Vrancart
Aproape de tine, aproape de natură

LRQA CERTIFIED ISO 9001 · ISO 14001 ISO 45001
UKAS MANAGEMENT SYSTEMS 0001

*Translation for information purposes only*

# 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 |

# TABLE OF CONTENTS

# 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 Mureş, 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)

| | | |
|---|---|---|
| In 2023 | 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, Zărneşti | 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 Iaşi | 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%** |

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 Călăraşi.

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 14$^{th}$, 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 14$^{th}$, 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 12$^{th}$, 2020, the Greenhouse gas emissions authorisation no. 145 was issued on July 6$^{th}$, 2021 for the period 2021-2030. The $CO_2$ 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:

| Carrying amount | 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 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 | Carrying amount | 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 | 30.694.276 | 9.361.258 | 21.333.018 | - |
| Trade liabilities and other liabilities | 47.466.803 | 47.466.803 | 47.009.463 | 457.340 | - |
| **Total** | **246.718.623** | **259.944.116** | **121.327.684** | **138.616.432** | **-** |

| December 31st, 2022 | Carrying amount | 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 14$^{th}$, 2019, revised on October 15$^{th}$, 2019 and valid until October 14$^{th}$, 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 carrying amount 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 | 22% |
| 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 carrying amount 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 carrying amount 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 31$^{st}$, 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 31$^{st}$, 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 31$^{st}$, 2023 is 7. The parent-Company holds 99,6% of the shares as at December 31$^{st}$, 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 1$^{st}$, 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 13$^{th}$, 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 17$^{th}$, 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 31$^{st}$, 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 31st, 2023 | December 31st, 2022 | December 31st, 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 31st, 2023** | **December 31st, 2022** | **3 December 31st, 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 | 67.913.133 | 94.962.072 | 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 |
| Premiums related to capital | 775.497 | 664.564 | 621.219 |
| Revaluation reserves | 104.393.341 | 106.393.534 | 53.702.185 |
| 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 |
| Subsidies | 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 |
| Provisions | 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 |
| Subsidies | 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 | 525.252.258 | 387.017.600 |
| Income from operating subsidies | 12.922.747 | 3.421.768 | - |
| Other income | 10.041.467 | 11.721.911 | 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 | (13.612.863) | (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 | (13.604.750) | (14.083.008) | (7.118.725) |
| **Operating result** | **16.992.250** | **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** | **78.174.396** | **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.
On March 17th, 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon took place, and as at this date, the Company has fully paid its obligations stipulated in the Issue Prospectus.

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

# VRANCART SA

# INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

Drawn up in accordance with
the Order of the Public Finance Ministry 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

**Table of contents**

| | Note | 31 December 2023 | 31 December 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 |
| | | **148.973.567** | **176.059.506** |
| 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 |
| Premiums related to capital | | 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 lease liabilities | 16 | 21.333.018 | 15.701.298 |
| Subsidies | 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 |
| Provisions | 15 | 12.961 | 108.022 |
| **Total long-term liabilities** | | **111.538.930** | **154.766.816** |

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| 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 trade liabilities | 16 | 9.300.908 | 7.718.425 |
| Subsidies | 20 | 1.361.714 | 1.826.984 |
| Debts to employees | 18 | 5.979.709 | 6.885.073 |
| Debts 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 on 29 March 2024.

General Manager
Nicolae Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

| | Note | 2023 | 2022 |
|---|---|---|---|
| Income from agreements concluded with customers | 21 | 412.011.096 | 525.252.258 |
| Income from operating subsidies | | 12.922.747 | 3.421.770 |
| Other income | 22 | 10.041.467 | 11.721.911 |
| Variation in finished product inventories and production in progress | | 5.074.068 | 5.295.240 |
| Raw materials and consumables | 23 | (215.963.362) | (310.034.864) |
| Expenses related to commodities | | (13.612.864) | (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 depreciation of assets | 4 | (39.836.284) | (31.090.782) |
| Other expenses | 25 | (13.604.750) | (14.083.008) |
| **Operating result** | | **16.992.250** | **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 expense | 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 on 29 March 2024.

| | |
|---|---|
| General Manager | Financial Manager |
| Nicolae Paul Dumitrescu | Monica Vasilica Arsene |

**Vrancart SA**
**Statement of changes in equity**
***for the financial year ended on 31 December 2023***
*(all amounts in RON, unless otherwise stated)*

| | Share capital | Revaluation reserves | Premiums | Legal reserves | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 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 |
| 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 | - | (1.794.156) | - | - | - | 1.794.156 | - |
| **Balance as at 31 December 2022** | **120.338.551** | **106.393.534** | **664.564** | **13.037.107** | **55.469.278** | **24.754.468** | **320.657.501** |
| | | | | | | | |
| **Balance as at 1 January 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** | **-** | **-** | **-** | **-** | **-** | **5.629.023** | **5.629.023** |
| Share capital increase | 48.783.114 | - | - | - | | - | 48.783.114 |
| Dividends | - | - | - | - | - | (12.033.855) | (12.033.855) |
| Distribution of legal reserves and other reserves | - | - | 110.933 | 308.173 | 5.320.850 | (5.248.034) | 491.923 |

| | Share capital | Revaluation reserves | Premiums | Legal reserves | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| Transfer of the revaluation reserve to retained earnings following the cassation/sale of tangible assets | - | (2.000.193) | - | - | - | 2.000.193 | - |
| **Balance as at 31 December 2023** | **169.121.665** | **104.393.341** | **775.497** | **13.345.280** | **60.790.128** | **15.101.795** | **363.527.706** |

**DIRECT METHOD**

| | 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

## 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 15 July 2005 and the Company posts its individual financial statements on its website **www.vrancart.ro.**

As at 31 December 2023, the Company is owned 76% by LION Capital SA (formerly called SIF Banat – Crișana SA), 17% by Paval Holding SRL and 7% 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 19 July 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.

**(e) 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 financial indicators agreed prior to the balance sheet date with the financing banks, ensuring at the same time a solid financial balance at the Group level.

In order to support the strategy of developing new projects in the energy area and modernization of production capacities, the Extraordinary General Meeting of the Shareholders of Vrancart increased the Company’s share capital by the amount of RON 48.783.114 in 2023 and in January 2024, it approved the increase of the share capital by RON 31.920.075, an amount that will be collected during the year and will allow the completion under optimal conditions of the Company’s strategic plans.

As disclosed in the subsequent events note, in March 2024, the Company repaid its bonds in full on the due date.

The Company benefits from available credit facilities, both on the short term and on the long term, in line with its needs to finance its current and investment activities as provided in the budget for 2024.

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.

**(f) 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)

**(g) Comparative statements**

The individual financial statements as at 31 December 2023 are comparable to those of the previous financial year. The presentation of certain balances as at 31 December 2022 has been restated in order to present data comparable with those of the current financial year. Thus, amounts collected in the amount of RON 9.868.055 presented in 2022 under Cash flows from financing activities have been included in these financial statements under Net cash flows from operating activities.

## 3. Significant accounting policies

### a. Transactions in foreign currencies

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

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

The exchange rates of the main foreign currencies were:

| **Currency** | **31 December 2023** | **31 December 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 carrying amount 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 carrying amount 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 carrying amount 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 subsequently 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 31 December 2022.

The revaluations of tangible assets are carried out with sufficient regularity, so that the carrying amount 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 carrying amount, 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 carrying amount, 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 assets2-16 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 carrying amount 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 16.

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, and from the acquisition of Rom Paper SRL. 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 4$^{th}$ 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 carrying amount 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) carrying amount 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 have a high level of certainty.

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. Depreciation of assets**

The carrying amounts 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 carrying amount 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 carrying amount of the asset does not exceed the carrying amount 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 on 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 estimated credit loss (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 Parent-company. 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. The Company uses actuaries to calculate the provision for long-term benefits, on each financial reporting.

**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 31 December 2023, the profit tax rate was 16% (31 December 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 carrying amount, 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, at “Income from operating subsidies”, systematically during the same periods when the expenses are recognised and are presented at Other receivables, in the Statement of Financial Position, when their discounting is to be made during the following financial year.

**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 25 June 2020 - adopted by the EU on 19 November 2021 (applicable for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 Submission of financial statements** - Presentation of accounting policies (applicable for annual periods beginning on or after 1 January 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 1 January 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 individual 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 1 January 2024),
- **Amendments to IFRS 16 „Leases"** - Lease liabilities in a sale and leaseback transaction (applicable for annual periods beginning on or after 1 January 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 1 January 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 1 January 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 | 1.269.525 | 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 | - | 69.198.607 |
| Cumulated amortisation reduced by the revalued amount | (689.705) | (6.651.219) | (60.950.111) | - | (68.291.035) |
| **As at 31 December 2022** | **15.638.887** | **97.538.197** | **273.574.808** | **49.086.235** | **435.838.127** |
| | | | | | |
| *Cumulated amortisation and impairment losses* | | | | | |
| **As at 1 January 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 31 December 2022** | **-** | **10.449.665** | **49.346.948** | - | **59.796.613** |
| | | | | | |
| *Net carrying amount* | | | | | |
| **As at 31 December 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 1 January 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 31 December 2023** | **16.538.077** | **131.133.649** | **298.161.340** | **16.698.175** | **462.531.242** |
| | | | | | |
| *Cumulated amortisation and impairment losses* | | | | | |
| **As at 1 January 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 31 December 2023** | **210.840** | **18.444.161** | **79.245.658** | **-** | **97.900.659** |
| | | | | | |
| *Net carrying amount* | | | | | |
| **As at 31 December 2023** | **16.327.237** | **112.689.488** | **218.915.682** | **16.698.175** | **364.630.582** |

**Revaluation**

As at 31 December 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 cancellation of the accumulated depreciation is used to record the revaluation results in the accounting records.

**Impairment tests**

As at 31 December 2023, impairment tests were carried out, the appropriate value type is “use value”, defined by IAS 36 - Depreciation of assets, as: “the discounted value of future cash flows expected to be obtained from an asset or from a cash-generating unit”.

The Company performed impairment testing for the Vrancart fixed assets line with the assistance of a chartered appraiser and concluded that no further impairment needs to be recorded.
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) as at 31 December 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 use value of the fixed assets related to Vrancart business line, which is to be subjected to impairment testing, was determined: RON 384.795.242. This value was then compared with the net carrying amount of RON 316.593.953.

By applying the sensitivity analysis on the impact generated on the use value of fixed assets, we can see that at in the case of a decrease of EBITDA by up to app. 8%, the use value remains higher than the carrying amount, while a change in the share of working capital up to 8% (estimated 3,1%) of 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 can see a decrease in 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 estimated rate of 3%, we can also see that the use value will be higher than the carrying amount.

A part of the Company's tangible assets are mortgaged or pledged to guarantee loans taken from banks. The net carrying amount of these pledged or mortgaged fixed assets is RON 212.404 thousand as at
31 December 2023 (31 December 2022: RON 178.945 thousand). The value of the rights of use related to the assets held through leasing contracts is presented in Note 16.

If land, constructions and production lines had not been revalued, their value as at 31 December 2023 would have been as follows:

| | Cost | Cumulated amortisation | Net carrying amount |
|---|---|---|---|
| Land and land improvements | 20.251.685 | 2.886.882 | 17.364.803 |
| Special constructions and 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: constructions and related warehouses for the production of corrugated cardboard, as well as equipment and production lines related to paperboards, corrugated cardboard and tissue paper production lines.

The unamortized value of the fixed assets that are no longer part of the patrimony as a result of the sale and/or cassation as at 31 December 2023 was RON 3.543.943 (31 December 2022: RON 1.129.839).

The net carrying amount of the fixed assets purchased through government subsidies received until 31 December 2023 is RON 32.774.382 (31 December 2022: RON 32.575.214).

## 5. Financial assets

| | 31 December 2023 | 31 December 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 20 January 2017, we completed the acquisition of the majority stake (70%) of Rom Paper SRL. As at 31 December 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 31 December 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 31 December 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 estimated percentage for the last year of the explicit period was applied.

In the case of the shareholding in Rom Paper, the use value of the financial asset - ROM PAPER shareholding was determined, which will be subjected to the impairment test: RON 57.915.896. This value was then compared with the net carrying amount of RON 28.866.728.

By applying the sensitivity analysis on the impact generated on the use value of the financial asset - ROM PAPER shareholding, we can see that with a decrease in EBITDA by any percentage up to 20%, the use value remains above or close to the carrying amount, while a share of working capital 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 can see a decrease in WACC for the year 2024 and beyond, taking into account the evolution of borrowing costs. If we apply a null growth rate in perpetuity (“g”) instead of 3%, we can see that the use value will remain much higher than the carrying amount.

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 for the last year of the explicit period was applied.

The use value of the goodwill related to GIANT business line, which was subjected to the impairment test, is RON 17.545.426. This value was then compared to the net carrying amount of RON 3.380.811.

By applying the sensitivity analysis on the impact generated on the use value of GIANT business line, we can see that with a decrease in EBITDA by any percentage up to 22%, the use value remains above or close to the carrying amount, while a share of the working capital 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 can see a decrease in WACC for the year 2024 and beyond, taking into account the evolution of borrowing costs. If, instead of 3%, we apply a growth rate in perpetuity (“g”), of only 0,9% (3% estimated), we can also see that the use value will be close to the carrying amount.

## 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 31 December 2031 (the Decision of the Board of Directors no. 43/ 29 November 2022). The financing used by Vrancart Recycling as at December 31st, 2023 is RON 13.100.000 (31 December 2022: zero). An interest rate equal to the 3-month Robor plus a margin of 2% is charged on the loan.

## 7. Inventories

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Raw materials and consumables | 27.495.917 | 27.108.950 |
| Finished products and commodities | 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

Through the Decision no. 54/14 December 2023 and the Decision no. 55/14 December 2023, the Company's 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.

| Assets category | 31 December 2023 | |
|---|---|---|
| **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** | |

There are discussions with brokers and potential buyers in various stages, after which purchase offers will be obtained in order to analyse them and finally choose the most advantageous selling option.

## 9. Trade receivables

| | 31 December 2023 | 31 December 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** | **31 December 2023** | **31 December 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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current accounts at banks and other values | 2.054.662 | 1.261.228 |
| Petty cash | 33.359 | 27.660 |
| **Total cash and cash equivalents** | **2.088.021** | **1.288.888** |

## 11. Other receivables

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other personnel-related receivables | 684.798 | 600.771 |
| Other receivables | 1.752.343 | 542.517 |
| Subsidies | 7.112.867 | - |
| Down-payments for services | 42.432 | 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

| 31 December 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%** |

| 31 December 2022 | Number of shares | Amount (RON) | (%) |
|---|---|---|---|
| LION Capital SA | 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 27 April 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 13 September 2023 we completed the share capital increase procedure. The increased amount was RON 48.783.114.

### Dividends

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

## 13. Reserves

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Revaluation reserves | 104.393.341 | 106.393.534 |
| Legal reserves | 13.345.280 | 13.037.107 |
| Other reserves | 60.790.128 | 55.469.278 |
| Revaluation reserves | **178.528.749** | **174.899.919** |

### 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 31 December 2023 is RON 13.345.280 (31 December 2022: RON 13.037.107). Legal reserves cannot be distributed to the shareholders.

### 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 carrying amount 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 1 May 2009, due to changes in tax legislation, revaluation reserves recorded after 1 January 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 mainly reserves from tax facilities that will be taxed on use or on the change of purpose. As their use can only be decided by the shareholders, deferred tax was not calculated for these 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
31 December 2023 being RON 60.790.128 (31 December 2022: RON 55.469.278).

## 14. Trade liabilities

**Short-term trade liabilities**

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade liabilities | 31.554.532 | 45.464.436 |
| Advances collected for orders | 972.849 | 879.735 |
| **Total** | **32.527.381** | **46.344.171** |

## 15. Other liabilities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Debts to the state budget | 4.667.824 | 6.076.996 |
| Dividends to be paid | 1.475.383 | 1.253.181 |
| Other liabilities | 2.359.166 | 1.404.846 |
| **Other short-term liabilities** | **8.502.373** | **8.735.023** |
| | | |
| Provisions for disputes | 12,961 | 22.822 |
| Options related to the bonds issued (Note 17) | - | 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** | 31 December 2023 | 31 December 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

| | 31 December 2023 | 31 December 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 1 January 2023** | **13.900.030** | **9.519.693** | **23.419.723** |
| 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 31 December 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 1 January 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 31 December 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 1 January 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 | (266.750) | - | (266.750) |
| **As at 1 January 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 31 December 2023** | **19.279.265** | **11.108.934** | **30.388.198** |

## 17. Loans

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Bank loans | 58.847.028 | 70.337.193 |
| Loans from bond issues | - | 38.164.800 |
| Loans from affiliated parties (Note 30) | 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 | - |
| Loans from affiliated parties (Note 30) | 145.310 | 3.655.170 |
| **Total short-term loans** | **100.791.116** | **56.912.405** |

| **Bank loans** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Initial balance | 123.594.427 | 94.234.915 |
| Draws | 40.328.879 | 33.131.067 |
| Reimbursements | (42.925.810) | (3.260.955) |
| Net currency exchange differences | 245.338 | (510.600) |
| Final balance | **121.242.834** | **123.594.427** |

| **Loans from affiliated parties** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Initial balance | 12.849.726 | - |
| Draws | - | 12.229.750 |
| Reimbursements | (3.250.000) | - |
| Interests | (474.666) | 619.976 |
| Final balance | **9.125.060** | **12.849.726** |

| **Bonds** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Initial balance | 38.164.800 | 37.949.400 |
| Conversion options | 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 31 December 2023 – RON equivalent** | **Principal in balance as at 31 December 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 | - |
| 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 |

| No. | Date of granting of the loan | Currency | Type of interest (fixed/ variable) | Nature | Final maturity date | Principal in balance as at 31 December 2023 – RON equivalent | Principal in balance as at 31 December 2022 – RON equivalent |
|---|---|---|---|---|---|---|---|
| 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. The financial indicators agreed with the financing institutions are within the agreed contractual limits as at 31 December 2023 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 31 December 2023, tangible fixed assets are mortgaged in favour of banks (see Note 4).

**Bonds**

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

The bonds were issued in two stages:

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

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 17$^{th}$, 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 31 December 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).

15 February 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.

On 17 March 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon took place, as at this date, the Company has fully paid its obligations stipulated in the Issue Prospectus.

## 18. Debts to employees

| | 31 December 2023 | 31 December 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:

| ***31 December 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** |

| ***31 December 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** |

| | **31 December 2023** | **Difference** | **31 December 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 |
| **TOTAL, out of which** | **(13.160.453)** | **452.435** | **(13.612.888)** |
| **impact on the Net profit** | | **71.446** | |

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. Subsidies

Subsidies categorised as short-term liabilities represents the part of the government subsidies received that will be recognised as income the following financial year. Subsidies 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:

| | **31 December 2023** | **31 December 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** | **10.123.055** | **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 31 December 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 agreements concluded with customers

| | 2023 | 2022 |
|---|---|---|
| Income from the sale of finished products | 372.166.698 | 476.430.356 |
| Income from the sale of goods | 23.621.640 | 36.725.819 |
| Income from services provided | 16.126.810 | 11.827.432 |
| Income from various activities | 95.948 | 268.651 |
| **Total** | **412.011.096** | **525.252.258** |

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 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** | **11.721.911** |

## 23. Expenses related to raw materials and consumables

| | 2023 | 2022 |
|---|---|---|
| Expenses related to raw materials | 83.632.584 | 141.836.372 |
| 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** | **310.034.864** |

## 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 | 1.802.902 | 1.251.148 |
| Other third-party expenses | 5.476.620 | 5.123.814 |
| **Total** | **37.466.894** | **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 |

| | 2023 | 2022 |
|---|---|---|
| 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** |

The total expenses regarding commissions and fees also include financial audit services. The company's audit firm is PricewaterhouseCoopers Audit SRL. The fees for the auditing of the individual and consolidated financial statements of Vrancart S.A. as at 31 December 2023, drawn up in accordance with the Public Finance Ministry Order no. 2844/2016 and for the auditing of the statutory financial statements of Rom Paper SRL, Vrancart Recycling SRL and Ecorep Group SA as at 31 December 2023, drawn up in accordance with the Public Finance Ministry Order no. 1802/2014, is in the amount of Euro 58.610 (excluding VAT).

The fees for other insurance services paid to the auditors amounted to Euro 4.000 (excluding VAT), representing the fees paid to the audit firm for the procedures carried out by it regarding the semi-annual report on transactions with related parties, drawn up in accordance with Law no. 24/ 2017.

## 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 | 147.131 |
| **Total income** | **1.327.060** | **277.534** |
| | | |
| 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 according to 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) |
| Other items | (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. Afiliated parties

The persons that are part of the Steering Board and the Board of Directors, as well as LION Capital SA, 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 31 December 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 granted | 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 received | 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 |
| ARIO Bistriţa | Debtor | - | - | 300.000 | 300.000 |

*Note: The amounts are exclusive of VAT.

Other operations:

| Affiliated party | | Transactions in 2023 | Transactions in 2022 | Balance in 2023 | Balance in 2022 |
|---|---|---|---|---|---|
| LION Capital SA | Payment of dividends distributed during the year | 9.086.125 | 3.816.173 | - | - |

## 31. Events subsequent to the balance sheet date

The Ordinary General Meeting of Shareholders took place on 9 January 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 25 January 2024, approving the Company's share capital increase by the amount of RON 31.920.075, through the issuance of new shares.

On 17 March 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon took place, as at this date, the Company has fully paid its obligations stipulated in the Issue Prospectus.

## 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 carrying amount of the financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk was:

| **Carrying amount** | **31 December 2023** | **31 December 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.

**Impairment losses**

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

| 31 December 2023 | Gross amount | 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 | 21.650.559 | 3.781.393 |
| **Total** | **74.109.336** | **5.483.843** |

| 31 December 2022 | Gross amount | 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 | 31 December 2023 | 31 December 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:

| **31 December 2023** | **Carrying amount** | **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 | 30.694.276 | 9.361.258 | 21.333.018 | - |
| Trade liabilities and other liabilities | 47.466.803 | 47.466.803 | 47.009.463 | 457.340 | - |
| **Total** | **246.718.623** | **259.944.116** | **121.327.684** | **138.616.432** | **-** |

| **31 December 2022** | **Carrying amount** | **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** | **31 December 2023** | **31 December 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 31 December 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 31 December 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 carrying amounts of the abovementioned financial instruments are approximate values of their fair values.

**(d) Currency exchange risk**

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

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

| **31 December 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** |

| 31 December 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 31 December compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows:
31 December 2023: + RON 12.719.233 (31 December 2022: + RON 9.785.292). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A decrease by 10 percentage points of RON as at 31 December 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 31 December 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.

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 capital management objectives at Group level consist of:

• Ensuring the maintenance of the Company's ability to continue its business, respectively to continue producing value for its shareholders and benefits for other stakeholders

• Maintaining an optimal capital structure in order to reduce the costs of capital

In order to maintain or adjust the capital structure, the Group may adjust the value of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce the level of indebtedness.

In accordance with the financial practices, the Group monitors capital based on the following indicators:
• Total Equity
• Total Assets
• Equity ratio calculated as the ratio between total equity and total assets

In 2023, the equity ratio was maintained at an optimal level of 46%, the same as the level recorded in 2022. A corresponding level of capitalization is considered to be over 30%.

The Company's equity includes share capital, various types of reserves and retained earnings. The company is not subject to any capital requirements imposed from the exterior. There are certain requirements agreed with some of the financing banks regarding the capitalization rate (equity ratio), the contractual requirement being min. 45%.

# Independent Auditor's Report

To the Shareholders of Vrancart SA

## Report on the audit of the financial statements

### Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Vrancart SA (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards and subsequent amendments (the "OMPF 2844/2016").

Our opinion is consistent with our additional report to the Audit Committee issued on 29 March 2024.

**What we have audited**

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

The financial statements as at 31 December 2023 are identified as follows:

- Total equity: lei 363,527,706;
- Net profit for the year: lei 5,629,023.

The Company's registered office is in Romania, Vrancea, Adjud, 17 Ecaterina Teodoroiu Street, county, and the Company's unique fiscal registration code is 1454846.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation EU No 537/2014 of the European Parliament and of the Council and subsequent amendments (the "Regulation 537/2014") and Law 162/2017 regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations and subsequent amendments (the "Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Audit S.R.L.
Ana Tower, 24/3 floor, 1A Poligrafiei Blvd, District 1, 013704 Bucharest, Romania
EUID ROONRC.J40/17223/1993, fiscal registration code RO4282940, share capital RON 7,630
T: +40 21 225 3000, www.pwc.ro

**Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation 537/2014 and the Law 162/2017 that are relevant to our audit of the financial statements in Romania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Regulation 537/2014 and the Law 162/2017.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation (EU) 537/2014.

The non-audit services that we have provided to the Company in the period from 1 January 2023 to the date of issuing this report, are disclosed in Note 25 to the financial statements.

## Our audit approach

**Overview**

| | |
|---|---|
| **Overall materiality:** | Overall Company materiality lei 2,500,000, which approximate 0.6% of Revenue from contracts with customers. |
| ***Key audit matter*** | Recognition of revenue from contracts with customers |

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

| | |
|---|---|
| **Overall Company materiality** | lei 2,500,000 |
| **How we determined it** | 0.6% of Revenue from contracts with customers |
| **Rationale for the materiality benchmark applied** | We chose Revenue from contracts with customers as the benchmark because, in our view, it is the most representative benchmark for the Company, due to the plans to increase of market share, through investments to capacities and transformation of the business already started few years ago. We chose significance at the level of 0.6% because based on our professional judgment it is within the acceptable quantitative thresholds of materiality. |

**Key audit matter**

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of revenues from contracts with customers** | |
| In 2023 the Company recognized revenue from contracts with customers in the amount of lei 412,011,096, for which the accounting policies was described in notes 3n and the details were included in note 21 of the financial statements.<br><br>The Company generates revenue mainly from sales of finished goods and merchandise in the form of paperboards, corrugated cardboard and packaging and tissue paper.<br><br>Revenue is recognized when the control over goods is transferred to the buyer. Revenue is recognized at an amount equal to the transaction price (including the related discounts granted) resulting from the agreements signed with customers representing the consideration for the performance obligation performed.<br><br>Bearing in mind the importance of revenues item in the financial statements of the Company, as well as the susceptibility of the item to the risk of misstatement and the potential risk of fraud, we recognized that this is a key matter for our audit. | Our audit procedures included in particular:<br><br>• assessing compliance of the Company's accounting policies regarding the recognition of revenue from contracts with customers with the related financial reporting standards;<br><br>• understanding and assessing the internal control environment, including the IT environment, regarding the recognition, valuation and presentation of individual types of revenue;<br><br>• conducting, on a selected sample, efficiency tests of selected internal controls, in terms of correctness and accuracy of applied selling prices and compliance of the invoice with the order and with the shipping document;<br><br>• performing tests, for a selected sample, consisting of e.g., on confirmations of certain aspects of the transactions with customers or on verifying sales transactions against supporting documents (invoices, contracts with customers, shipping and payment received); |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | • analysing of trends in recognized revenue from contracts with customers and explaining of unusual variances;<br>• verification, on a selected sample, of revenue recognition in the proper reporting period, considering Incoterms and other terms and conditions of contracts concluded with the Company's customers;<br>• analysing of non-standard posting patterns in the transactions log in the audited year and considering the element of unpredictability when selecting the type, timing and extent of audit procedures;<br>• assessment of the appropriateness of disclosures in the consolidated financial statements regarding revenues from contracts with customers. |

## Other matters

The financial statements of the Company for the year ended 31 December 2022 were audited by another firm of auditors whose report, dated 27 March 2023, expressed an unmodified opinion on those financial statements.

## Reporting on other information including the Administrators' Report

The Administrators are responsible for the other information. The other information comprises the Administrators' Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In accordance with OMFP 2844/2016, article 48, in connection with our audit of the financial statements, our responsibility is to verify whether the Non-Financial Statement was prepared. As stated in section no 5.10 of the Administrators’ Report, the Company declared that it will make the Non-Financial Statement publicly available within 6 months from the balance sheet date.

With respect to the Administrators' Report our responsibility is to consider whether the Administrators’ Report was prepared in accordance with OMPF 2844/2016, Appendix 1, articles 15-19.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Administrators' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Administrators' Report has been prepared in accordance with OMPF 2844/2016, Appendix 1, articles 15-19;

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Administrators' Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and OMPF 2844/2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

### Appointment

We were appointed by Ordinary General Shareholders Meeting as auditors of Vrancart S.A. on 27 April 2023. This is the first year of our appointment as auditors.

The financial auditor responsible for carrying out the audit resulting in this independent auditor's report is Florin Deaconescu.

On behalf of
PricewaterhouseCoopers Audit SRL
Audit firm registered with
the Public Electronic Register of financial auditors and audit firms under no FA 6

**Refer to the original signed Romanian version**

Florin Deaconescu
Financial auditor registered with
the Public Electronic Register of financial auditors and audit firms under no AF1524

Bucharest, 12 April 2024

LRQA CERTIFIED
ISO 9001 · ISO 14001
ISO 45001
UKAS MANAGEMENT SYSTEMS
0001

Vrancart®
Aproape de tine, aproape de natură

*Translation for information purposes only*

# CONSOLIDATED REPORT

## OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2023

## "VRANCART" GROUP OF COMPANIES

# TABLE OF CONTENTS

This version of our report is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

# 1. ANALYSIS OF THE ACTIVITY

## 1.1.1. General information

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

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

**Elements of general evaluation of the Group**:

| | | | |
|---|---|---|---|
| a) gross book result | | RON 6.578 thousand | |
| b) turnover | | RON 500.299 thousand | |
| c) operating costs | | RON 508.391 thousand | |
| d) % of the market held (internal estimates) | | | |
| | In 2023 | Tissue paper | - 14% |
| | | Paperboards | - 15% |
| | | Corrugated cardboard | - 14% |
| e) liquidity as the year end | | RON 2.824 thousand | |

### VRANCART S.A.

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

| | |
|---|---|
| Company name | „VRANCART" |
| Type of company | Joint-stock trade company |
| Address | Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county, 625100 |
| Telephone/Fax no. | 0237.640.800 / 0237.641.720 |
| Registered with the Trade Registry under no. | J39/239/1991 |
| Tax code | 1454846 |
| Tax Identification Number | RO1454846 |
| Paid-in share capital | RON 169.121.665 |
| Nominal value of shares | 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), Ungheni (Mureș county) and wastepaper collection points in: Bucharest, Iași, Focșani, Bacău, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Baia Mare, Craiova, Târgu Mureş, 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 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 2023, the average number of employees of the Group was 1.433 (2022: 1.389).

The Company's shares are listed on the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 15$^{th}$, 2005.

As at December 31$^{st}$, 2023, the Company is owned 76% by LION Capital S.A., 17% by Paval Holding S.R.L. and 7% by other shareholders.

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

In the context of the 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.

## ROM PAPER SRL

**Rom Paper SRL ("Branch 1")** was established in 2002 and it is a Romanian privately-owned company, which produces tissue paper products, made of recycled paper and cellulose, such as: napkins, folded paper towels, tissue paper, professional rolls, towels for cosmetic use and facial tissues. Its products are traded both on the territory of Romania, and abroad in 6 other countries, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

On January 20$^{th}$, 2017, Vrancart completed the purchase of the majority stake (70%) in Rom Paper S.R.L. As at December 31$^{st}$, 2022, Vrancart held 100% of the company's shares, following the purchase of 15% of the shares in June 2017, respectively the purchase of the last tranche of 15% of the shares in Rom Paper S.R.L. in June 2018.

As at December 31$^{st}$, 2023, the Branch had a number of 112 employees (December 31$^{st}$, 2022: 114 employees).

## VRANCART RECYCLING 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 had a number of 89 employees as at December 31st, 2023 (December 31st, 2022: 73 employees).

## ECOREP GROUP SA

Ecorep Group SA ("Branch 3") was established in November 2020 and it is a Romanian privately-owned company. The main activity of this branch consists of the provision of services regarding the implementation of the obligations related to the producer's extended liability for environmental targets. The company is at the beginning of its activity. The number of employees as at December 31st, 2023 is 7 employees (December 31st, 2022: 6 employees).

### 1.1.2. Evaluation of the Group's technical level

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

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

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

| Lines of business | M.U. | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Paperboards | to | 69.597 | 87.010 | 88.255 |
| Corrugated cardboard and corrugated cardboard packaging | to | 59.222 | 69.655 | 69.627 |
| Tissue paper | to | 24.269 | 28.504 | 32.038 |

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

| Lines of business | M.U. | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Paperboards | % | 6% | 9% | 9% |
| Corrugated cardboard and corrugated cardboard packaging | % | 63% | 63% | 63% |
| Tissue paper | % | 23% | 19% | 19% |
| Other activities | % | 8% | 9% | 9% |

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

| Investments made | Value (RON) |
|---|---|
| Buildings and building improvements | 26,023,668 |
| Technological equipment | 48,161,443 |
| Work apparatus and installations | 2,546,979 |
| Means of transport and other fixed assets | 3,112,963 |
| Intangible assets | 174,904 |
| **TOTAL** | **80,019,957** |

### 1.1.3. Evaluation of the technical and material supply activity

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

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

| Wastepaper purchases | M.U. | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| **Purchases through the collection centres** | to | 87.864 | 87.866 | 82.484 |
| | % out of the total purchases | 66% | 59% | 57% |
| **Direct purchases (Adjud)** | to | 44.996 | 61.793 | 62.100 |
| | % out of the total purchases | 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 deliveries of the Group's products by each market segment in the past 3 years is presented in the table below:

| Lines of business | M.U. | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Paperboards | **to** | 9.427 | 14.755 | 23.384 |
| Corrugated cardboard and packaging | **to** | 59.128 | 70.040 | 69.243 |
| Tissue paper | **to** | 29.229 | 34.951 | 31.374 |

**The state of competition**

On 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, according to the public statements of the producers, are as follows:

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

| | |
|---|---|
| Vrancart Adjud | 100.000 |
| Romwelle ("CCH"), Turnu Severin | 80.000 |
| **Total** | **535.000** |

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

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

**Market share evolution for Paperboards**

| Producers | 2023 | 2022 | 2021 |
|---|---|---|---|
| Vrancart | 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 (59% of the total production capacity), recording a reduction by approx. 3,1% in tons compared to the previous year.

**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%** |

Source: VRANCART estimates

**Corrugated cardboard producers in Romania in 2023**

| No. | Producer's name | Production capacity (to/year) |
|---|---|---|
| 1 | Rondocarton (2 mills) | 160,000 |
| 2 | Rossmann (2 mills) | 120,000 |
| 3 | Vrancart (2 mills) | 120,000 |
| 4 | Dunapack (2 mills) | 120,000 |

| | | |
|---|---|---|
| 5 | DS Smith Group (2 mills) | 80,000 |
| 6 | VPK Salonta | 60,000 |
| 8 | Thimm Sura Mica | 60,000 |
| 9 | Europa Expres Iaşi | 30,000 |
| **TOTAL** | | **750.000** |

***C. On the tissue paper market***, with a market share of 14% in 2023 (taking into account only the domestic production), „VRANCART" Group remains one of the major tissue paper manufacturers in Romania.

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

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)

| Producers | 2023 | 2022 | 2021 |
|---|---|---|---|
| Vrancart Adjud | 14% | 14% | 14% |
| Other producers | 86% | 86% | 86% |
| **Total** | **100%** | **100%** | **100%** |

Source: VRANCART estimates

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

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

The average number of employees in 2023 was 1433 employees, out of which:
- 232 higher education graduates
- 547 high school graduates
- 414 vocational school graduates
- 240 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.

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 14$^{th}$, 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 14$^{th}$, 2020.

**1.1.7. Evaluation of the research and development activity**

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

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

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

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

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

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

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

| Carrying amount | December 31st, 2023 | December 31st, 2022 |
|---|---|---|
| Trade receivables and other receivables | 74.408.633 | 104.969.853 |
| Cash and cash equivalents | 2.823.519 | 3.563.830 |
| Restricted cash | - | 1.881.991 |
| **Total** | **77.232.152** | **110.415.674** |

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

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

| December 31st, 2023 | Carrying amount | Contractual cash flows | less than 1 year | 1 - 5 years | over 5 years |
|---|---|---|---|---|---|
| Loans | 245.368.034 | 263.365.537 | 103.377.103 | 145.152.965 | 14.835.470 |
| Bonds | 38.250.000 | 38.250.000 | 38.250.000 | - | - |
| Financial leasing | 31.298.723 | 31.298.723 | 9.320.959 | 21.977.764 | - |
| Trade liabilities and other liabilities | 74.158.402 | 74.158.402 | 73.221.193 | 937.209 | - |
| **Total** | **389.074.954** | **407.072.457** | **224.169.050** | **168.067.937** | **14.835.470** |

| December 31st, 2022 | Carrying amount | Contractual cash flows | less than 1 year | 1 - 5 years | over 5 years |
|---|---|---|---|---|---|
| Loans | 194.522.500 | 203.597.654 | 71.897.076 | 119.099.604 | 12.600.973 |
| Bonds | 38.250.000 | 38.250.000 | - | 38.250.000 | - |
| Financial leasing | 24.064.469 | 24.064.469 | 7.718.425 | 14.713.402 | 1.632.642 |
| Trade liabilities and other liabilities | 88.546.934 | 88.546.934 | 87.918.343 | 628.591 | - |
| **Total** | **345.383.903** | **354.459.057** | **167.533.844** | **172.691.597** | **14.233.615** |

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

**Market risk**

Market risk is the risk that the variation of market prices, such as the currency exchange rate, the interest rate and the price of equity instruments, affect the Group's revenues or the amount of the financial instruments it holds. The objective of managing this risk is to manage and control the exposures to market risk within acceptable limits and at the same time to optimize the return on investment.

**Currency exchange risk**

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

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

| December 31st, 2023 | TOTAL | RON | EUR | USD | Other currencies |
|---|---|---|---|---|---|
| Trade receivables and other receivables | 74.408.633 | 67.348.104 | 7.029.958 | 30.571 | - |
| Restricted cash | - | - | - | - | - |
| Cash and cash equivalents | 2.823.519 | 2.490.063 | 326.990 | 682 | 5.784 |
| **Financial assets** | **77.232.152** | **69.838.167** | **7.356.948** | **31.254** | **5.784** |
| Loans | 245.368.034 | 43.883.066 | 201.484.968 | - | - |
| Debts under leasing contracts | 31.298.723 | 664.797 | 30.633.926 | - | - |
| Trade liabilities and other liabilities | 74.158.402 | 50.265.995 | 23.481.143 | 411.264 | - |
| **Financial liabilities** | **350.824.955** | **94.813.653** | **255.600.037** | **411.264** | - |
| **Total net financial assets /(liabilities)** | **(273.592.803)** | **(24.975.486)** | **(248.243.089)** | **(380.010)** | **5.784** |

| December 31st, 2022 | TOTAL | RON | EUR | USD | Other currencies |
|---|---|---|---|---|---|
| Trade receivables and other receivables | 104.969.853 | 95.132.428 | 9.950.407 | (112.982) | - |
| Restricted cash | 1.881.991 | - | 1.881.991 | - | - |
| Cash and cash equivalents | 3.563.830 | 2.046.610 | 1.514.998 | 1.408 | 815 |
| **Financial assets** | **110.415.674** | **97.179.038** | **13.347.396** | **(111.574)** | **815** |
| Loans | 194.522.500 | 72.111.281 | 122.411.219 | - | - |
| Debts under leasing contracts | 24.064.469 | 943.704 | 23.120.765 | - | - |
| Trade liabilities and other liabilities | 88.546.934 | 63.155.792 | 25.145.606 | 245.536 | - |
| **Financial liabilities** | **307.133.904** | **136.210.777** | **170.677.590** | **245.536** | **-** |
| **Total net financial assets /(liabilities)** | **(196.718.230)** | **(39.031.739)** | **(157.330.194)** | **(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:

This version of our report is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

December 31st, 2023: RON 24.861.731: (December 31st, 2022: RON 15.768.649). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

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

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

**1.1.9. Prospects for the Group's business**

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

## 2. THE GROUP'S TANGIBLE ASSETS

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

The following production capacities operate within the Group:

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

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

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The last re-evaluation of the patrimony was made as at December 31st, 2022.

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

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

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

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

- 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 the amounts are stated in RON thousand)*

| Degree of wear | Cost or re-evaluated value | Amortisation and depreciation | Wear |
|---|---|---|---|
| Special constructions and buildings | 133.484 | 28.238 | 21% |
| Equipment and other fixed assets | 513.956 | 264.521 | 51% |

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

A part of the Group's tangible assets is mortgaged or pledged to guarantee the loans granted by banks. The net carrying amount of these pledged or mortgaged assets was RON 311.125 thousand as at 31.12.2023 (31.12.2022: RON 199.605 thousand). The net carrying amount 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 GROUP**

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

The shares of "VRANCART" SA are listed 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 Group's policy on dividends**

The Company's policy on dividends is established by the Ordinary General Meeting of the Shareholders. Through the Decision no. 4 dated April 27th, 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 Group's profit is the responsibility of the General Meeting of Shareholders and will be determined at the meeting of April 2024.*

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

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

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

On January 19th, 2017, the company completed the acquisition of the shares of **Rom Paper SRL (Branch 1)**, an acquisition that was approved by the Ordinary General Meeting of the Shareholders. The acquisition contract provided the acquisition in three annual tranches of 70% (completed), 15% (completed) and 15% (completed in 2018). Following the acquisition, Vrancart holds 100% of the shares as at December 31st, 2023.

**Vrancart Recycling SRL (Branch 2)** was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. Vrancart holds 100% of the share capital of the branch as at December 31st, 2023.

**Ecorep Group SA (Branch 3)** was established in November 2020 and it is a Romanian privately-owned company. Vrancart holds 99,6% of the shares as at December 31st, 2023.

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

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

## 4. THE GROUP'S MANAGEMENT

### 4.1. The Group's Directors

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

1. Ciucioi Ionel-Marian - 46 years old, economist,
Chairman of the Board of Directors and General Manager 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 Group

The parties are considered affiliated if one of the parties has the possibility to control either directly or indirectly or to influence to a significant extent the other party through ownership or based on some contractual rights, family relationships or relationships of any other kind, as defined by IAS 24 "Related party disclosures".

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

**4.2. The Group's executive management**

**a)** The executive management of the Group 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 the Group 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. INTERNAL CONTROL AND RISK MANAGEMENT**

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

The general objectives of internal audit for 2023 were focused in particular on risk management, as well as on the assessment of the general system of controls implemented for transactions and/ or flows.

The consolidated financial statements of Vrancart Group for the financial year ended on December 31st, 2023 were audited by the audit firm PwC – an independent financial auditor, appointed by the Ordinary General Meeting of the Shareholders of April 27th, 2023 for a period of 2 years.

The audit opinion states that the financial statements provide a fair view, in all significant aspects, of the financial position, as well as of the comprehensive income and of the cash flows for the financial year ended on December 31st, 2023 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

**6. SOCIAL RESPONSIBILITY**

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

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

**7. NON-FINANCIAL STATEMENT**

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

**8. THE FINANCIAL AND ACCOUNTING STATEMENTS**

The consolidated financial statements are drawn up by the Company in accordance with the requirements of the Order of the Ministry of Finances no. 2844 of 2016, for the approval of the accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016). The International Financial Reporting Standards (IFRS) are the standards adopted according to the procedure provided by the (EC) Regulation no. 1.606/2012 of the European

Parliament and of the Council dated July 19th, 2002 on the application of the International Accounting Standards.

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

| Indicator's name | M.U. | December 31st, 2023 | December 31st, 2022 | December 31st, 2021 |
|---|---|---|---|---|
| **Overall liquidity** | ratio | 0.82 | 1.50 | 1.11 |
| **Immediate liquidity** | ratio | 0.48 | 1.01 | 0.67 |
| **Stock turnover** | rot/year | 7 | 7 | 6 |
| **Debt recovery** | days | 54 | 62 | 81 |
| **Reimbursement of trade liabilities** | days | 41 | 42 | 59 |
| **Operating profitability** | % | 3,76% | 6,20% | 3% |
| **Gross profit ratio** | % | 1,31% | 4,23% | 2% |

The overall and immediate liquidity as at December 31st, 2023 were impacted by the approaching deadline (March 17th, 2024) within less than 1 year, of the mandatory loan in the amount of RON 38.250.000. If we were to abstract from this amount, the overall liquidity would be 1,11, while immediate liquidity would be 0,58.

The average debt recovery period continued to improve considerably, up to 54 days compared to 62 days (2022) and 81 days (2021). Also, the average payment term of suppliers was 1 day shorter compared to 2022 and 18 days shorter compared to 2021. Stock turnover remained constant compared to the previous year. Profitability rates depreciated as a result of the pressure on the decrease in selling prices, but also as a result of the increase in labour costs and amortisation, still remaining positive.

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

| *(RON)* | **December 31st, 2023** | **December 31st, 2022** | **December 31st, 2021** |
|---|---|---|---|
| **ASSETS** | | | |
| Tangible assets | 552.107.867 | 425.202.360 | 338.408.016 |
| Downpayments for tangible assets | 23.363.024 | 37.053.636 | |
| Intangible assets | 3.785.076 | 5.114.021 | 5.850.271 |
| Other non-current assets | 1.224.189 | 1.204.663 | 39.594 |
| Goodwill | 8.526.391 | 8.526.391 | 8.526.391 |
| **Total non-current assets** | **589.006.547** | **477.101.071** | **352.824.272** |
| Inventories | 76.630.055 | 81.370.713 | 72.156.949 |
| Trade receivables | 74.408.633 | 104.969.853 | 101.927.129 |
| Prepaid expenses | 1.054.817 | 4.483.704 | 1.115.940 |
| Receivables related to current profit tax | 835.908 | - | 242.518 |
| Other receivables | 10.526.706 | 15.627.368 | 3.856.477 |
| Restricted cash | - | 1.881.991 | - |
| Cash and cash equivalents | 2.823.520 | 3.563.830 | 2.368.775 |
| Assets held for sale | 19.725.761 | - | - |
| **Total current assets** | **186.005.400** | **211.897.459** | **181.667.788** |
| **TOTAL ASSETS** | **775.011.947** | **688.998.530** | **534.492.060** |

| | | | |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 169.121.665 | 120.338.551 | 120.363.081 |
| Reserves | 179.992.645 | 176.252.881 | 115.453.878 |
| Retained earnings | 8.432.683 | 18.783.273 | 4.689.698 |
| Non-controlling interests | (3.757) | (3.114) | (1.040) |
| **Total equity** | **357.543.235** | **315.371.591** | **240.505.617** |
| **LIABILITIES** | | | |
| Long-term loans | 140.955.586 | 125.981.209 | 58.706.910 |
| Long-term liabilities under leasing agreements | 21.977.764 | 16.346.044 | 17.870.254 |
| Long-term loans from bond issues | - | 38.164.800 | 37.949.400 |
| Deferred income | 13.137.193 | 11.735.050 | 9.620.784 |
| Long-term debts to employees | 444.379 | 440.169 | 422.307 |
| Liabilities related to deferred profit tax | 13.894.851 | 14.766.201 | 5.128.351 |
| Other long-term liabilities | 492.830 | 188.422 | 323.422 |
| **Total long-term liabilities** | **190.902.603** | **207.621.895** | **130.021.428** |
| Short-term trade liabilities | 57.577.273 | 70.804.082 | 74.347.087 |
| Short-term loans | 104.412.448 | 68.541.291 | 71.301.775 |
| Short-term liabilities under leasing agreements | 9.320.959 | 7.718.425 | 5.864.025 |
| Short-term loans from bond issues | 38.250.000 | - | - |
| Deferred income | 1.361.714 | 1.826.984 | 2.219.654 |
| Debts to employees | 7.072.857 | 7.646.369 | 5.104.218 |
| Liabilities related to current profit tax | 92.996 | 680.223 | - |
| Other liabilities | 8.477.862 | 8.787.670 | 5.128.256 |
| **Total current liabilities** | **226.566.109** | **166.005.044** | **163.965.015** |
| **TOTAL LIABILITIES** | **417.468.712** | **373.626.939** | **293.986.443** |
| **TOTAL EQUITY AND LIABILITIES** | **775.011.947** | **688.998.530** | **534.492.060** |

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

| *(RON)* | **2023** | **2022** | **2021** |
|---|---|---|---|
| Income from turnover | 500.299.036 | 607.354.159 | 453.888.676 |
| Income from operating subsidies | 12.922.747 | 3.421.768 | |
| Other income | 10.248.680 | 13.763.542 | 8.596.073 |
| Variation in finished product inventories and production in progress | 3.733.454 | 6.787.240 | 7.873.449 |
| Expenses related to raw materials and consumables | (225.478.150) | (331.925.706) | (271.358.232) |
| Expenses related to commodities | (54.073.764) | (56.152.237) | (16.052.868) |
| Third-party expenses | (47.561.802) | (53.262.802) | (40.434.950) |
| Personnel-related expenses | (120.053.600) | (99.542.909) | (82.610.222) |
| Expenses related to amortisation and depreciation of tangible assets | (42.988.971) | (34.976.920) | (35.138.123) |
| Other expenses | (18.234.873) | (17.785.815) | (12.351.068) |
| **Operating result** | **18.812.757** | **37.680.320** | **12.412.735** |

| | | | |
|---|---|---|---|
| Financial income | 1.530.677 | 557.455 | 588.277 |
| Financial expenses | (13.765.270) | (12.561.518) | (5.233.951) |
| **Profit (loss) before taxation** | **6.578.164** | **25.676.257** | **7.767.061** |
| Profit tax expense | (1.155.779) | (2.729.364) | (1.422.806) |
| **Profit (loss) for the year** | **5.422.385** | **22.946.893** | **6.344.255** |
| - **of the Parent-company** | **5.423.028** | **22.948.967** | **6.345.576** |
| - **of non-controlling interests** | **(643)** | **(2.074)** | **(1.321)** |
| **Other comprehensive income items** | | | |
| Changes in the reserve from the revaluation of tangible assets, net of deferred tax | - | 56.954.484 | (804.041) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **5.422.385** | **79.901.377** | **5.540.214** |
| - **of the Parent-company** | **5.423.028** | **79.903.451** | **5.541.535** |
| - **of non-controlling interests** | **(643)** | **(2.074)** | **(1.321)** |

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

| ***(RON)*** | **2023** | **2022** | **2021** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Amounts collected from customers | 621.410.211 | 709.841.715 | 494.782.114 |
| Payments to suppliers | (384.498.240) | (518.670.473) | (344.444.838) |
| Payments to employees | (81.926.320) | (68.137.816) | (56.334.135) |
| Payments to the state budget | (77.381.844) | (73.360.237) | (62.360.626) |
| Profit tax paid | (2.898.685) | (2.559.452) | (2.850.515) |
| **Net cash flows from operating activities** | **74.705.122** | **47.113.737** | **28.792.000** |
| **Cash flows from financing activities** | | | |
| Payments for the purchase of tangible and intangible assets | (144.411.984) | (87.942.311) | (47.392.125) |
| Letters of credit for the purchase of non-current assets | - | (1.881.991) | - |
| Guarantees for obtaining authorization licenses | - | - | (2.000.000) |
| Amounts collected from the sale of tangible assets | 4.127.880 | 1.354.572 | 380.648 |
| Interests collected | 7.331 | 3.257 | 934 |
| **Net cash flows from financing activities** | **(140.276.773)** | **(88.466.473)** | **(49.010.543)** |
| **Cash flows from financing activities** | | | |
| Amounts collected from loans | 101.562.320 | 154.568.756 | 48.473.525 |
| Share capital increase | 48.894.047 | 476.774 | 16.736.768 |
| Payments for leasing | (10.209.182) | (7.715.515) | (4.660.190) |
| Interests paid under leasing agreements | (316.893) | (236.274) | (403.521) |
| Loans reimbursed | (51.116.389) | (90.657.661) | (28.616.948) |
| Interests paid | (12.170.909) | (8.936.054) | (4.662.932) |
| Dividends paid | (11.811.653) | (4.952.235) | (9.837.462) |
| **Net cash flows from financing activities** | **64.831.341** | **42.547.791** | **17.029.240** |

| | | | |
|---|---|---|---|
| **Net increase/(reduction) of cash and cash equivalents** | **(740.312)** | **1.195.055** | **(3.189.303)** |
| **Cash and cash equivalents as at the financial year beginning** | **3.563.830** | **2.368.775** | **5.558.078** |
| **Cash and cash equivalents as at the financial year end** | **2.823.520** | **3.563.830** | **2.368.775** |

## 9. MAJOR EVENTS OCCURRED 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.

On March 17th, 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon, took place and as at this date, the Company has fully paid the obligations stipulated in the Issue prospectus.

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

# VRANCART SA

# CONSOLIDATED FINANCIAL STATEMENTS
# AS AT 31 DECEMBER 2023

Drawn up in accordance with
the Order of the Public Finance Ministry 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

**Table of contents**

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Tangible assets | 4 | 552.107.867 | 425.202.360 |
| Downpayments for tangible assets | | 23.363.024 | 37.053.636 |
| Intangible assets | 5 | 3.785.076 | 5.114.021 |
| Other non-current receivables | | 1.224.189 | 1.204.663 |
| Goodwill | 5 | 8.526.391 | 8.526.391 |
| **Total non-current assets** | | **589.006.547** | **477.101.071** |
| Inventories | 6 | 76.630.055 | 81.370.713 |
| Trade receivables | 8 | 74.408.633 | 104.969.853 |
| Prepaid expenses | | 1.054.817 | 4.483.704 |
| Receivables related to current profit tax | | 835.908 | - |
| Other receivables | 10 | 10.526.706 | 15.627.368 |
| Restricted cash | | - | 1.881.991 |
| Cash and cash equivalents | 9 | 2.823.520 | 3.563.830 |
| | | **166.279.639** | - |
| Assets held for sale | 7 | 19.725.761 | - |
| **Total current assets** | | **186.005.400** | **211.897.459** |
| **TOTAL ASSETS** | | **775.011.947** | **688.998.530** |
| **EQUITY** | | | |
| Share capital | 11 | 169.121.665 | 120.338.551 |
| Premiums related to capital | | 775.497 | 664.564 |
| Revaluation reserves | 12 | 100.969.137 | 103.350.319 |
| Legal reserves | 12 | 13.646.880 | 13.338.707 |
| Other reserves | 12 | 64.601.130 | 58.899.291 |
| Retained earnings | | 8.432.683 | 18.783.273 |
| **Total equity – Parent-company** | | **357.546.992** | **315.374.705** |
| Non-controlling interests | | (3.757) | (3.114) |
| **Total equity** | | **357.543.235** | **315.371.591** |
| **LIABILITIES** | | | |
| Long-term loans | 13 | 140.955.586 | 125.981.209 |
| Long-term lease liabilities | 16 | 21.977.764 | 16.346.044 |
| Long-term loans from bond issues | 15 | - | 38.164.800 |
| Subsidies | 20 | 13.137.193 | 11.735.050 |
| Long-term debts to employees | 18 | 444.379 | 440.169 |
| Debts related to deferred profit tax | 19 | 13.894.851 | 14.766.201 |
| Provisions | 15 | 492.830 | 188.422 |
| **Total long-term liabilities** | | **190.902.603** | **207.621.895** |

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| Short-term trade liabilities | 13 | 57.577.273 | 70.804.082 |
| Short-term loans | 17 | 104.412.448 | 68.541.291 |
| Short-term lease liabilities | 16 | 9.320.959 | 7.718.425 |
| Short-term loans from bond issues | 17 | 38.250.000 | - |
| Subsidies | 20 | 1.361.714 | 1.826.984 |
| Debts to employees | 18 | 7.072.857 | 7.646.369 |
| Debts related to current profit tax | | 92.996 | 680.223 |
| Other liabilities | 14 | 8.477.862 | 8.787.670 |
| **Total current liabilities** | | **226.566.109** | **166.005.044** |
| **TOTAL LIABILITIES** | | **417.468.712** | **373.626.939** |
| **TOTAL EQUITY AND LIABILITIES** | | **775.011.947** | **688.998.530** |

The financial statements were approved by the Board of Directors on 29 March 2024.

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

| | Note | 2023 | 2022 |
|---|---|---|---|
| Income from agreements concluded with customers | 21 | 500.299.036 | 607.354.159 |
| Income from operating subsidies | | 12.922.747 | 3.421.768 |
| Other income | 22 | 10.248.680 | 13.763.542 |
| Variation in finished product inventories and production in progress | | 3.733.454 | 6.787.240 |
| Raw materials and consumables | 23 | (225.478.150) | (331.925.706) |
| Expenses related to commodities | | (54.073.764) | (56.152.237) |
| Third-party expenses | 24 | (47.561.802) | (53.262.802) |
| Personnel-related expenses | 26 | (120.053.600) | (99.542.909) |
| Expenses related to amortisation and depreciation of assets | 4,5 | (42.988.971) | (34.976.920) |
| Other expenses | 25 | (18.234.873) | (17.785.815) |
| **Operating result** | | **18.812.757** | **37.680.320** |
| Financial income | 27 | 1.530.677 | 557.455 |
| Financial expenses | 27 | (13.765.270) | (12.561.518) |
| **Profit before taxation** | | **6.578.164** | **25.676.257** |
| Profit tax expense | 28 | (1.155.779) | (2.729.364) |
| **Profit for the year** | | **5.422.385** | **22.946.893** |
| - **of the Parent-company's shareholders** | | **5.423.028** | **22.948.967** |
| - **of non-controlling interests** | | **(643)** | **(2.074)** |
| **Other comprehensive income items** | | | |
| Changes in the reserve from the revaluation of tangible assets, net of deferred tax | | - | 56.954.484 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **5.422.385** | **79.901.377** |
| - **of the Parent-company's shareholders** | | **5.423.028** | **79.903.451** |
| - **of non-controlling interests** | | **(643)** | **(2.074)** |
| **Earnings per share** | 29 | | |
| Base earnings per share | | 0,0040 | 0,0219 |
| Diluted earnings per share | | 0,0052 | 0,0196 |

The financial statements were approved by the Board of Directors on 29 March 2024.

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

| | Attributable to the Parent-company's shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Revaluation reserves** | **Premiums related to capital** | **Legal reserves** | **Other reserves** | **Retained earnings** | **Non-controlling interests** | **Total equity** |
| **Balance as at 1 January 2022** | **120.363.081** | **49.182.872** | **621.219** | **12.018.911** | **53.630.876** | **4.689.698** | **(1.040)** | **240.505.617** |
| **Comprehensive income for the year** | | | | | | | | |
| Net profit/loss for the year | - | - | - | - | - | 22.948.967 | (2.074) | 22.946.893 |
| **Other comprehensive income items** | | | | | | | | |
| Changes in the reserve from the revaluation of tangible assets, net of deferred tax | - | 56.954.484 | - | - | - | - | - | 56.954.484 |
| **Total comprehensive income for the year** | **-** | **56.954.484** | **-** | **-** | **-** | **22.948.967** | **(2.074)** | **79.901.377** |
| Distribution of reserves | - | - | 43.345 | 1.319.796 | 4.940.629 | (6.303.770) | - | - |
| Transfer of the revaluation reserve to retained earnings following the sale/cassation of tangible assets, net of tax | - | (2.787.037) | - | - | 327.786 | 2.459.251 | - | - |
| **Transactions with the shareholders** | | | | | | | | |
| Dividends | - | - | - | - | - | (5.054.219) | - | (5.054.219) |
| Share capital increase | (24.530) | - | - | **-** | - | 43.346 | - | 18.816 |
| **Total transactions with the shareholders** | (24.530) | - | - | **-** | - | (5.010.873) | - | (5.035.403) |
| **Balance as at 31 December 2022** | **120.338.551** | **103.350.319** | **664.564** | **13.338.707** | **58.899.291** | **18.783.273** | **(3.114)** | **315.371.591** |
| | | | | | | | | |
| **Balance as at 1 January 2023** | **120.338.551** | **103.350.319** | **664.564** | **13.338.707** | **58.899.291** | **18.783.273** | **(3.114)** | **315.371.591** |
| **Comprehensive income for the year** | | | | | | | | |
| Net profit/loss for the year | - | - | - | - | - | 5.423.028 | (643) | 5.422.385 |
| **Other comprehensive income items** | | | | | | | | |

| | Attributable to the Parent-company's shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Revaluation reserves** | **Premiums related to capital** | **Legal reserves** | **Other reserves** | **Retained earnings** | **Non-controlling interests** | **Total equity** |
| Changes in the reserve from the revaluation of tangible assets, net of deferred tax | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the year** | - | **-** | **-** | **-** | **-** | **5.423.028** | **(643)** | **5.422.385** |
| Distribution of reserves | - | - | 110.933 | 308.173 | 5.701.839 | (6.120.945) | - | - |
| Transfer of the revaluation reserve to retained earnings following the sale/cassation of tangible assets, net of tax | - | (2.381.182) | - | - | - | 2.381.182 | - | - |

| | **Share capital** | **Revaluation reserves** | **Premiums related to capital** | **Legal reserves** | **Other reserves** | **Retained earnings** | **Non-controlling interests** | **Total equity** |
|---|---|---|---|---|---|---|---|---|
| **Transactions with the shareholders** | | | | | | | | |
| Dividends | - | - | - | - | - | (12.033.855) | - | (12.033.855) |
| Share capital increase | 48.783.114 | - | - | - | - | - | - | 48.783.114 |
| **Total transactions with the shareholders** | 48.783.114 | - | - | - | - | (12.033.855) | - | 36.749.259 |
| **Balance as at 31 December 2023** | **169.121.665** | **100.969.137** | **775.497** | **13.646.880** | **64.601.130** | **8.432.683** | **(3.757)** | **357.543.235** |

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

**DIRECT METHOD**

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Amounts collected from customers | | 621.410.211 | 709.841.715 |
| Payments to suppliers | | (384.498.240) | (518.670.473) |
| Payments to employees | | (81.926.320) | (68.137.816) |
| Payments to the state budget | | (77.381.844) | (73.360.237) |
| Profit tax paid | | (2.898.685) | (2.559.452) |
| **Net cash flows from operating activities** | | **74.705.122** | **47.113.737** |
| **Cash flows from investment activities** | | | |
| Payments for the purchase of tangible and intangible assets | | (144.411.984) | (87.942.311) |
| Letters of credit for the purchase of assets | | - | (1.881.991) |
| Amounts collected from the sale of tangible assets | | 4.127.880 | 1.354.572 |
| Interests collected | | 7.331 | 3.257 |
| **Net cash flows from investment activities** | | **(140.276.773)** | **(88.466.473)** |
| **Cash flows from financing activities** | | | |
| Amounts collected from loans | | 101.562.320 | 154.568.756 |
| Amounts collected from share capital increase | | 48.894.047 | 476.774 |
| Payments of principal under leasing agreements | | (10.209.182) | (7.715.515) |
| Interests paid under leasing agreements | | (316.893) | (236.274) |
| Loans reimbursed | | (51.116.389) | (90.657.661) |
| Interests paid | | (12.170.909) | (8.936.054) |
| Dividends paid | | (11.811.653) | (4.952.235) |
| **Net cash flows from financing activities** | | **64.831.341** | **42.547.791** |
| **Net increase/(reduction) of cash and cash equivalents** | | **(740.310)** | **1.195.055** |
| **Cash and cash equivalents as at the financial year beginning** | 9 | **3.563.830** | **2.368.775** |
| **Cash and cash equivalents as at the financial year end** | 9 | **2.823.520** | **3.563.830** |

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

## 1 The reporting entity

Vrancart Group ("the Group") includes the company Vrancart SA, having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branches Rom Paper SRL ("Branch 1"), based in Brașov locality, 30 Cristianului Road, Brașov county, Vrancart Recycling SRL ("Branch 2"), based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and Ecorep Group SA ("Branch 3"), based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The consolidated financial statements of the Group for the financial year ended on 31 December 2023 are formed of the financial statements of Vrancart SA and of its branches, that form together the Group.

| Branch | Field of activity | Shareholding as at 31 December 2023 | Shareholding as at 31 December 2022 |
|---|---|---|---|
| Rom Paper SRL | Production of napkins and tissue paper products | **100%** | **100%** |
| Vrancart Recycling SRL | Treatment and removal of non-hazardous waste | **100%** | **100%** |
| Ecorep Group SA | Business support services n.e.c. | **99,6%** | **99,6%** |

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

The end beneficiary of the Group is LION Capital SA (formerly called SIF Banat-Crisana).

### *VRANCART SA*

Vrancart SA ("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 Group's number of employees as at 31 December 2023 was 1475 (31 December 2022: 1303 employees).

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

As at 31 December 2023, the company is owned 76% by LION Capital SA (formerly called SIF Banat – Crișana SA), 17% by Paval Holding SRL and 7% by other shareholders (note 12).

The record of shares and shareholders is kept according to law by Depozitarul Central SA Bucharest.

***ROM PAPER SRL***

**Rom Paper SRL ("Branch 1**") was established in 2002 and it is a Romanian privately-owned company, which produces tissue paper products made of recycled paper and cellulose, such as: napkins, folded paper towels, tissue paper, professional rolls, tissues for cosmetic use and facial tissues. Its products are traded on the territory of Romania and abroad in 6 other countries, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

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

As at 31 December 2023, the Group held 100% of the company's shares, following the purchase in June 2017 of 15%, respectively in June 2018 of the last tranche of 15% of the shares in Rom Paper S.R.L.

As at 31 December 2023, the Branch had a number of 112 employees (31 December 2022: 114 employees).

***VRANCART RECYCLING 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. This company was founded with the purpose to develop the Group through a greenfield investment, amounting to over Euro 20 million, in recycling adjacent fields to cover a great diversity of recyclable resources that it will sell or use internally following the newly-created synergies.

The company is at the beginning of its activity and had a number of 89 employees as at 31 December 2023 (31 December 2023: 73 employees).

***ECOREP GROUP SA***

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

The company is at the beginning of its activity and obtained the authorisation from the Ministry of Environment in 2021. The number of employees as at 31 December 2023 is 7 employees (31 December 2022: 6 employees).

**Main investments in progress at Group level**

At Vrancart S.A. we are building a 20 MW photovoltaic park worth RON 77 million, financed by investment loans, the Company's own contribution and a grant received under the National Recovery and Resilience Plan, worth RON 29 million. The project is being built on a land plot of 39 ha, that was made viable and greened by the company in order to give it back to the economic circuit. Another major project is the implementation of a new state-of-the-art ERP system worth EUR 514 thousand financed by a bank loan and by the Company's own contribution.

At Vrancart Recycling S.R.L. we are developing an integrated waste recycling project, representing a greenfield investment worth EUR 27 million, financed by investment loans, the Company's own contribution and a state aid of EUR 8,3 million, with the main purpose of developing new recycling capacities for waste paper, plastic and wood, as well as a cogeneration plant for the production of thermal energy (16,2 to/h) and electricity (1,2 MW/h) using waste and residues from the technological processes.

At Rom Paper, as at 31 December 2023, an extensive project for the modernisation of the facial tissue production lines, by increasing productivity and energy efficiency, worth EUR 4,7 million, financed by investment loans, the Company's own contribution and an Innovation Norway grant worth EUR 1,9 million, is being completed and implemented.

## 2 Basis for preparation

### a) Statement of conformity

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

### b) Submission of financial statements

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

### c) The functional and presentation currency

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

### d) Basis for preparation

The consolidated 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 re-evaluation model.

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

**e) Comparative statements**

The consolidated financial statements as at 31 December 2023 are comparable to those of the previous financial year. The presentation of certain balances as at 31 December 2022 has been updated in order to present comparable data with those of the current financial year.

As such, discounts in the amount of RON 6.392.398 presented as at 2022 under the Other expenses line, were presented in the current consolidated financial statements, within the Income from agreements with customers.

And payments in the amount of RON 2.825.135 presented in 2022 within the Net Cash flows from operating activities, were presented in the current consolidated financial statements within the Cash flows from financing activities.

**f) Business continuity**

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

In 2023, the Group recorded a net profit of RON 5.422.385 (2022: RON 22.946.893). As at 31 December 2023, net working capital is negative at RON 40.560.709 (31 December 2022: RON 45.892.416).

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. Thus, the Group's sales were lower by 14% than in the previous year and lower by 16% compared to the budget, mainly due to price decreases in all business segments, although if analysed separately by segment, we can see sales increases compared to the previous year (Rom Paper +2%, Vrancart Recycling +58%, Ecorep +45%). 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.

However, Rom Paper recorded a profit 4 times higher than in 2022 and +44% over budget, Ecorep has improved its performance by 69%, reaching close to break-even point, but below the budgeted expectations by RON 600 thousand, Vrancart Recycling continued the investment process to develop new and modern energy and recycling capabilities, and Vrancart S.A., even though it was below last year's and budgeted profitability, generated sufficient EBITDA to contribute to debt servicing and to the fulfilment of the financial indicators agreed before the balance sheet date with the financing banks, while ensuring a solid financial balance at Group level.

In support of 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 Group benefits from available credit facilities, both short term and long term in line with the financing needs of the current and investment activities as foreseen in the budget for 2024. Thus, as at 31 December 2023, the Group benefited from short-term financing facilities in RON and EURO in the amount of RON 125 million, out of which RON 46 million was used, and for investment projects it had available financing not yet accessed of RON 141 million.

The Group pays particular importance to profitability indicators, through the streamlining of operational processes, and liquidity, through the efficient use of resources.

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

The management believes that the Group will be able to continue its business in the foreseeable future as well, and therefore, the application of the going concern principle in the preparation of the financial statements is justified.

**g) The use of significant judgements and estimates**

The preparation of the consolidated financial statements in accordance with the Public Finance Ministry Order no. 2844 requires the management to make estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported amounts of assets, liabilities, income and expenses. The judgments and assumptions associated with these estimates are based on 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 judgements about the carrying amounts of assets and liabilities that cannot be obtained from other sources of information. The results obtained may differ from the estimates.

The underlying judgements and assumptions are reviewed on a regular basis by the Group. The revisions to the accounting estimates are recognised in the period when the estimates are revised if the revisions affect only that period, or in the period in which the estimates are revised and the future periods if the revisions affect both the current period and future periods.

The information about estimates, judgments and assumptions with an increased risk of resulting in a material adjustment of the assets and liabilities amounts as at 31 December 2023 is included in the following notes:

The main estimates relate 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)
- the allocation of useful lifetimes to the acquired intangible assets, disclosed in Note 5

## 3 Significant accounting policies

### a. Basis for consolidation

The consolidated financial statements comprise the financial statements of the Group and of its branches as at 31 December 2023.

Control is obtained when the Group is exposed to or has rights to variable income due to its involvement in the invested entity and has the ability to influence that income through its power over the invested entity.

Specifically, the Group controls an invested entity if and only if it has:

• Authority over the invested entity (e.g. existing rights that give it current ability to direct its activities)

• Exposure or rights to variable income based on its shareholding in the invested entity

• The ability to use its authority over the invested entity to influence the amount of the investor's income.

In general, it is assumed that holding the majority of voting rights generates control. To support this assumption and where the Group does not hold a majority of voting or similar rights in an invested entity, the Group considers all facts and circumstances when assessing whether it has control over an invested entity, including:

- The contractual agreement(s) with the other holders of voting rights of the invested entity

- The rights arising from other contractual commitments

- The voting rights and potential voting rights of the Group.

The Group reassesses whether or not it controls an investee if facts or circumstances indicate that there are changes in one or several of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements as of the date the Group gained control until the date the Group ceases to have control of the subsidiary.

Profit or loss and each component of other comprehensive income items is attributed to the equity holders of the Group's parent company and non-controlling interests, even if this results in a negative balance for non-controlling interests.

When necessary, adjustments are made to the financial statements of the branches to align their accounting policies with those of the Group. All assets and liabilities, equity, income, expenses and cash flows within the Group that relate to transactions between members of the Group are eliminated in full on consolidation.

*(i) Consolidation of entities*

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

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

– the fair value of the counterperformance transferred, including
– the value of non-controlling interests in the entity purchased, including
– if that combination is performed in stages, the fair value as at the acquisition date of the shareholding in
– the equity held by the purchased entity, less

– the net value recognised (in general, the fair value) of the identifiable assets acquired and of the liabilities assumed

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

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

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

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

*(ii) Branches*

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

*(iii) Loss of control*

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

*(iv) Transactions removed from consolidation*

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

*(v) Non-controlling interests*

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

## b. Transactions in foreign currencies

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

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

The currency exchange rates of the main foreign currencies were as follows:

| Currency | 31 December 2023 | 31 December 2022 | Variation |
|---|---|---|---|
| Euro (EUR) | 4.9746 | 4.9474 | +0,55% |

**c. Financial instruments**

*Non-derivative financial instruments*

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

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

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

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

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous carrying amount 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 carrying amount allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

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

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

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

*Derivative financial instruments*

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

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

The Group holds derivative financial instruments in the form of conversion and reimbursement options attached to loans from bond issues, which are detailed in Note 17.

*Receivables*

Receivables are financial assets with fixed or determinable payments that are not quoted 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 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.

*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.

*Financial assets held for sale*

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

*Share capital – ordinary shares*

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

*Financial liabilities*

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

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

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

**d. Tangible assets**

*(i) Recognition and evaluation*

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

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

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

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

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

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

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

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

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

The re-evaluations of tangible assets are made with sufficient regularity, so that the carrying amount 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 carrying amount, 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 carrying amount, 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 carrying amount 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.

**e. 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, respectively in Note 16.

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.

**f. Intangible assets and goodwill**

*(i) Recognition and evaluation*

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

(*ii*) *Goodwill*

Goodwill recorded by the Company is the result of the acquisition of the company Giant (merged with Vrancart SA), in accordance with IFRS 3, and from the acquisition of Rom Paper SRL. 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) Brands and commercial relations*

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

*(iv) Subsequent expenses*

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

*(v) Amortisation of intangible assets*

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

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

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

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

*(vi) European Union Allocation (EUA)emission 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.

**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 carrying amount 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) carrying amount 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 have a high degree of certainty.

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. Depreciation of assets

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

An impairment loss is recognised when the carrying amount 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 carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of amortisation and depreciation, if the impairment loss had not been recognised.

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

*Impairment adjustments for trade receivables*

The Group analyses on an individual basis the need to record an impairment adjustment for the customers whose balances 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 Group calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

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

In accordance with IFRS 9, the Company used the simplified approach for calculating estimated credit loss (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 Group does not hold any perishable inventories or inventories posing a short-term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events.

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

- For 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 Group compares the cost of inventories with the sale prices less the distribution costs for the immediately following period, to present the inventories remained in balance at the minimum value between the production cost and the sale price less the distribution costs.

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

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

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

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

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

*(iii)* *Long-term employee benefits*

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

The parent-company has the obligation to grant benefits to employees upon retirement, in accordance with the collective labour agreement. The Group uses actuaries to calculate the provision for long-term benefits, at each financial reporting.

**m. Provisions**

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

**n. Income**

*(i)* *The sale of goods*

The Group 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 is recognised when control is transferred to the customer.

The Group 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 Group assesses the value related to such returns from customers and recognises these as an adjustment of income.

The Group 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 Group 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) 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 main categories of services provided by the Group to third parties consist in the recovery through recycling of waste with eco-bonuses, the provision of maintenance and repair services for recycling equipment (Vrancart SA), taking over the extended liability of importers and producers for packaging waste placed on the Romanian market (Ecorep). Ecorep provides the services of assumption of responsibility for the fulfilment by its clients of their obligations towards the Environmental Fund under the operating licence no. 14 of 2021 issued by the Ministry of Environment.

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

*(ii) Deferred tax*

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

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

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

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

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

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

*(iii) Tax exposures*

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

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

## q. Earnings per share

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

## r. Government subsidies

Government subsidies for investment are initially recognised as deferred income at fair value when it is probable that they will be received and the Group will comply with the associated conditions. The subsidies that compensate the Group for the cost of an asset are recognised in the statement of comprehensive income in "Income from operating subsidies" on a systematic basis over the useful lifetime of the asset as the subsidised asset is amortised. The subsidies that compensate for expenses incurred by the Group are recognised in the Statement of Comprehensive Income under "Income from operating subsidies" on a systematic basis over the same periods in which expenses are recognised and are presented under “Other income” in the Statements of financial position when their settlement is expected to occur during the following financial year.

**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 is presented when an inflow of economic benefits is likely.

**t. Subsequent events**

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

**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 25 June 2020 - adopted by the EU on 19 November 2021 (applicable for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 Submission of financial statements** - Presentation of accounting policies (applicable for annual periods beginning on or after 1 January 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 1 January 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 1 January 2024),
- **Amendments to IFRS 16 „Leases”** - Lease liabilities in a sale and leaseback transaction (applicable for annual periods beginning on or after 1 January 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 1 January 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.

**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:

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

The adoption of the new amendments to the existing standards did not have 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:

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

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

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

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

➢ **IFRS 14 „Deferral accounts related to regulated activities"** (applicable for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to issue the endorsement process for this interim standard and to wait for the final standard;

➢ **Amendments to IAS 1 „Submission of financial statements"** - Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after 1 January 2023);

➢ **Amendments to IAS 1 „Submission of financial statements"** – Non-current liabilities with agreements (applicable for annual periods on or after 1 January 2024);

➢ **Amendments to IFRS 16 „Leasing agreements"** – Lease liabilities on sale and leaseback (applicable for annual periods on or after 1 January 2024);

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

**c. Fair value determination**

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

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

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

Upon the evaluation of assets or liabilities at fair value, the Group 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 Group can access at the evaluation date;
- 2nd level: entry data, other than quoted prices included in 1st level, that is observable for assets or liabilities, directly or indirectly;
- 3rd level: unobservable entry data for assets or liabilities.

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

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

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

## 4 Tangible assets

### Revaluation

As at 31 December 2022, based on reports prepared by authorised appraisers, the Group recorded a revaluation surplus for land and land improvements, special buildings and constructions and production lines in the amount of RON 67.259.732 and a net increase in the amount of RON 4.248.609 (at income). The fair value of the fixed assets subject to revaluation was determined by applying the market comparison method, where market information is available, i.e. the net replacement cost method. Prior to this revaluation, the last revaluation of those categories of property, plant and equipment had taken place on 31 December 2019.

The approaches applied in the evaluation on 31 December 2022, respectively the main input data used were:

•Approach through market comparisons - for free land (or considered as free), for movable goods with an active market; The input data were the surfaces and the average prices for the respective locations;

• Income approach – for the Călimănesti, Ungheni, Chiajna and Pantelimon locations; The input data were the estimated rents, respectively the surfaces;

• Cost approach – for all evaluated fixed assets, which have a high degree of specialization; it started from the replacement cost, adjusted with inflation/currency exchange rate and with the percentage of depreciation;

The values obtained in the cost approach were subjected to the economic depreciation test.

The accumulated impairment reversal method is used to record the revaluation results in the accounting records.

### Depreciation tests

As at 31 December 2023 impairment tests have been performed, the appropriate type of value is “use value”, as defined by IAS 36 - Impairment of Assets, as: “the current value of the future cash flows expected to be derived from an asset or cash-generating unit”.

For the purpose of testing the depreciation of fixed assets, the Group identified 3 cash generating units: Vrancart SA, RomPaper SRL and Vrancart Recycling SRL.

Vrancart Recycling is a project under investment and has not been tested for depreciation because the machines are new.

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

- **Net cash flow** - these flows (revenue and expenditure budget) were forecast 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 inflation forecast in lei in the long term by the National Bank of Romania.
- **Discount rate** and capitalization rate for the 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 the report was also made to the data found in the market for other manufacturers of similar products. Thus, the results identified in the Damodaran database on a European level, we find the average EBITDA margin between 12% - 16%. WACC (weighted average cost of capital) on 31.12.2023 was 11.58%.
- **Net working capital variation** – estimated by the evaluator based on the working capital for the first forecast year, respectively 3.1% of the estimated turnover in the explicit forecast period, and for the rest of the explicit forecast period, respectively in perpetuity it was kept at the same level as previously mentioned.

Thus, the use value of the fixed assets related to the Vrancart business line, which is to be tested for impairment, was determined: RON 384.795.242. This value was then compared with the net carrying amount of RON 316.593.953.

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.

In the case of Rom Paper, the impairment test also highlighted that the value in use is significantly higher than the net carrying amount on 31 December 2023, consequently there is no need to recognize an economic impairment.

If land, buildings and production lines had not been revalued, their value as at 31 December 2023 would be as follows:

| | Cost | Cumulated amortisation | Net carrying amount |
|---|---|---|---|
| Land and land improvements | 23.537.685 | 2.886.882 | 20.650.803 |
| Special buildings and constructions | 101.959.953 | 26.306.558 | 75.653.394 |
| Production lines | 369.190.062 | 200.636.137 | 168.553.926 |
| **Total** | **494.687.700** | **229.829.577** | **264.858.123** |

A part of the Group's tangible assets are mortgaged or pledged to secure loans granted by banks. The net carrying amount of these pledged or mortgaged assets is RON 311.125 thousand as at 31 December 2023 (31 December 2022: RON 199.605 thousand). The value of rights of use relating to assets held under leasing contracts is shown in Note 14.

The main purchases of tangible assets in 2023 at the Parent-company consisted of buildings and related warehouses for the production of corrugated cardboard, as well as equipment and production lines related to the paperboards, tissue paper and corrugated cardboard production lines. At the subsidiary Rom Paper SRL, in 2023, production equipment was purchased to increase the existing capacities and to diversify the assortment range.

The unamortised value of the fixed assets that are no longer part of the patrimony as a result of the sale and/or cassation as at 31 December 2023 was RON 3.626.247 (31 December 2022: RON 2.291.196).

The net carrying amount of the fixed assets acquired through government subsidies received until 31 December 2023 is RON 62.005.876 (31 December 2022: RON 61.489.107).

| | Land and land improvements | Special constructions and buildings | Equipment and other fixed assets | Tangible assets in progress | Total |
|---|---|---|---|---|---|
| *Cost or re-valuated value* | | | | | |
| **As at 1 January 2022** | **16.409.243** | **95.967.712** | **274.703.192** | **47.724.528** | **434.804.675** |
| Purchases | - | - | 115.859 | 48.721.428 | 48.837.287 |
| Assets related to the rights of use of leased assets (note 16) | - | 2.294.550 | 6.265.388 | - | 8.559.937 |
| Transfers from assets in progress | 1.269.526 | 5.411.272 | 21.765.862 | (28.446.659) | - |
| Transfers to intangible assets | - | - | - | (233.030) | (233.030) |
| Outflows | (230.840) | (15.426) | (1.529.871) | - | (1.776.137) |
| Outflows of assets related to rights of use | - | (1.419.183) | - | - | (1.419.183) |
| Reevaluations | 2.399.897 | 16.406.079 | 52.761.350 | - | 71.567.326 |
| Cumulated depreciation reduced according to the re-evaluated value | (689.705) | (7.744.941) | (64.265.018) | - | (72.699.664) |
| **As at 31 December 2022** | **19.158.120** | **110.900.063** | **289.816.762** | **67.766.267** | **487.641.212** |
| | | | | | |
| *Cumulated depreciation and depreciation losses* | | | | | |
| **As at 1 January 2022** | **445.701** | **12.125.598** | **85.861.076** | **-** | **98.432.375** |
| Depreciation expense | 244.004 | 2.763.286 | 26.175.336 | - | 29.182.627 |
| Expenses related to the depreciation of assets related to the rights of use of leased assets (note 16) | - | 4.390.428 | 3.517.027 | - | 7.907.455 |
| Outflows | - | (1.890) | (382.050) | - | (383.940) |
| Cumulated depreciation reduced according to the re-evaluated value | (689.705) | (7.744.941) | (64.265.018) | - | (72.699.664) |
| **As at 31 December 2022** | **-** | **11.532.481** | **50.906.371** | **-** | **62.438.852** |
| | | | | | |
| *Net carrying amount* | | | | | |
| **As at 31 December 2022** | **19.158.120** | **99.367.582** | **238.910.391** | **67.766.267** | **425.202.360** |

| | Land and land improvements | Special constructions and buildings | Equipment and other fixed assets | Tangible assets in progress | Total |
|---|---|---|---|---|---|
| *Cost or re-valuated value* | | | | | |
| **As at 1 January 2023** | **19.158.120** | **110.900.063** | **289.816.762** | **67.766.267** | **487.641.212** |
| Purchases | 657.615 | 338.762 | 234.094 | 173.642.995 | 174.873.466 |
| Assets related to the rights of use of leased assets (note 16) | - | 11.858.382 | 5.135.013 | - | 16.993.395 |
| Transfers from assets in progress | 1.274.592 | 23.752.700 | 53.587.283 | (78.614.575) | - |

| | | | | | |
|---|---|---|---|---|---|
| Outflows | (1.033.017) | (1.980.807) | (4.974.239) | (16.698.276) | (24.686.339) |
| Outflows of assets related to rights of use | - | (373.586) | (138.318) | - | (511.904) |
| **As at 31 December 2023** | **20.057.310** | **144.495.514** | **343.660.595** | **146.096.411** | **654.309.830** |
| *Cumulated depreciation and depreciation losses* | | | | | |
| **As at 1 January 2023** | **-** | **11.532.481** | **50.906.371** | **-** | **62.438.852** |
| Depreciation expense | 210.840 | 3.086.809 | 28.859.134 | - | 32.156.783 |
| Expenses related to the depreciation of assets related to the rights of use of leased assets (note 16) | - | 5.444.095 | 3.843.197 | - | 9.287.292 |
| Outflows | - | (274.723) | (1.406.251) | - | (1.680.974) |
| **As at 31 December 2023** | **210.840** | **19.788.662** | **82.202.451** | **-** | **102.201.953** |
| *Net carrying amount* | | | | | |
| **As at 31 December 2023** | **19.846.470** | **124.706.852** | **261.458.134** | **146.096.411** | **552.107.867** |

## 5 Intangible assets and goodwill

| ***in RON*** | **Customer relations** | **Brands** | **Other non-current assets** | **Total intangible assets** | **Goodwill** |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| ***As at 1 January 2022*** | **6.133.926** | **3.094.411** | **3.596.881** | **12.825.218** | **8.526.391** |
| *Purchases* | - | - | 840.324 | **840.324** | **-** |
| *Transfers from non-current assets in progress* | - | - | - | **-** | **-** |
| *Outflows* | - | - | - | **-** | **-** |
| ***As at 1 December 2022*** | **6.133.926** | **3.094.411** | **4.437.207** | **13.665.544** | **8.526.391** |
| *Cumulated amortisation and impairment losses* | | | | | |
| ***As at 1 January 2022*** | **3.260.470** | **1.547.205** | **2.167.272** | **6.974.947** | **-** |
| *Depreciation expense* | 652.094 | 309.441 | 615.038 | **1.650.681** | **-** |
| *Outflows* | - | - | - | **-** | **-** |
| ***As at 31 December 2022*** | **3.912.564** | **1.856.646** | **2.708.202** | **8.551.520** | **-** |
| *Net carrying amount* | | | | | |
| ***As at 31 December 2022*** | **2.221.362** | **1.237.765** | **1.729.005** | **5.114.021** | **8.526.391** |

| ***in RON*** | **Customer relations** | **Brands** | **Other non-current assets** | **Total intangible assets** | **Goodwill** |
|---|---|---|---|---|---|
| Cost | | | | | |
| **As at 1 January 2023** | **6.133.926** | **3.094.411** | **4.437.207** | **13.665.544** | **8.526.391** |
| Purchases | - | - | 174.904 | **174.904** | **-** |
| Transfers from non-current assets in progress | - | - | - | **-** | **-** |
| Outflows | - | - | - | **-** | **-** |

| | | | | | |
|---|---|---|---|---|---|
| **As at 31 December 2023** | **6.133.926** | **3.094.411** | **4.612.111** | **13.840.448** | **8.526.391** |
| Cumulated amortisation and impairment losses | | | | | |
| **As at 1 January 2023** | **3.912.564** | **1.856.646** | **2.708.202** | **8.551.520** | **-** |
| Depreciation expense | 631.565 | 309.441 | 562.843 | **1.503.849** | **-** |
| Outflows | - | - | - | **-** | **-** |
| **As at 31 December 2023** | **4.544.129** | **2.166.087** | **3.271.045** | **10.055.369** | - |
| *Net carrying amount* | | | | | |
| **As at 31 December 2023** | **1.589.796** | **928.324** | **1.341.066** | **3.785.076** | **8.526.391** |

*Intangible assets*

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

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

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

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

*Goodwill*

The goodwill registered by the Company comes from the acquisition of the Company Giant (merged with Vrancart SA), according to the provisions of IFRS 3 and from the acquisition of Rom Paper SRL.

Goodwill related to the branch Giant Prodimpex SRL at the value recognized at the acquisition date is RON 3.380.811.

Goodwill related to the acquisition of Rom Paper SRL was recognized in the amount of RON 5.145.580.

The Company has tested for impairment goodwill arising from the acquisition of Rom Paper SRL, as well as the goodwill in the amount of RON 3.380.811 generated as a result of the Company’s merger with Giant, and there is no need to record any impairment.

In the case of the ROM PAPER SRL business line, there is only one cash-generating unit (the business of production of tissue paper products).

In the case of the GIANT business line, there is only one cash generating unit (the corrugated cardboard packaging business).

The inputs for estimating the use value of the assets under test are:

- **The net cash flow** for each of the cash generating units - 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.

- **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 estimated percentage for the last year of the explicit period was applied.

## 6 Inventories

| | 31 December 2023 | 31 December 2022 |
|---|---:|---:|
| Raw materials and consumables | 35.180.722 | 41.302.574 |
| Finished products and commodities | 14.589.729 | 15.053.053 |
| Production in progress | 29.725.919 | 25.024.905 |
| Downpayments for inventories | 74.494 | 1.581.018 |
| Adjustments for the impairment of inventories | (2.940.809) | (1.590.837) |
| **Total** | **76.630.055** | **81.370.713** |

## 7 Assets held for sale

Through the decision no. 54/14 December 2023 and the decision no. 55/14 December 2023, the Parent-company's 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 | 31 December 2023 |
|---|---:|
| **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** |

The Group initiated discussions with brokers and potential buyers, and purchase offers will be obtained in order to analyze them and choose the most advantageous sales option.

## 8 Trade receivables

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Customers | 79.866.554 | 110.453.842 |
| Customers – invoices to be issued | (74.851) | - |
| Adjustments for the depreciation of receivables – customers | (5.383.070) | (5.483.989) |
| **Total** | **74.408.633** | **104.969.853** |

| **Adjustments for the depreciation of receivables - customers** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Balance as at the beginning of the year | 5.483.989 | 3.713.242 |
| New adjustments during the year | 1.038.758 | 3.439.304 |
| Reversal of adjustments during the year | (1.139.677) | (1.668.557) |
| Balance as at the year end | 5.383.070 | 5.483.989 |

## 9 Cash and cash equivalents

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Current bank accounts and other values | 2.789.338 | 3.533.059 |
| Petty cash | 34.182 | 30.771 |
| **Total cash and cash equivalents** | **2.823.520** | **3.563.830** |

## 10 Other receivables

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Other personnel-related receivables | 780.294 | 617.735 |
| Other receivables | 1.000.856 | 74.690 |
| VAT to be recovered | 490.894 | 725.241 |
| Suppliers-debtors | 364.762 | 14.437.072 |
| Other receivables related to the state budget | 1.077.033 | 72.630 |
| Subsidies to be received | 7.112.867 | - |
| Adjustments for the depreciation of other receivables | (300.000) | (300.000) |
| **Total** | **10.526.706** | **15.627.368** |

## 11 Share capital

### Group's shareholding structure

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

Through the Decision no. 1 of 27 April 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 13 September 2023 we completed the procedure for the share capital increase by the amount of RON 48.783.114.

### Dividends

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

## 12 Reserves

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Revaluation reserves | 100.969.137 | 103.350.319 |
| Legal reserves | 13.646.880 | 13.338.707 |
| Other reserves | 64.601.130 | 58.899.290 |
| **Total reserves** | **179.217.148** | **175.588.317** |

### Legal reserves

According to the legal requirements, legal reserves in the amount of 5% of the recorded profit up to the level of 20% of the share capital must be set up. The amount of the legal reserve as at 31 December 2023 is RON 13.646.880 (31 December 2022: RON 13.338.707). Legal reserves cannot be distributed to the shareholders.

### 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 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 1 May 2009, due to changes in tax legislation, revaluation reserves recorded after 1 January 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 include mainly reserves set up for tax exemptions, from accounting profits. These will be taxable in the future on distribution or change of use. As their use can only be decided by the shareholders, no deferred tax has been calculated for these 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 31 December 2023 being RON 64.601.130 (31 December 2022: RON 58.899.291).

## 13 Trade liabilities

| Short-term trade liabilities | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Trade liabilities | 56.604.424 | 69.924.347 |
| Downpayments received | 972.849 | 879.735 |
| **Total** | **57.577.273** | **70.804.082** |

## 14 Other liabilities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Liabilities to the state budget | 5.688.042 | 6.754.930 |
| Dividends to be paid | 1.475.383 | 1.253.181 |
| Other liabilities | 1.314.437 | 779.558 |
| **Other short-term liabilities** | **8.477.862** | **8.787.669** |

## 15 Provisions

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Provisions for disputes | 492.830 | 103.222 |
| Options related to the issued bonds | - | 85.200 |
| **Provisions** | **492.830** | **188.422** |

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 | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Balance as at the beginning of the year | 103.222 | 22.822 |
| Provisions set up during the year | 399.469 | 80.400 |
| Provisions used during the year | 9.861 | - |
| **Balance as at the year end** | **492.830** | **103.222** |

## 16 Lease liabilities

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Long-term liabilities under leasing agreements | 21.977.764 | 16.346.044 |
| Short-term liabilities under leasing agreements | 9.320.959 | 7.718.425 |
| **Total liabilities under leasing agreements** | **31.298.723** | **24.064.469** |

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 | Special constructions and buildings | Equipment and other fixed assets | Total |
|---|---|---|---|
| **As at 1 January 2023** | **13.931.887** | **10.132.583** | **24.064.469** |
| Inflows | 11.858.382 | 5.410.227 | 17.268.609 |
| Outflows | (107.904) | (50.062) | (157.966) |
| Interests and currency exchange differences | 456.190 | 193.496 | 649.686 |
| Payments under leasing agreements | (5.785.657) | (4.740.418) | (10.526.075) |
| **As at 31 December 2023, out of which:** | **20.352.897** | **10.945.825** | **31.298.723** |
| Long-term lease liabilities | 15.455.909 | 6.521.855 | 21.977.764 |
| Short-term lease liabilities | 4.896.989 | 4.423.970 | 9.320.959 |

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

| Rights of use | Special constructions and buildings | Equipment and other fixed assets | Total |
|---|---|---|---|
| **As at 1 January 2022** | **15.419.499** | **7.671.154** | **23.090.653** |
| Inflows | 2.294.550 | 6.265.387 | 8.559.937 |
| Outflows | (4.451.374) | (3.456.080) | (7.907.454) |
| Amortisation | (1.419.183) | - | (1.419.183) |
| **As at 1 January 2023** | **11.843.492** | **10.480.461** | **22.323.953** |
| Inflows | 11.858.382 | 5.135.013 | 16.993.395 |
| Outflows | (99.522) | (35.502) | (135.024) |
| Amortisation | (5.444.095) | (3.843.197) | (9.287.293) |
| **Net values as at 31 December 2023** | **18.158.256** | **11.736.774** | **29.895.031** |

## 17 Loans

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Bank loans | 131.975.836 | 116.786.653 |
| Loans from bond issues | - | 38.164.800 |
| Loans from affiliated parties (Note 30) | 8.979.750 | 9.194.556 |
| **Total long-term loans** | **140.955.586** | **164.146.009** |
| | | |
| Bank loans | 104.267.138 | 64.886.121 |
| Loans from bond issues | 38.250.000 | - |
| Loans from affiliated parties (Note 30) | 145.310 | 3.655.170 |
| **Total short-term loans** | **142.662.448** | **68.541.291** |

| **Bank loans*** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Initial balance | 181.672.774 | 130.008.685 |
| Draws | 101.562.320 | 142.339.006 |
| Reimbursements | (47.866.389) | (90.657.661) |
| Net currency exchange differences | 874.269 | (17.256) |
| **Final balance** | **236.242.974** | **181.672.774** |

* The interests for the financial year have been paid in full up to the balance sheet date.

| **Loans from affiliated parties** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Initial balance | 12.849.726 | - |
| Draws | - | 12.229.750 |
| Reimbursements | (3.250.000) | - |
| Interests, net amount | (474.666) | 619.976 |
| **Final balance** | **9.125.060** | **12.849.726** |

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

* The payment coupons due in the financial year have been paid in full by the balance sheet date.

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

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

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

In order to guarantee its loans, the Group established the following collaterals in favour of the banks: onto the inventories of raw materials, finished and semi-finished products, onto the balances of the accounts opened with banks, onto the receivables arising from current and future contracts and onto the rights resulting from the insurance policies related to the goods brought under guarantee. Also, as at
31 December 2023, tangible assets are mortgaged in favour of banks.

Details on the loans:

| No. | Date of granting of the loan | Currency | Type of interest (fixed/ variable) | Nature | Final maturity date | Principal in balance as at 31 December 2023 – RON equivalent | Principal in balance as at 31 December 2022 – RON equivalent |
|---|---|---|---|---|---|---|---|
| 1 | 31.07.2022 | EUR/RON | variable | overdraft | 30.07.2023 | 382.330 | 956.672 |
| 2 | 09.05.2018 | RON | variable | long term | 20.04.2025 | 2.656.966 | 4.649.690 |
| 3 | 29.11.2017 | RON | variable | long term | 29.11.2024 | 4.147.541 | 8.672.131 |
| 4 | 08.07.2021 | RON | variable | overdraft | 08.07.2022 | 2.021.021 | 9.509.442 |
| 5 | 28.05.2021 | EUR | variable | long term | 30.06.2025 | 23.144.515 | 14.253.303 |
| 6 | 19.08.2022 | EUR | variable | overdraft | 19.08.2023 | 363.175 | 347.079 |
| 7 | 28.05.2021 | EUR | variable | long term | 31.12.2031 | 57.443.191 | 22.042.764 |
| 8 | 03.11.2017 | RON | variable | long term | 29.11.2023 | - | 1.147.143 |
| 9 | 18.12.2018 | RON | variable | long term | 12.12.2028 | 2.720.074 | 3.264.901 |
| 10 | 18.08.2022 | EUR/RON | variable | overdraft | 18.08.2023 | 5.871.040 | 3.525.677 |
| 11 | 27.12.2021 | RON | variable | long term | 27.12.2025 | 2.001.528 | 3.002.984 |
| 12 | 23.08.2021 | RON | variable | long term | 29.07.2026 | - | 8.741.319 |
| 13 | 21.12.2021 | RON | variable | long term | 21.12.2024 | 5.785.900 | 11.571.800 |
| 14 | 26.09.2019 | RON | variable | long term | 20.09.2026 | 1.692.310 | 2.307.694 |
| 15 | 29.10.2019 | EUR | fixed | long term | 20.11.2024 | 489.981 | 1.018.905 |
| 16 | 14.02.2019 | RON | variable | long term | 16.07.2022 | 162.681 | 1.137.831 |
| 17 | 06.11.2019 | RON | variable | long term | 05.11.2029 | 2.975.564 | 3.480.772 |
| 18 | 23.10.2020 | RON | variable | long term | 23.10.2025 | 1.736.842 | 2.684.210 |
| 19 | 18.05.2022 | EUR/RON | variable | overdraft | 18.05.2023 | 16.144.165 | 6.030.236 |
| 20 | 20.12.2020 | RON | variable | long term | 20.12.2026 | 1.253.389 | 1.671.186 |
| 21 | 26.07.2022 | EUR | variable | long term | 26.03.2031 | 11.157.072 | 3.685.758 |
| 22 | 26.07.2022 | EUR | variable | long term | 30.04.2024 | 8.586.595 | 2.836.581 |
| 23 | 20.12.2022 | EUR | variable | long term | 20.06.2026 | 20.980.715 | 25.039.197 |
| 24 | 20.12.2022 | EUR | variable | long term | 15.06.2026 | 4.208.800 | 5.022.945 |
| 25 | 28.12.2022 | EUR | variable | long term | 28.12.2027 | 6.367.488 | 2.869.492 |
| 26 | 27.12.2022 | EUR | variable | long term | 27.07.2024 | 742.971 | 2.005.609 |
| 27 | 21.12.2022 | EUR | variable | long term | 21.12.2027 | 4.382.208 | 5.447.808 |
| 28 | 28.12.2022 | EUR | variable | long term | 28.07.2023 | - | 1.487.978 |
| 29 | 21.12.2022 | EUR | variable | long term | 21.12.2027 | 9.431.842 | 11.725.338 |
| 30 | 21.12.2022 | EUR | variable | long term | 21.12.2027 | 5.173.584 | 6.431.620 |
| 31 | 12.10.2023 | EUR | variable | long term | 12.10.2033 | 10.176.519 | - |
| 32 | 12.10.2033 | RON | variable | long term | 31.12.2024 | 7.238.802 | - |
| 33 | 26.12.2023 | EUR | variable | long term | 26.12.2024 | 2.158.707 | 4.604.010 |
| 34 | 19.12.2023 | EUR | variable | long term | 29.07.2026 | 6.305.591 | - |
| 35 | 02.06.2023 | EUR | variable | long term | 15.10.2027 | 1.497.166 | - |
| 36 | 22.12.2023 | EUR | variable | long term | 30.09.2033 | 6.267.996 | - |
| 37 | 21.12.2022 | EUR | variable | overdraft | 21.12.2023 | 574.706 | 500.698 |
| | **Total** | | | | | **236.242.974** | **181.672.773** |

The financial indicators agreed with the financing institutions fall within the agreed contractual limits. Where it was the case, waivers and/or letters of support and maintenance of the existing facilities are issued, so that the Company/Group continues to benefit from the full financial support of its banking partners.

### Bonds

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

The bonds were issued in two stages:

- in the first stage, to the Parent-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 17 March 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 31 December 2023, SIF Banat-Crisana 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.

15 February 2024 was the sixth term for exerting the right of conversion of bonds into shares. As the Parent-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 of titles did not take place.

On 17 March 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon, took place and currently the Company has fully paid the obligations stipulated in the Issue prospectus.

## 18 Debts to employees

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Debts related to salaries | 3.156.129 | 2.829.861 |
| Other debts to employees | 3.916.728 | 4.816.508 |
| Retirement benefits (long-term) | 444.379 | 440.169 |
| **Total debts to employees** | **7.517.236** | **8.086.538** |

## 19 Liabilities or receivables related to deferred tax

Deferred profit 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.

| ***31 December 2023*** | **Liabilities** | **Assets** | **Net** |
|---|---|---|---|
| Tangible assets | 97.610.917 | - | 97.610.917 |
| Assets held for sale | 1.765.655 | - | 1.765.655 |
| Provision for inventories | - | 2.940.809 | (2.940.809) |
| Depreciation of receivables | - | 5.383.070 | (5.383.070) |
| Other receivables | - | 300.000 | (300.000) |
| Other liabilities | - | 3.909.876 | (3.909.876) |
| | **99.376.572** | **12.533.755** | **86.842.818** |
| Net temporary differences - 16% share | | | **86.842.818** |
| **Liabilities related to deferred profit tax** | | | **13.894.851** |

| ***31 December 2022*** | **Liabilities** | **Assets** | **Net** |
|---|---|---|---|
| Tangible assets | 104.203.609 | - | 104.203.609 |
| Provision for inventories | | 1.590.837 | (1.590.837) |
| Depreciation of receivables | | 5.483.989 | (5.483.989) |
| Other receivables | | 300.000 | (300.000) |
| Other liabilities | | 4.540.024 | (4.540.024) |
| | **104.203.609** | **11.914.849** | **92.288.760** |
| Net temporary differences - 16% share | | | **92.288.760** |
| **Liabilities related to deferred profit tax** | | | **14.766.201** |

| | **31 December 2023** | **Difference** | **31 December 2022** |
|---|---|---|---|
| **Deferred tax to be paid** | | | |
| Tangible assets | (15.617.747) | 1.054.831 | (16.672.577) |
| Assets held for sale | (282.505) | (282.505) | - |
| **Deferred tax to be recovered** | | | |
| Provision for inventories | 470.529 | 215.996 | 254.534 |
| Depreciation of receivables | 861.291 | (16.147) | 877.438 |
| Other receivables | 48.000 | - | 48.000 |
| Other liabilities | 625.580 | (100.824) | 726.404 |
| **TOTAL, out of which** | **(13.894.851)** | **871.351** | **(14.766.201)** |
| **impact on Net profit** | | **319.771** | |

## 20 Subsidies

Subsidies categorised as short-term liabilities represent the part of the government subsidies received that will be recognised as income the following financial year. Subsidies 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:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| The Ministry of Economy and Research II | 2.897.518 | 3.619.168 |
| The Environmental Fund Administration | 2.254.785 | 2.415.837 |
| Innovation Norway - 1MW Photovoltaic Park | 2.329.548 | - |
| Innovation Norway 1 | 231.069 | 298.669 |
| Innovation Norway 2 | 2.332.926 | 2.613.944 |
| The European Bank for Reconstruction and Development | 5.415 | 6.712 |
| The National Agency for SMEs | 71.794 | 80.544 |
| Non-reimbursable loans - MINIMIS 2160 | 200.001 | 224.487 |
| Non-reimbursable loans - 5IMM/213/6/2015 | 321.368 | 361.540 |
| State aid funded recycling project | 2.939.860 | 3.026.512 |
| Innovation Norway 3 | 914.622 | 914.622 |
| **Total** | **14.498.907** | **13.562.034** |

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

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

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013.

The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at 31 December 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the parent-company was undergoing the monitoring stage until 2020, respectively until 2021.

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

## 21 Income from customer agreements

| | 2023 | 2022 |
|---|---|---|
| Income from the sale of finished products | 404.438.930 | 512.826.740 |
| Income from the sale of goods | 73.012.205 | 76.558.001 |
| Income from services provided | 22.456.620 | 17.398.286 |
| Income from various activities | 391.281 | 571.133 |
| **Total** | **500.299.036** | **607.354.160** |

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

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

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

## 22 Other income

| | 2023 | 2022 |
|---|---|---|
| Income from investment subsidies | 1.425.485 | 2.084.885 |
| Income from the trading of $CO_2$ certificates | 6.146.158 | 7.856.024 |
| Income from royalties, locations under management and rents | 630.896 | 410.758 |
| Income from compensations, fines and penalties | 337.339 | 37.940 |
| Net profit from the sale of tangible assets | 520.492 | 10.019 |
| Other operating income | 1.188.311 | 3.363.916 |
| **Total** | **10.248.681** | **13.763.542** |

## 23 Expenses related to raw materials and consumables

| | 2023 | 2022 |
|---|---|---|
| Expenses related to raw materials | 91.726.058 | 162.003.928 |
| Expenses related to consumables and auxiliary materials | 44.798.847 | 47.004.105 |
| Expenses related to fuels | 42.424.954 | 43.835.282 |
| Expenses related to water and electricity | 39.936.005 | 74.449.269 |
| Expenses related to spare parts | 6.592.286 | 4.633.122 |
| **Total** | **225.478.150** | **331.925.706** |

## 24 Third-party expenses

| | 2023 | 2022 |
|---|---|---|
| Expenses related to maintenance and repairs | 5.142.822 | 5.564.963 |
| Expenses related to the shipment of goods | 24.488.769 | 25.086.996 |
| Other third-party expenses | 17.930.212 | 22.610.843 |
| **Total** | **47.561.803** | **53.262.802** |

## 25 Other expenses

| | 2023 | 2022 |
|---|---|---|
| Expenses related to commissions and fees | 1.352.600 | 1.634.938 |
| Expenses related to royalties, locations under management and rents | 1.985.994 | 1.898.884 |
| Expenses related to bank services and similar | 969.836 | 906.404 |
| Expenses related to insurance premiums | 2.356.773 | 1.863.767 |
| Expenses related to other taxes, duties and similar payments | 3.363.075 | 3.755.741 |
| Donations granted | 353.431 | 426.479 |
| Expenses related to travels, secondments and transfers | 733.501 | 528.294 |
| Postage and telecommunication fees | 476.638 | 429.315 |
| Expenses related to entertainment, advertising and publicity | 546.632 | 608.275 |
| Expenses related to compensations, fines and penalties | 78.803 | 254.567 |
| Value adjustments on inventories | 602.155 | 995.842 |
| Value adjustments on receivables | 2.017.321 | 1.455.206 |
| Loss from the sale of tangible assets | - | 688.243 |
| Other operating expenses | 3.398.114 | 2.339.859 |
| **Total** | **18.234.873** | **17.785.814** |

The total expenses regarding commissions and fees also include financial audit services. The company's audit firm is PricewaterhouseCoopers Audit SRL. The fees for the auditing of the individual and consolidated financial statements of Vrancart S.A. as at 31 December 2023, drawn up in accordance with the Public Finance Ministry Order no. 2844/2016 and for the auditing of the statutory financial statements of Rom Paper SRL, Vrancart Recycling SRL and Ecorep Group SA as at 31 December 2023, drawn up in accordance with the Public Finance Ministry Order no. 1802/2014, is in the amount of Euro 58.610 (excluding VAT).
The fees for other insurance services paid to the auditors amounted to Euro 4.000 (excluding VAT), representing the fees paid to the audit firm for the procedures carried out by it regarding the semi-annual report on transactions with related parties, drawn up in accordance with Law no. 24/ 2017.

## 26 Personnel-related expenses

| | 2023 | 2022 |
|---|---|---|
| Salary expenses | 108.391.781 | 91.305.860 |
| Expenses related to insurance and social protection | 2.459.626 | 2.036.803 |
| Luncheon vouchers granted | 9.202.194 | 6.200.246 |
| **Total** | **120.053.601** | **99.542.909** |

In 2023, the average number of employees of the Group was 1.433 (2022: 1.389).

## 27 Financial income and expenses

| | 2023 | 2022 |
|---|---|---|
| Interest income | 1.192.659 | 410.323 |
| Currency exchange gains | 198.578 | - |
| Other financial income | 139.441 | 147.132 |
| **Total income** | **1.530.678** | **557.455** |

| | | |
|---|---|---|
| Expenses related to interests associated to loans | 12.166.582 | 11.194.034 |
| Expenses related to lease interests | 649.686 | 228.357 |
| Currency exchange losses | 939.981 | 1.136.059 |
| Other financial expenses | 9.021 | 3.069 |
| **Total expenses** | **13.765.270** | **12.561.519** |

## 28 Profit tax expense

| | 2023 | 2022 |
|---|---|---|
| Current profit tax expenses | 1.475.550 | 3.455.747 |
| Corrections of profit tax from the previous years | - | (114.893) |
| Deferred profit tax expenses/(income) | (319.771) | (726.383) |
| **Total** | **1.155.779** | **2.614.471** |

| | 2023 | 2022 |
|---|---|---|
| **Profit/Loss before taxation** | **5.915.444** | **25.676.257** |
| **Tax according to the statutory taxation rate of 16% (2022: 16%)** | **946.471** | **4.108.201** |
| **Effect onto profit tax of the:** | | |
| Legal reserve | (49.308) | (211.167) |
| Non-deductible expenses | 6.287.602 | 6.233.841 |
| Tax amortisation | (4.614.221) | (5.077.781) |
| Items similar to income | - | 9.872 |
| Exemptions for sponsorships | (219.604) | (604.523) |
| Other items | (71.446) | (896.973) |
| Reinvested profit – tax credit | (1.123.715) | (832.106) |
| **Profit tax** | **1.155.779** | **2.729.364** |

## 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 | 5.423.028 | 22.946.893 |
| Weighted average number of ordinary shares | 1.349.066.594 | 1.049.082.590 |
| **Base earnings per share** | **0,0040** | **0,0219** |

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 | 5.423.028 | 22.948.967 |
| Adjustment related to the bonds interest and the tax effect | 2.841.280 | 2.057.618 |
| **Profit attributable to ordinary shareholders – adjusted** | **8.264.308** | **25.006.585** |
| 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** | **0,0052** | **0,0196** |

## 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 parent-company's Board of Directors as at 31 December 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 |

The shareholding in the company of the key management personnel is presented below:

As at 31 December 2023: not applicable
As at 31 December 2022: not applicable

The list of persons that were part of the Board of Directors of the branch Rompaper as at 31 December 2023:

| | |
|---|---|
| Fedor Nicu-Ciprian | Director |
| Mihailov Sergiu | Director |
| Minea Alexandru-Lucian | Director |

The list of persons that were part of the Board of Directors of the branch Vrancart Recycling as at 31 December 2023:

| | |
|---|---|
| Dumitrescu Nicolae-Paul | Director |
| Mihailov Sergiu | Director |
| Fercu Adrian | Director |

The list of persons that were part of the Board of Directors of the branch Ecorep S.A. as at 31 December 2023:

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

Transactions with affiliated parties:

| **Affiliated party** | | **Transactions* in 2023** | **Transactions* in 2022** | **Balance in 2023** | **Balance in 2022** |
|---|---|---|---|---|---|
| Biofarm SA | Customer | 290.777 | 412.329 | 46.259 | 91.969 |
| Biofarm SA | Supplier | 1.121 | 796 | - | - |
| SIF1 IMGB SA | Loan | 1.021.976 | 12.229.750 | 9.125.060 | 12.229.750 |
| LION Capital SA | Supplier | 36 | 118 | - | - |
| Bucur SA | Supplier | - | 412 | - | - |
| Ci-Co SA | Supplier | 9.351 | 9.076 | 754 | 1.493 |
| BRD GSG SA | Customer | - | 140 | - | - |
| Sifi Cj Logistic SA | Supplier | 137.688 | 129.049 | 5.761 | 908 |
| Semtest Craiova SA | Supplier | 177.431 | 173.922 | 17.689 | 16.170 |
| ARIO Bistrita | Debtor | - | - | 300.000 | 300.000 |

*Note: The amounts are exclusive of VAT.

Other operations:

| **Affiliated party** | | **Transactions in 2023** | **Transactions in 2022** | **Balance in 2023** | **Balance in 2022** |
|---|---|---|---|---|---|
| LION Capital SA | payment of dividends distributed during the year | 9.086.125 | 3.816.173 | - | - |

Transactions with the key management personnel:

| | **2023** | **2022** |
|---|---|---|
| Remuneration of the members of the Board of Directors | 4.148.718 | 3.756.902 |

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

## 31 Reporting by segments

The Board of Directors monitors separately the operating results of the business segments to make decisions on resource allocation and performance evaluation.

In 2023, the performance and financial position of Vrancart Group segments was as follows:

| | VRANCART SA | VRANCART Recycling | Rom Paper SRL | Other/ Removals | Consolidated |
|---|---|---|---|---|---|
| Total non-current assets | 464.830.509 | 135.702.212 | 55.846.486 | (67.372.660) | 589.006.547 |
| Total current assets | 168.699.327 | 1.876.665 | 29.513.971 | (14.084.563) | 186.005.400 |
| **TOTAL ASSETS** | **633.529.836** | **137.578.877** | **85.360.457** | **(81.457.223)** | **775.011.947** |
| **EQUITY** | **363.527.706** | **28.828.565** | **22.177.582** | **(56.990.618)** | **357.543.235** |
| Total long-term liabilities | 111.538.929 | 96.066.500 | 29.500.503 | (46.203.329) | 190.902.603 |
| Total current liabilities | 158.463.201 | 12.683.812 | 33.682.372 | 21.736.724 | 226.566.109 |
| **TOTAL LIABILITIES** | **270.002.130** | **108.750.312** | **63.182.875** | **(24.466.605)** | **417.468.712** |
| **TOTAL EQUITY AND LIABILITIES** | **633.529.836** | **137.578.877** | **85.360.457** | **(81.457.223)** | **775.011.947** |

| | VRANCART SA | VRANCART Recycling | Rom Paper SRL | Other/ Removals | Consolidated |
|---|---|---|---|---|---|
| Income | 434.975.310 | 7.565.464 | 122.249.932 | (41.320.243) | 523.470.463 |
| Variation in inventories | 5.074.068 | (63.582) | (1.277.032) | - | 3.733.454 |
| Cost of commodities and raw materials | (229.576.226) | (2.441.621) | (92.470.492) | 44.936.425 | (279.551.914) |
| **Gross margin** | **210.473.152** | **5.060.261** | **28.502.408** | **3.616.182** | **247.652.003** |
| Operating expenses | (153.644.618) | (7.607.979) | (20.379.553) | (4.218.125) | (185.850.275) |
| **EBITDA** | **56.828.534** | **(2.547.718)** | **8.122.855** | **(601.943)** | **61.801.728** |
| Expenses related to amortisation and depreciation of assets | (39.836.284) | (446.184) | (1.708.043) | (998.460) | (42.988.971) |
| **EBIT** | **16.992.250** | **(2.993.902)** | **6.414.812** | **(1.600.403)** | **18.812.757** |

| | VRANCART SA | VRANCART Recycling | Rom Paper SRL | Other/ Removals | Consolidated |
|---|---|---|---|---|---|
| Financial result | (10.828.796) | (213.799) | (1.175.162) | (16.836) | (12.234.593) |
| **EBT** | **6.163.454** | **(3.207.701)** | **5.239.650** | **(1.617.239)** | **6.578.164** |
| Profit tax expense | (534.431) | - | (869.673) | 248.325 | (1.155.779) |
| **Profit for the year** | **5.629.023** | **(3.207.701)** | **4.369.977** | **(1.368.914)** | **5.422.385** |

## 32 Events subsequent to the balance sheet date

The Ordinary General Meeting of Shareholders took place on 9 January 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 25 January 2024, approving the Company's share capital increase by the amount of RON 31.920.075, through the issuance of new shares.

On 17 March 2024, the full repayment of the bonds, as well as of the interest related to the last payment coupon, took place and currently the Company has fully paid the obligations stipulated in the Issue prospectus.

## 33 Financial risk management

### Overview

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

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

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

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

### (a) Credit risk

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

The carrying amount of the financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk was:

| **Carrying amount** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Trade receivables and other receivables | 74.408.633 | 104.969.853 |
| Cash and cash equivalents | 2.823.519 | 3.563.830 |
| Restricted cash | - | 1.881.991 |
| **Total** | **77.232.152** | **110.415.674** |

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

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

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

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

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

#### Impairment losses

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

| **31 December 2023** | **Gross value** | **Depreciation** |
|---|---|---|
| Current and outstanding receivables between 0 and 30 days | 50.152.599 | 306.084 |
| Outstanding receivables between 31 and 60 days | 4.188.470 | 28.584 |
| Outstanding receivables between 61 and 90 days | 793.844 | 12.719 |
| Outstanding receivables between 91 and 180 days | 2.104.440 | 757.169 |
| Outstanding receivables between 181 and 360 days | 836.593 | 688.810 |
| Outstanding receivables for more than 360 days | 21.715.757 | 3.589.704 |
| **Total** | **79.791.703** | **5.383.070** |

| **31 December 2022** | **Gross value** | **Depreciation** |
|---|---|---|
| Current and outstanding receivables between 0 and 30 days | 94.492.728 | 479.825 |
| Outstanding receivables between 31 and 60 days | 5.339.609 | 19.478 |
| Outstanding receivables between 61 and 90 days | 863.038 | 19.817 |
| Outstanding receivables between 91 and 180 days | 854.236 | 362.405 |
| Outstanding receivables between 181 and 360 days | 828.115 | 604.120 |
| Outstanding receivables for more than 360 days | 8.376.115 | 4.298.343 |
| **Total** | **110.753.841** | **5.783.988** |

**(b) Liquidity risk**

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

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

In general, the Group makes sure that it has sufficient cash to cover its 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:

| **31 December 2023** | **Carrying amount** | **Contractual cash flows** | **less than 1 year** | **1 - 5 years** | **over 5 years** |
|---|---|---|---|---|---|
| Bank loans | 245.368.034 | 263.365.537 | 103.377.103 | 145.152.965 | 14.835.470 |
| Bonds | 38.250.000 | 38.250.000 | 38.250.000 | - | - |
| Financial leasing | 31.298.723 | 31.298.723 | 9.320.959 | 21.977.764 | - |
| Trade liabilities and other liabilities | 74.158.197 | 74.158.197 | 73.220.988 | 937.209 | - |
| **Total** | **389.074.954** | **407.072.457** | **224.169.050** | **168.067.937** | **14.835.470** |

Financial liabilities include the loans from bond issues described in Note 15.

| **31 December 2022** | **Carrying amount** | **Contractual cash flows** | **less than 1 year** | **1 - 5 years** | **over 5 years** |
|---|---|---|---|---|---|
| Bank loans | 194.522.500 | 203.597.654 | 71.897.076 | 119.099.604 | 12.600.973 |
| Bonds | 38.250.000 | 38.250.000 | - | 38.250.000 | - |
| Financial leasing | 24.064.469 | 24.064.469 | 7.718.425 | 14.713.402 | 1.632.642 |
| Trade liabilities and other liabilities | 88.546.934 | 88.546.934 | 87.918.343 | 628.591 | - |
| **Total** | **345.383.903** | **354.459.057** | **167.533.844** | **172.691.597** | **14.233.615** |

## (c) Market risk

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

***Interest rate risk***

*(i) Risk exposure profile*

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

| **Variable rate instruments** | **31 December 2023** | **31 December 2022** |
|---|---|---|
| Bank loans | 235.752.993 | 180.653.868 |
| Other loans | 9.125.060 | 12.849.726 |
| Loans from bond issues | 38.250.000 | 38.164.800 |
| Debts related to leasing contracts | 31.298.723 | 24.064.469 |
| **Total** | **314.426.776** | **255.732.863** |

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

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by RON 3.144.268 (RON 2.557.329 as at 31 December 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 31 December would have led to the same effect, but in the opposite sense, onto the amounts presented above, considering that all the other variables remain constant.

***Fair values***

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

## (d) Currency exchange risk

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

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

| 31 December 2023 | TOTAL | RON | EUR | USD | Other currencies |
|---|---|---|---|---|---|
| Trade receivables and other receivables | 74.408.633 | 67.348.104 | 7.029.958 | 30.571 | - |
| Restricted cash | - | - | - | - | - |
| Cash and cash equivalents | 2.823.519 | 2.490.063 | 326.990 | 682 | 5.784 |
| **Financial assets** | **77.232.152** | **69.838.167** | **7.356.948** | **31.254** | **5.784** |
| Loans | 245.368.034 | 43.883.066 | 201.484.968 | **-** | **-** |
| Debts under leasing contracts | 32.298.723 | 664.797 | 30.633.926 | **-** | **-** |
| Trade liabilities and other liabilities | 74.158.402 | 50.265.995 | 23.481.143 | 411.264 | - |
| **Financial liabilities** | **350.824.955** | **94.813.653** | **255.600.037** | **411.264** | **-** |
| **Total net financial assets /(liabilities)** | **(273.592.803)** | **(24.975.486)** | **(248.243.089)** | **(380.010)** | **5.784** |

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

***Sensitivity analysis***

An appreciation by 10 percentage points of RON as at 31 December compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: 31 December 2023: -RON 24.861.731 (31 December 2022: -RON 15.768.649). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A depreciation by 10 percentage points of EURO as at 31 December 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 to be paid to the State.

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

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities conducted inspections related to the calculation of taxes and fees until 31 December 2020 for the Parent-company and until 31 September 2020 for the branch Rom Paper S.R.L.

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

### *(f) Transfer price*

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

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

### *(g) Business environment*

The management cannot foresee all the events that would have an impact on the financial sector in Romania and, consequently, what effects, if any, they would have on these financial statements. The management cannot reliably estimate the effects on the Group's financial statements of any future decline in the liquidity of the financial markets, the depreciation of financial assets influenced by the low liquidity of the credit market and the increased volatility of the currency and stock markets.

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

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

### *(h) Capital adequacy*

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

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

The capital management objectives at Group level consist of:

• Ensuring the maintenance of the ability to continue the activity, respectively to continue producing value for shareholders and benefits for other stakeholders;

•Maintaining an optimal capital structure in order to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the value of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce the level of indebtedness.
In accordance with the financial practices, the Group monitors its capital based on the following indicators:

• Total Equity

• Total Assets

• Equity ratio calculated as the ratio between total equity and total assets.

In 2023, the equity ratio was maintained at an optimal level of 46%, the same as the level recorded in 2022. A corresponding level of capitalization is considered to be over 30%.

The Group's equity includes share capital, various types of reserves and retained earnings. The Group is not subject to any significant capital requirements imposed from the exterior. There are certain requirements agreed with some of the financing banks regarding the capitalization rate (equity ratio), which as at 31 December 2023 was 46% (the contractual requirement being at least 45%).

# Independent Auditor's Report

To the Shareholders of Vrancart SA

## Report on the audit of the consolidated financial statements

### Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Vrancart SA (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Order of the Minister of Public Finance no. 2844/2016 for the approval of the accounting regulations compliant with International Financial Reporting Standards and subsequent amendments (the "OMPF 2844/2016").

Our opinion is consistent with our additional report to the Audit Committee issued on 29 March 2024.

**What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

The consolidated financial statements as at 31 December 2023 are identified as follows:

- Total consolidated equity: lei 357,543,235;
- Consolidated net profit for the year: lei 5,422,385.

The Company's registered office is in Romania, Vrancea county, Adjud, 17 Ecaterina Teodoroiu Street, and the Company's unique fiscal registration code is 1454846.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation EU No 537/2014 of the European Parliament and of the Council and subsequent amendments (the "Regulation 537/2014") and Law 162/2017 regarding statutory audit of annual financial statements and annual consolidated financial statements and regarding changes to other regulations and subsequent amendments (the "Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Audit S.R.L.
Ana Tower, 24/3 floor, 1A Poligrafiei Blvd, District 1, 013704 Bucharest, Romania
EUID ROONRC.J40/17223/1993, fiscal registration code RO4282940, share capital RON 7,630
T: +40 21 225 3000, www.pwc.ro

#### Independence

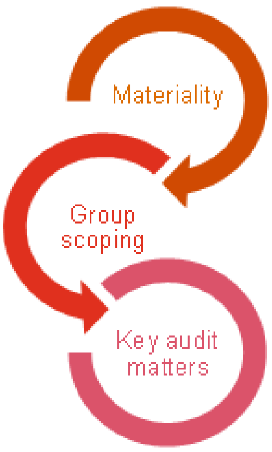
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Regulation 537/2014 and the Law 162/2017 that are relevant to our audit of the consolidated financial statements in Romania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Regulation 537/2014 and the Law 162/2017.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and its controlled entities within the European Union are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of the Regulation (EU) 537/2014.

The non-audit services that we have provided to the Company and its controlled entities within the European Union, in the period from 1 January 2023 to the date of issuing this report, are disclosed in Note 25 to the consolidated financial statements.

## Our audit approach

#### Overview




The overall materiality threshold adopted for the purposes of our audit was set at lei 3,000,000, which approximate 0.6 % of Consolidated Revenue from contracts with customers.

As an audit firm we have audited the Company's financial statements and all three subsidiaries. The scope of our audit covered 100% of the Group's revenue and 100% of the sum of total assets of all the consolidated Group companies.

Recognition of revenue from contracts with customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

| | |
|---|---|
| **Overall Group materiality** | lei 3,000,000 |
| **How we determined it** | 0.6% of Consolidated Revenue from contracts with customers |
| **Rationale for the materiality benchmark applied** | We chose Revenue from contracts with customers as the benchmark because, in our view, it is the most representative benchmark for the Group, due to the plans to increase of market share, through investments to capacities and transformation of the business already started few years ago. We chose significance at the level of 0.6% because based on our professional judgment it is within the acceptable quantitative thresholds of materiality. |

### Key audit matter

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of revenue from contracts with customers**<br><br>In 2023 the Group recognized revenue from contracts with customers in the amount of RON 500,299,036 for which the accounting policies was described in notes 3n and the details were included in note 21 of the consolidated financial statements.<br><br>The Group generates revenue mainly from sales of finished goods and merchandise in the form of paperboards, corrugated cardboard and packaging, sanitary products and tissue paper.<br><br>Revenue is recognized when the control over goods is transferred to the buyer. Revenue is recognized at an amount equal to the transaction price (including the related discounts granted) resulting from the agreements signed with customers representing the consideration for the performance obligation performed.<br><br>Bearing in mind the importance of revenues item in the consolidated financial statements of the | Our audit procedures included in particular:<br><br>• assessing compliance of the Group's accounting policies regarding the recognition of revenue from contracts with customers with the related financial reporting standards;<br><br>• understanding and assessing the internal control environment, including the IT environment, regarding the recognition, valuation and presentation of individual types of revenue;<br><br>• conducting, on a selected sample, efficiency tests of selected internal controls, in terms of correctness and accuracy of applied selling prices and compliance of the invoice with the order and with the shipping document;<br><br>• performing tests, for a selected sample, consisting of e.g., on confirmations of certain aspects of the transactions with customers or on verifying sales transactions against |

Group, as well as the susceptibility of the item to the risk of misstatement and the potential risk of fraud, we recognized that this is a key matter for our audit.

supporting documents (invoices, contracts with customers, shipping and payment received);

- analysing of trends in recognized revenue from contracts with customers and explaining of unusual variances;
- verification, on a selected sample, of revenue recognition in the proper reporting period, considering Incoterms and other terms and conditions of contracts concluded with the Group's customers;
- analysing of non-standard posting patterns in the transactions log in the audited year and considering the element of unpredictability when selecting the type, timing and extent of audit procedures;
- assessment of the appropriateness of disclosures in the consolidated financial statements regarding revenues from contracts with customers.

### How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed audit tests for the Company and also for its subsidiaries.

## Other matters

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another firm of auditors whose report, dated 27 March 2023, expressed an unmodified opinion on those consolidated financial statements.

## Reporting on other information including the Administrators' Consolidated Report

The Administrators are responsible for the other information. The other information comprises the Administrators' Consolidated Report and the Remuneration Report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In accordance with OMFP 2844/2016, article 48, in connection with our audit of the consolidated financial statements, our responsibility is to verify whether the Non-Financial Statement was prepared.

As stated in section no 7 of the Administrators' Consolidated Report, the Group declared that it will make the Non-Financial Statement publicly available within 6 months from the balance sheet date.

In accordance with Law no. 24/2017 regarding issuers of financial instruments and market operations, republished, and subsequent amendments ("Law 24/2017") our responsibility is to verify whether the Remuneration report contains the information required by Law 24/2017, article 107, alignments (1) and (2).

With respect to Remuneration Report, we read the Remuneration Report in order to determine whether this contains the information required by Law 24/2017, article 107 alignments (1) and (2). We have nothing to report in this regard.

With respect to the Administrators' Consolidated Report our responsibility is to consider whether the Administrators' Consolidated Report was prepared in accordance with OMPF 2844/2016, Appendix 1, articles 26-28.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Administrators' Consolidated Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements;
- the Administrators' Consolidated Report has been prepared in accordance with OMPF 2844/2016, Apendix 1, articles 26-28.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Administrators' Consolidated Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements, that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and OMPF 2844/2016, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

### Report on the compliance of the presentation of consolidated financial statements with the requirements of the European Single Electronic Format (“ESEF”)

We have been engaged as part of our audit engagement letter by the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the presentation of the consolidated financial statements of the Group for the year ended 31 December 2023 in the digital files „vrancartsa-2023-12-31-ro.zip (identified with key number baa891d07e9945292096aa6edfc01ad8a0d5e150ed515a0e2ea3aecc468147be ” (the “Presentation of the Consolidated financial statements”).

**Description of a subject matter and applicable criteria**

The Presentation of the Consolidated financial statements has been applied by the Management to comply with the requirements of Law 24/2017, Financial Supervision Authority Regulation 7/2021 and art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). The applicable requirements regarding the Presentation of the Consolidated financial statements are contained in the ESEF Regulation (“applicable requirements”).

The requirements described in the preceding sentence determine the basis for application of the Presentation of the Consolidated financial statements and, in our view, constitute appropriate criteria to form a reasonable assurance conclusion.

**Responsibility of the Management and those charged with governance**

The Management is responsible for the Presentation of the Consolidated financial statements that complies with the requirements of the ESEF Regulation. This responsibility includes the selection and application of appropriate markups in XBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Presentation of the Consolidated financial statements which is free from material noncompliance with the requirements of the ESEF Regulation.

Those charge with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

**Our responsibility**

Our responsibility was to express a reasonable assurance conclusion whether the Presentation of the Consolidated financial statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 (R) - Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000(R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Presentation of the Consolidated financial statements complies, in all material aspects, with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

**Quality management requirements and professional ethics**

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

**Summary of the work performed**

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Presentation of the Consolidated financial statements complies, in all material aspects, with the applicable requirements and such compliance is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Electronic Reporting Format of the Consolidated financial statements, including the preparation of the HTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the XBRL markup language according to the requirements of the implementation of electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**Conclusion**

In our opinion, based on the procedures performed, the Presentation of the Consolidated financial statements complies, in all material respects, with the ESEF Regulation.

## Appointment

We were appointed by Ordinary General Shareholders Meeting as auditors of Vrancart S.A. on 27 April 2023. This is the first year of our appointment as auditors.

The financial auditor responsible for carrying out the audit resulting in this independent auditor's report is Florin Deaconescu.

On behalf of

PricewaterhouseCoopers Audit SRL

Audit firm registered with

the Public Electronic Register of financial auditors and audit firms under no FA 6

**Refer to the original signed Romanian version**

Florin Deaconescu

Financial auditor registered with

the Public Electronic Register of financial auditors and audit firms under no AF1524

Bucharest, 12 aprilie 2024

This version of our report is a translation from the original, which was prepared in Romanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

# DECLARATION

The undersigned, Ionel - Marian CIUCIOI, as Chairman of the Board of Directors of VRANCART, and Vasilica - Monica ARSENE, as Financial Manager of VRANCART, a Romanian legal entity, with registered office in Adjud, 17th Ecaterina Teodoroiu Street, Vrancea County, registered at the Trade Register Office of the Vrancea Court under the number J39/239/1991, Unique Registration Code 1454846, being aware of the provisions of art. 326 of the Penal Code regarding false statements, we declare that, to the best of our knowledge, the individual and consolidated Financial Statements for the year 2023 have been prepared in accordance with the International Financial Reporting Standards - I.F.R.S. (Order of the Ministry of Public Finance no. 881/2012 and Order of the Ministry of Public Finance no. 2844/2016), that they give a true and fair view of the financial position and of the overall result of the Company, and that the Report of the Board of Directors includes a fair analysis of the development and performance of the Company, as well as a description of the main risks and uncertainties specific to the business.

**April 29th, 2024**

**Ionel – Marian CIUCIOI – Chairman of the Board of Directors**

**Vasilica – Monica ARSENE – Financial Manager**

*translation for information purposes only*

# REMUNERATION REPORT

## FOR DIRECTORS AND MANAGERS OF VRANCART

## FOR THE YEAR 2023

### 1. INTRODUCTION

The present Remuneration Report (hereinafter referred to as the "Report") for the senior executives (directors and managers) and the Company VRANCART (hereinafter referred to as the "Company"), prepared in accordance with the Company's Remuneration Policy, is intended to present a clear and objective picture of the remuneration and/or benefits granted by the Company to its senior executives during the financial year 2023.

The Remuneration Report is prepared by the Company in accordance with the provisions of Law no. 24/2017 on issuers of financial instruments and market operations, republished, as amended and supplemented, and will be submitted to a vote at the Ordinary General Meeting of Shareholders of the Company on April 29th/30th, 2024, the opinion of the shareholders having an advisory role.

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

### 2. REMUNERATION REPORT AND REMUNERATION POLICY

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

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

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

The Remuneration Report highlights the applicability during the 2023 financial year of the guidelines of the Remuneration Policy.

## 3. COMPANY MANAGERS

The Company is managed in a unitary sistem by a Board of Directors consisting of 5 (five) members, appointed for a period of 4 (four) years. The General Manager of the Company is appointed on the basis of a mandate contract.

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

During 2023, the Company's Directors were:

| No. crt. | First name/Name | Position | Previous mandate | Present mandate |
|---|---|---|---|---|
| 1. | Ionel – Marian CIUCIOI | President,<br><br>Executiv Director - General Manager (January 1st, 2023 – September 18th, 2023)<br><br>Non-executive Director (September 19th, 2023 – December 31st, 2023) | April 27th, 2018 – April 27th, 2022 | April 27th, 2022 - April 27th, 2026 |
| 2. | Bogdan – Alexandru DRAGOI | Non-Executive Director | April 27th, 2018 – April 27th, 2022 | April 27th, 2022 - April 27th, 2026 |
| 3. | Sergiu MIHAILOV | Non-Executive Director | April 27th, 2018 – April 27th, 2022 | April 27th, 2022 - April 27th, 2026 |
| 4. | Adrian FERCU | Non-Executive Director | April 27th, 2020 – April 27th, 2022 | April 27th, 2022 - April 27th, 2026 |
| 5. | Rachid EL LAKIS | Non-Executive Director | April 27th, 2021 – April 27th, 2022 | April 27th, 2022 - April 27th, 2026 |

Mr. Ionel - Marian CIUCIOI was General Manager of the Company, with executive powers delegated by mandate contract in the period January 1st, 2023 – September 18th, 2023.

Mr. Nicolae – Paul DUMITRESCU was General Manager of the Company, with executive powers delegated by mandate contract in the period September 19th, 2023 - December 31st, 2023.

Mr. Nicu – Ciprian FEDOR was Deputy General Manager of the Company, with executive powers delegated by mandate contract in the period September 19th, 2023 - December 31st, 2023.

## 4. REMUNERATION OF MANAGERS

In 2023, the Company's executive compensation was fixed, variable and non-financial as follows:

4.1. Members of the Board of Directors benefit from:

- 4.1.1. a fixed monthly remuneration determined by the Ordinary General Meeting of Shareholders,
- 4.1.2. variable remuneration within the maximum limit set by the Ordinary General Meeting of Shareholders,
- 4.1.3. do not receive non-financial benefits,

4.2. The General Manager benefits from:

- 4.2.1. a fixed monthly remuneration under a mandate contract,
- 4.2.2. an annual variable remuneration, approved by the Board of Directors, depending on the performance of the Company in the respective financial year, and within the maximum limit set by the Ordinary General Meeting of Shareholders,
- 4.2.3. non-financial benefits, as follows: company car, computer equipment, telephone, medical insurance.

4.3. The Deputy General Manager benefits from:

- 4.3.1. a fixed monthly remuneration under a mandate contract,
- 4.3.2. an annual variable remuneration, approved by the Board of Directors, depending on the performance of the Company in the respective financial year,
- 4.3.3. non-financial benefits, as follows: company car, computer equipment, telephone, medical insurance.

| No. crt. | First name/Name | Position | Fixed annual net remuneration | Variable annual remuneration |
|---|---|---|---|---|
| 1. | Ionel – Marian CIUCIOI | General Manager<br><br>President of the Board | 421 thousand lei<br><br>144 thousand lei | 284 thousand lei<br><br>120 thousand lei |
| 2. | Bogdan – Alexandru DRAGOI | Non-Executive Director | 144 thousand lei | 120 thousand lei |
| 3. | Sergiu MIHAILOV | Non-Executive Director | 144 thousand lei | 120 thousand lei |
| 4. | Adrian FERCU | Non-Executive Director | 144 thousand lei | 120 thousand lei |
| 5. | Rachid EL LAKIS | Non-Executive Director | 144 thousand lei | 120 thousand lei |
| 6. | Nicolae – Paul DUMITRESCU | General Manager | 128 thousand lei | 42 thousand lei |
| 7. | Nicu – Ciprian FEDOR | Deputy General Manager | 85 thousand lei | 30 thousand lei |

In 2023, some of the managers received additional remunerations for administrating subsidiary companies of the Group, as follows:

- Mr. Ionel-Marian CIUCIOI received net remuneration in the amount of 70 thousand lei from three other subsidiaries of VRANCART.
- Mr. Sergiu MIHAILOV received net remuneration in the amount of 26 thousand lei from two other subsidiaries of VRANCART.
- Mr. Adrian FERCU received net remuneration in the amount of 8 thousand lei from another subsidiary of VRANCART.
- Mr. Nicolae – Paul DUMITRESCU received net remuneration in the amount of 8 thousand lei from another subsidiary of VRANCART.
- Mr. Nicu – Ciprian FEDOR received net remuneration in the amount of 5 thousand lei from another subsidiary of VRANCART.

In 2023, there were no increases in the fixed remuneration of the members of the Board of Directors of the Company.

Regarding other remuneration received by the Directors from Group companies, these are detailed in the Report issued by the majority shareholder LION CAPITAL, a Romanian legal entity, with registered office in Arad, 35A Calea Victoriei, Arad County, registered at the Trade Register Office of the Court of Arad under number J02 / 1898 / 1992, unique registration code 2761040.

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

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

- In the period 2019 - 2023, the fixed remuneration of the members of the Board of Directors did not change.
- During the period 2019 - 2021, the fixed remuneration of the General Manager did not change. In 2022 the fixed remuneration of the General Manager increased by 18.5% compared to the previous year and in 2023 did not change.

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

| Indicator | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Average gross salary (Lei) | 4,231 | 4,414 | 4,958 | 5,666 | 6,383 |
| Evolution of average gross salary ("%" vs. previous year) | +4% | +4% | +12% | +14% | +13% |

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

## 5. COMPANY PERFORMANCE

During 2023, the Company's development was influenced by the decreasing demand for packaging, generated by the contraction of consumption at macroeconomic level, due to the still high level of annual inflation, as well as record high interest rates. Rising labour costs and pressure on selling prices also posed particular challenges to the Company's revenues and profitability.

The profitability curve for the period under review faithfully reflects the general macroeconomic situation, which was impacted by the health, geo-political, energy, inflationary and supply chain crises, which were felt by the Company across all business and functional-administrative levels.

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

| Indicator | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Turnover (thousand lei) | 300,788 | 286,477 | 387,018 | 526,032 | 412,683 |
| Evolution of turnover (%) | +2% | -5% | +35% | +36% | -22% |
| EBITDA (thousand lei) | 57,389 | 57,592 | 47,813 | 66,707 | 56,829 |

| | | | | | |
|---|---|---|---|---|---|
| EBITDA evolution (%) | +26% | +0.4% | -17% | +40% | -15% |
| Net profit (thousand lei) | 22,328 | 18,534 | 9,869 | 23,689 | 5,629 |
| Net profit evolution (%) | +26% | -17% | -44% | +140% | -76% |

## 6. FINAL PROVISIONS

The present Remuneration Report has been prepared by the Company in accordance with the provisions of Law no. 24/2017 on issuers of financial instruments and market operations, republished, as amended and supplemented, and will be submitted to a vote at the Ordinary General Meeting of Shareholders of the Company on April 29th/30th, 2024, the opinion of the shareholders having an advisory role.

In its next Remuneration Report for 2024, the Company will detail how the shareholders' vote was expressed and implemented.

The Remuneration Report for 2022 was approved by the shareholders at the Ordinary General Meeting of Shareholders of the Company on April 27th, 2023.

This Remuneration Report was endorsed by the Board of Directors of the Company in its meeting of March 29th, 2024.

**Ionel-Marian CIUCIOI**

Chairman of the Board of Directors

**Vasilica-Monica ARSENE**

Financial Director

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**March 29th, 2024**