



*Translation for information purposes only*

# CONSOLIDATED REPORT

## OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2022

### “VRANCART” GROUP OF COMPANIES



# TABLE OF CONTENTS

## 1. ANALYSIS OF THE ACTIVITY

1.1.1. General information	4
1.1.2. Evaluation of the Group's technical level	6
1.1.3. Evaluation of the technical and material supply activity	7
1.1.4. Evaluation of the sales activity	7
1.1.5. Evaluation of the aspects related to the Group's employees/personnel	9
1.1.6. Evaluation of the aspects related to the issuer's main activity onto the environment	9
1.1.7. Evaluation of the research and development activity	10
1.1.8. Evaluation of the Group's activity on risk management	10
1.1.9. Prospects for the Group's business	12

## 2. THE GROUP'S TANGIBLE ASSETS

2.1. Specification of the emplacement and main characteristics of the main production capacities owned by the Group	13
2.2. Description and analysis of the degree of wear of the Group's properties	13
2.3. Specification of the potential problems related to the right of ownership onto the Group's tangible assets	14

## 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	14
3.2. Description of the Group's policy on dividends	14
3.3. Description of any activities of the Group to redeem its shares	14
3.4. If the company has any branches, specification of the number and nominal value of the shares issued by the parent-company held by the branches	14
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	15

## 4. THE GROUP'S MANAGEMENT

4.1. The Group's Directors	15
4.2. The Group's executive management	16
4.3. Potential disputes or administrative procedures	16



<b>5. INTERNAL CONTROL AND RISK MANAGEMENT</b>	16
<b>6. SOCIAL RESPONSIBILITY</b>	17
<b>7. NON-FINANCIAL STATEMENT</b>	17
<b>8. FINANCIAL AND ACCOUNTING STATEMENT</b>	
8.1. Consolidated statement of financial position	18
8.2. Consolidated statement of comprehensive income	19
8.3. Consolidated statement of cash flows	20
<b>9. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END</b>	21





## 1. ANALYSIS OF THE ACTIVITY

### 1.1.1. General information

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

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

#### Elements of general evaluation of the Group:

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

### VRANCART S.A.

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

Company name	„VRANCART”
Type of company	Joint stock trade company
Address	17 Ecaterina Teodoroiu Street, Adjud, Vrancea county, 625100
Telephone/Fax no.	0237.640.800 / 0237.641.720
Registered with the Trade Registry under no.	J39/239/1991
Tax code	1454846
Tax Identification Number	RO1454846
Paid-in share capital	RON 120.338.551
Unpaid share capital	RON 0,10/share
Nominal share value	1.203.385.510

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



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

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

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

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

In 2022, the average number of employees of the Group was 1,389 (2021: 1,294).

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

As at December 31<sup>st</sup>, 2022, the Company is owned 75% by SIF Banat – Crisana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

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

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

Although the economic effects of the political crisis in the region cannot be fully estimated, the Company considers that its very good financial situation, the access to financing and the markets where it operates are a solid basis for ensuring business continuity and for restricting the negative effects of the economic and political crisis, in general.

## **ROM PAPER S.R.L.**

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

On January 20<sup>th</sup>, 2017, Vrancart completed the purchase of the majority stake (70%) in Rom Paper S.R.L. As at December 31<sup>st</sup>, 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<sup>st</sup>, 2022, the Branch had a number of 114 employees (December 31<sup>st</sup>, 2021: 188 employees).

### VRANCART RECYCLING S.R.L.

Vrancart Recycling S.R.L. (“Branch 2”) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste. The company is at the beginning of its activity and had a number of 73 employees as at December 31<sup>st</sup>, 2022 (December 31<sup>st</sup>, 2021: 45 employees).

### ECOREP GROUP S.A.

Ecorep Group SA (“Branch 3”) was established in November 2020 and it is a Romanian privately-owned company. The main activity of this branch consists of the provision of services regarding the implementation of the obligations related to the producer’s extended liability for environmental targets. The company is at the beginning of its activity. The number of employees as at December 31<sup>st</sup>, 2022 is 6 employees (December 31<sup>st</sup>, 2021: 19 employees).

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

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

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

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

Lines of business	M.U.	2022	2021	2020
Paperboards	to	87.010	88.255	75.592
Corrugated cardboard and packaging	to	69.655	69.627	60.292
Tissue paper	to	28.504	32.038	27.758

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

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



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

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

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

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

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

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

### 1.1.4. Evaluation of the sales activity

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

Lines of business	M.U.	2022	2021	2020
Paperboards	to	14.755	23.384	22.538
Corrugated cardboard and packaging	to	70.040	69.243	60.363
Tissue paper	to	34.951	31.374	27.157

### The state of competition

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

**On the paperboards market in Romania**, there were four competitors in 2022. The production capacities of the paper production plants, according to the public statements of the producers, are as follows:



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

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

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

#### Market share evolution for Paperboards

Producers	2022	2021	2020
Vrancart	16%	16%	16%
Other producers	84%	84%	84%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: VRANCART estimates

**B. On the corrugated cardboard and corrugated cardboard packaging market**, in 2022 there were 9 competitors, out of which 5 have two mills each (Vrancart, Dunapack, DS Smith, Rossmann and Rondocarton).

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

The estimated production capacity of the 15 corrugated cardboard mills amounts to over 750 thousand tons per year. The consumption in 2022 was of 440 thousand tons (59% of the total production capacity), recording a reduction by approx. 3,5% in tons compared to the previous year.

#### Market share evolution for Corrugated cardboard and corrugated cardboard packaging

Producers	2022	2021	2020
Vrancart Adjud	17%	17%	15%
Other producers	83%	83%	85%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: VRANCART estimates





### Corrugated cardboard producers in Romania in 2022

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

**C. On the tissue paper market**, with a market share of 14% in 2022 (taking into account only the domestic production), „VRANCART” Group remains one of the major tissue paper manufacturers in Romania.

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

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

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

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

Producers	2022	2021	2020
Vrancart Adjud	14%	14%	14%
Other producers	86%	86%	86%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: VRANCART estimates

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

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

The average number of employees in 2022 was 1389 employees, out of which:

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

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



The labour force fluctuation index in 2022 was 35% (the number of employees that left the Company/ average number of personnel x 100).

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

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

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

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

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

The impact of the Company's activity onto the environment is constantly monitored through the implementation of the Environmental Management System and implicitly through the compliance with the laws in force and the **INTEGRATED ENVIRONMENT AUTHORISATION no. 1/18.03.2015, which was revised on April 14<sup>th</sup>, 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<sup>th</sup>, 2020.

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

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

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

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

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





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

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

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

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

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:

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

<b>December 31<sup>st</sup>, 2021</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>over 5 years</b>
Bank loans	130.008.685	136.509.118	74.688.310	60.274.441	1.546.366
Financial leasing	23.734.279	14.703.385	6.149.713	8.553.672	-
Trade liabilities and other liabilities	84.812.490	84.812.490	84.066.761	745.729	-
<b>Total</b>	<b>238.555.454</b>	<b>236.024.993</b>	<b>164.904.785</b>	<b>69.573.842</b>	<b>1.546.366</b>



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

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

### Market risk

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

### Currency exchange risk

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

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

December 31 <sup>st</sup> , 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
<b>Financial assets</b>	<b>127.213.988</b>	<b>113.977.352</b>	<b>13.347.396</b>	<b>(111.574)</b>	<b>815</b>
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	-
<b>Financial liabilities</b>	<b>307.133.904</b>	<b>136.210.777</b>	<b>170.677.590</b>	<b>245.536</b>	<b>-</b>
<b>Total net financial assets / (liabilities)</b>	<b>(179.919.916)</b>	<b>(22.233.425)</b>	<b>(157.330.194)</b>	<b>(357.110)</b>	<b>815</b>

December 31 <sup>st</sup> , 2021	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	105.783.606	96.662.184	9.121.422	-	-
Cash and cash equivalents	2.368.775	1.673.945	665.072	21.691	8.067
<b>Financial assets</b>	<b>108.152.381</b>	<b>98.336.129</b>	<b>9.786.494</b>	<b>21.691</b>	<b>8.067</b>
Loans	130.008.685	128.457.801	1.550.884	-	-
Debts under leasing contracts	23.734.279	529.385	23.204.894	-	-
Trade liabilities and other liabilities	84.812.490	64.506.253	20.005.148	336.178	(35.089)



<b>Financial liabilities</b>	<b>238.555.455</b>	<b>193.493.439</b>	<b>44.760.925</b>	<b>336.178</b>	<b>(35.089)</b>
<b>Total net financial assets /(liabilities)</b>	<b>(130.403.074)</b>	<b>(95.157.310)</b>	<b>(34.974.432)</b>	<b>(314.487)</b>	<b>43.156</b>

### Sensitivity analysis

An increase by 10 percentage points of RON as at December 31<sup>st</sup> compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31<sup>st</sup>, 2022: - RON 15,768.649; (December 31<sup>st</sup>, 2021: - RON 3,524,576). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

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

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

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

In 2023, the Group will continue its development process through the implementation of large investments that will lead to the optimization and increase of the production capacity, as well as to the diversification of its product portfolio. Although their implementation will require great investment efforts and the discontinuation of the production flow (for the replacement/ upgrade of equipment), the Company expects its results to be at the same level as in the previous year.

## 2. THE GROUP'S TANGIBLE ASSETS

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

The following production capacities operate within the Group:

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

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

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



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

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

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

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

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

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

The degree of wear in the records as at December 31<sup>st</sup>, 2022 is as follows:

*(all the amounts are stated in RON thousand)*

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	113.032	26.896	24%
Equipment and other fixed assets	466.967	237.576	51%

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

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 199.605 thousand as at December 31<sup>st</sup>, 2022 (December 31<sup>st</sup>, 2021: RON 166.262 thousand). The net book value of the assets purchased through financial leasing is zero as at December 31<sup>st</sup>, 2022 (December 31<sup>st</sup>, 2021: RON 88 thousand).

## 3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP

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

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

The shareholding structure as at December 31<sup>st</sup>, 2022 is as follows:



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

### 3.2. Description of the Group's policy on dividends

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

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

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

\*\* The distribution of the Group's profit falls under the competence of the Ordinary General Meeting of the Shareholders and it will be established during the General Meeting of the Shareholders to be held in April 2023.

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

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

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

On January 19<sup>th</sup>, 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 31<sup>st</sup>, 2022.

**Vrancart Recycling SRL (Branch 2)** was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. Vrancart holds 100% of the share capital of the branch as at December 31<sup>st</sup>, 2022.

**Ecorep Group SA (Branch 3)** was established in November 2020 and it is a Romanian privately-owned company. Vrancart holds 99,6% of the shares as at December 31<sup>st</sup>, 2022.

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

In 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1<sup>st</sup>, 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<sup>th</sup>, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds. The bonds are listed at the Bucharest Stock Exchange.



## 4. THE GROUP'S MANAGEMENT

### 4.1. The Group's Directors

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

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

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

Not applicable.

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

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

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

d) remuneration policy

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

e) the list of persons affiliated to the Group

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





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

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

a) The Group's executive management as at December 31<sup>st</sup>, 2022 was provided by Mr. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Directors of Vrancart S.A. and also chairman of the Board of Directors of the branch Rom Paper S.R.L.

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

- Not applicable.

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

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

#### 4.3. Potential disputes or administrative procedures

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

- Not applicable.

### 5. INTERNAL CONTROL AND RISK MANAGEMENT

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

The general objectives of internal audit for 2022 were focused in particular on risk management, as well as on the assessment of the general system of controls implemented for transactions and/or flows.

The consolidated financial statements of the Vrancart Group for the financial year ended on December 31<sup>st</sup>, 2022 were audited by the external auditor BDO Audit SRL.

The audit opinion states that the financial statements provide a fair view, in all significant aspects, of the financial position, as well as of the comprehensive income and of the cash flows for the financial year ended on December 31<sup>st</sup>, 2022 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

### 6. SOCIAL RESPONSIBILITY

„VRANCART” group of companies constantly carries out activities related to the Company's social responsibility and each year it supports either directly or through foundations/ specialised



associations the unprivileged categories of people from the local community where it carries out its activity.

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

## 7. NON-FINANCIAL STATEMENT

“VRANCART” group of companies will draft a separate report on information related to the consolidated non-financial statement and the aspects related to diversity, in accordance with the provisions of chapter 7 of Order no. 2844/2016. The separate report concluded for 2021 will be made available to the public on the Company’s website [www.vrancart.ro](http://www.vrancart.ro), until June 30<sup>th</sup>, 2023.

## 8. THE FINANCIAL AND ACCOUNTING STATEMENTS

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

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

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



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

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



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

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



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

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



## 9. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

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

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

### SIGNATURES

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

**Ciucioi Ionel-Marian**  
Chairman of the Board of Directors

**Arsene Vasilica-Monica**  
Financial Manager

