting of the Shareholders, the materials related to the agenda, as well as any other information on the topics on the agenda; the forms for exerting the vote by special proxy and the form for vote by correspondence; the procedures for attendance and vote providing the orderly and effective performance of the works of the General Meeting of the Shareholders and granting the right to every shareholder to express



freely their opinion on the issues under debate; on the decisions made within the General Meeting of the Shareholders and on the result of the vote.

For the financial year 2023, the information on the financial schedule, current reports, quarterly, half-yearly and annual reports were posted on the website by the deadline.

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

5.4. Communication transparency

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

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

5.5. Financial reporting

The financial statements for 2023 were drawn up in accordance with the Order of the Minister of Finances no. 2844 from 2016, for the approval of the Accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016) and provide a fair and accurate view of the statement of assets, liabilities, financial position and of the profit and loss account of „VRANCART”.

According to the legal provisions, the financial and accounting statements were audited by PwC – an independent financial auditing company, appointed by the General Meeting of the Shareholders on April 24th, 2023 for a period of two years.

5.6. Internal control and risk management

Internal control monitors and checks regularly the application of the new legal provisions incidental to the Company’s business, checks the compliance with the Company’s internal regulations that were established through internal decisions and regulations, the completion of the existing regulations or the inclusion of new regulations specific to the Company’s business, the establishing or improvement of the Company’s internal procedures.

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



Within the Board of Directors of “VRANCART” there is an Audit Committee that examines regularly the efficiency of the financial reporting, of internal control, of internal audit and of the risk management system adopted by the Company. The Audit Committee is formed exclusively of non-executive directors.

5.7. Conflict of interests and transactions with stakeholders

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

The internal regulations impose the prohibition for the employees to engage in affiliated transactions that are in breach of the Financial Supervisory Authority regulations. When a conflict of interests occurs among the directors, they inform the Board of Directors of this issue and refrain from the debates and the vote on those issues, in accordance with the relevant legal provisions; these situations are recorded in the minutes of the meeting of the Board of Directors.

5.8. The corporate information regime

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

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

5.9. Social responsibility

„VRANCART” S.A. constantly carries out activities related to the Company’s social responsibility and each year it supports either directly or through foundations/ specialised associations the unprivileged categories of people from the local community where it carries out its activity. Also, the issuer is directly involved in supporting the young talents in sports, arts and music, as well as other social activities within the local community that it belongs to.



5.10. Non-financial statement

“VRANCART” S.A. will draft a separate report on information related to the non-financial statement and the aspects related to diversity, in accordance with the provisions of chapter 7 of Order no. 2844/2016. The separate report concluded for 2023 will be made available to the public on the Company’s website www.vrancart.ro, until June 30th, 2024.

6. FINANCIAL AND ACCOUNTING STATEMENTS

The individual financial statements are drawn up by the Company in accordance with the requirements of the Order of the Ministry of Finances no. 2844 of 2016, for the approval of the accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016). The International Financial Reporting Standards (IFRS) are the standards adopted according to the procedure provided by the (EC) Regulation no. 1.606/2012 of the European Parliament and of the Council dated July 19th, 2002 on the application of the International Accounting Standards.

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

The Company adopted a presentation based on liquidity within the statement of financial position and a presentation of the revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been submitted based on other methods allowed by IAS 1.

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

Indicator name	M.U.	December 31 st , 2023	December 31 st , 2022	December 31 st , 2021
Overall liquidity	Ratio	1.06	1.36	1.11
Immediate liquidity	Ratio	0.64	0.89	0.67
Stock turnover	Rot/year	6	9	7
Debt recovery	says	59	66	78
Reimbursement of trade liabilities	Days	28	32	58
Operating profitability	%	4%	7%	4%
Gross profit ratio	%	1,5%	5%	3%



6.1. Statement of financial position for the past 3 years

(RON)	December 31 st , 2023	December 31 st , 2022	3 December 31 st , 2021
ASSETS			
Tangible assets	364.630.582	376.041.514	300.076.409
Downpayments for tangible assets	19.706.483	1.864.753	
Intangible assets	775.019	953.329	1.379.680
Goodwill	3.380.811	3.380.811	3.380.811
Financial assets	62.587.328	45.566.328	45.566.328
Other non-current assets	13.750.286	650.945	-
Total non-current assets	464.830.509	428.457.680	350.403.228
Inventories	66.810.661	61.279.453	58.601.760
Assets held for sale	19.725.761	-	
Trade receivables	68.563.419	95.613.017	84.112.306
Prepaid expenses	972.024	1.666.742	517.486
Receivables related to current profit tax	835.908	-	212.055
Subsidies	7.112.867	-	-
Other receivables	3.240.953	14.980.360	2.820.729
Restricted cash	-	1.881.991	-
Cash and cash equivalents	2.088.021	1.288.888	1.536.938
Total current assets	168.699.328	176.059.506	147.801.274
TOTAL ASSETS	633.529.837	604.517.186	498.204.502
EQUITY			
Share capital	169.121.665	120.338.551	120.363.081
Revaluation reserves	124.277.787	126.658.969	63.931.173
Reserved related to deferred tax	(19.884.446)	(20.265.435)	(10.228.988)
Premiums related to capital	775.407	664.564	621.219
Legal reserves	13.345.280	13.037.107	11.717.311
Other reserves	60.790.128	55.469.278	50.528.650
Retained earnings	15.101.795	24.754.468	10.586.064
Total equity	363.527.706	320.657.501	247.518.509
LIABILITIES			
Long-term loans from bond issues	-	38.164.800	37.949.400
Long-term bank loans	67.826.778	79.531.749	47.751.510
Long-term liabilities under leasing agreements	21.333.018	15.701.298	17.768.484
Deferred income	8.761.341	7.207.890	9.034.757
Long-term debts to employees	444.379	440.169	422.307
Liabilities related to deferred profit tax	13.160.453	13.612.888	4.145.628
Other long-term liabilities	12.961	108.022	323.422
Total long-term liabilities	111.538.930	154.766.816	117.395.508
Short-term trade liabilities	32.527.381	46.344.171	61.919.951
Short-term loans	62.541.116	56.912.405	54.642.483
Short-term loans from bond issues	38.250.000	-	-



Short-term liabilities under leasing agreements	9.300.908	7.718.425	5.864.025
Deferred income	1.361.714	1.826.984	2.012.878
Debts to employees	5.979.709	6.885.073	4.394.786
Liabilities related to current profit tax	-	670.788	-
Other liabilities	8.502.373	8.735.023	4.456.362
Total current liabilities	158.463.201	129.092.869	133.290.485
TOTAL LIABILITIES	270.002.131	283.859.685	250.685.993
TOTAL EQUITY AND LIABILITIES	633.529.837	604.517.186	498.204.502

6.2. Statement of comprehensive income for the past 3 years

(RON)	2023	2022	2021
Income from turnover	412.011.096	526.031.865	387.017.600
Income from operating subsidiaries	12.922.747	-	-
Other income	9.521.017	13.893.815	6.929.773
Variation in finished product inventories and production in progress	5.074.068	5.295.240	8.574.789
Expenses related to raw materials and consumables	(215.963.362)	(310.034.864)	(229.269.419)
Expenses related to commodities	(13.612.864)	(23.465.836)	(13.055.876)
Third party expenses	(37.466.894)	(44.299.954)	(34.634.513)
Personnel-related expenses	(102.572.974)	(87.100.187)	(70.630.381)
Expenses related to amortisation and impairment of tangible assets	(39.836.284)	(31.090.782)	(32.086.789)
Other expenses	(13.084.300)	(13.612.749)	(7.118.725)
Operating result	16.992.249	35.616.548	15.726.459
Financial income	1.327.060	277.534	421.247
Financial expenses	(12.155.856)	(9.686.315)	(4.611.181)
Profit (loss) before taxation	6.163.454	26.207.767	11.536.525
Profit tax expense	(534.431)	(2.518.876)	(1.668.000)
Profit (loss) for the year	5.629.023	23.688.891	9.868.525
Other comprehensive income items			
Changes in the reserve from revaluation of tangible assets, net of deferred tax	-	54.485.505	(804.041)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5.629.023	78.174.996	9.064.484



6.3. Statement of cash flows for the past 3 years

(RON)	2023	2022	2021
Cash flows from operating activities			
Amounts collected from customers	511.357.338	605.702.567	433.426.416
Payments to suppliers	(301.751.777)	(464.825.391)	(284.373.262)
Payments to employees	(71.912.777)	(58.414.086)	(49.029.042)
Payments to the state budget	(62.652.883)	(59.493.349)	(54.727.134)
Profit tax paid	(2.112.573)	(2.559.452)	(2.813.694)
Net cash flows from operating activities	72.927.328	20.410.289	42.483.284
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(55.937.492)	(41.107.009)	(34.883.285)
Payments for the purchase of financial assets	(17.021.000)	-	(15.600.000)
Loans granted to affiliates	(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	1.354.573	364.446
Interests collected	7.041	3.257	896
Net cash flow from investment activities	(82.058.332)	(41.631.171)	(50.117.943)
Net cash flows from financing activities			
Amounts collected from loans	40.328.879	45.360.817	26.326.093
Loans reimbursed	(46.175.810)	(3.260.955)	(19.749.432)
Interests paid	(10.779.251)	(8.699.780)	(3.976.921)
Payments for leasing	(10.209.182)	(7.715.515)	(4.512.305)
Interests paid under leasing agreements	(316.893)	(236.274)	(147.885)
Share capital increase	48.894.047	476.774	16.736.768
Dividends paid	(11.811.653)	(4.952.235)	(9.837.462)
Net cash flows from financing activities	9.930.137	20.972.832	4.838.856
Net increase/ (Reduction) of cash and cash equivalents	799.133	(248.050)	(2.795.803)
Cash and cash equivalents at the financial year beginning	1.288.888	1.536.938	4.332.741
Cash and cash equivalents at the financial year end	2.088.021	1.288.888	1.536.938



7. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

On January 9th, 2024, the Ordinary General Meeting of Shareholders took place and approved 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, for the implementation of the project financed by state aid.

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

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

SIGNATURES

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

Ciucioi Ionel-Marian

Chairman of the Board of Directors

Dumitrescu Nicolae-Paul

General Manager

Arsene Vasilica-Monica

Financial Manager

