

Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2022

drawn up in accordance with
the Order of the Ministry of Public Finances no. 2844/2016 for the approval of
the Accounting regulations compliant with the International Financial Reporting
Standards, applicable to trade companies whose securities are admitted to
trading on a regulated market

Table of contents

Consolidated statement of financial position	1
Consolidated statement of comprehensive income	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Notes to the consolidated financial statements	5-46

Vrancart S.A.

Consolidated statement of financial position

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

Consolidated statement of comprehensive income

as at December 31st, 2022

(all amounts in RON, unless otherwise stated)

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

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at January 1st, 2021	103.168.355	51.668.712	63.288.528	9.652.131	281	227.778.007
Comprehensive income for the year						
Comprehensive income for the year	-	-	-	6.345.576	(1.321)	6.344.255
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	(960.575)	-	156.534	-	(804.041)
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(1.525.265)	-	1.525.265	-	-
Total comprehensive income for the year	-	(2.485.840)	-	8.027.375	(1.321)	5.540.214
Distribution of reserves	-	-	2.982.478	(2.982.478)	-	-
Distribution of dividends	-	-	-	(10.007.330)	-	(10.007.330)
Share capital increase	17.194.726	-	-	-	-	17.194.726
Balance as at December 31st, 2021	120.363.081	49.182.872	66.271.006	4.689.698	(1.040)	240.505.617
Balance as at January 1st, 2022	120.363.081	49.182.872	66.271.006	4.689.698	(1.040)	240.505.617
Comprehensive income for the year						
Comprehensive income for the year	-	-	-	22.948.967	(2.074)	22.946.893
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	56.954.484	-	-	-	56.954.484
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(2.787.037)	327.786	2.459.251	-	-
Total comprehensive income for the year	-	54.167.447	327.786	25.408.218	(2.074)	79.901.377
Distribution of reserves	-	-	6.303.770	(6.303.770)	-	-
Distribution of dividends	-	-	-	(5.054.219)	-	(5.054.219)
Share capital increase	(24.530)	-	-	43.346	-	18.816
Balance as at December 31st, 2022	120.338.551	103.350.319	72.902.562	18.783.273	(3.114)	315.371.591

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

Consolidated statement of cash flows

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 46 are an integrant part of the financial statements.

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

1. The reporting entity

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

The consolidated financial statements of the Group for the financial year ended on December 31st, 2022 are formed of the financial statements of Vrancart S.A. and of its branches, that form together the Group.

Branch	Field of activity	Shareholding as at	Shareholding as at
		December 31 st , 2022	December 31 st , 2021
Rom Paper SRL	Production of napkins and tissue paper products	100%	100%
Vrancart Recycling SRL	Treatment and disposal of non-hazardous waste	100%	100%
Ecorep Group SA	Business support services n.e.c.	99,6%	99,6%

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

VRANCART S.A.

Vrancart S.A. (“the Company”) is a joint-stock trade company operating in Romania under the provisions of Law no. 31/1990 on trade companies.

The company is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County.

The company has working points opened in the following localities: Bucharest, Călimăneşti, Ungheni, Iaşi, Focşani, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureş, Brăila and Piatra Neamţ.

The company’s main object of activity is represented by the manufacture and trading of the following products:

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

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

1. The reporting entity (continued)

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

As at December 31st, 2022, the company is owned 75% by SIF Banat – Crişana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

The record of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

ROM PAPER S.R.L.

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

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

As at December 31st, 2022, the Group held 100% of the company's shares, following the purchase in June 2017 of 15%, respectively in June 2018 of the last tranche of 15% of the shares in Rom Paper S.R.L.

As at December 31st, 2022, the Branch had a number of 114 employees (December 31st, 2021: 188 employees).

VRANCART RECYCLING S.R.L.

Vrancart Recycling S.R.L. (“Branch 2”) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste. This company was founded with the purpose to develop the Group through a greenfield investment, amounting to over Euro 20 million, in recycling adjacent fields to cover a great diversity of recyclable resources that it will sell or use internally following the newly-created synergies.

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

ECOREP GROUP S.A.

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

The company is at the beginning of its activity and has obtained the authorisation from the Ministry of Environment. The number of employees as at December 31st, 2022 is 6 employees (December 31st, 2021: 19 employees).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

2. Basis for preparation

(a) Statement of conformity

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

(b) Submission of financial statements

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

(c) The functional and presentation currency

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

(d) Basis for evaluation

The consolidated financial statements were prepared based on the historical cost, except for tangible assets from the category of land, constructions and technological equipment that are assessed using the re-evaluation model.

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

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

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

2. Basis for preparation (continued)

(e) The use of estimates and judgements

The preparation of the consolidated financial statements in accordance with OMFP 2844 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The judgements and assumptions associated to these estimates are based on the historical experience, as well as on other factors deemed reasonable in the context of these estimates.

The results of these estimates form the basis of the judgements relating to the accounting values of the assets and liabilities that cannot be obtained from other sources of information. The results obtained may be different from the values of the estimates.

The judgements and assumptions underlying these are regularly revised by the Group. The revisions of the accounting estimates are recognised during the period when the estimates are revised, if the revisions affect only that period, or during the period when the estimates are revised and the next periods if the revisions affect both the current period and the next period.

The information on estimates, judgments and assumptions with increased risk of resulting in a material adjustment to the amount of assets and liabilities as at December 31st, 2022 is included in the following notes:

- Note 3 (a) (v), describing the accounting policy chosen by the Group to recognise the acquisition of Rom Paper S.R.L.
- Note 6, presenting:
 - the recognition of the fair values of the net assets purchased from Rom Paper S.R.L.
 - the recognition of the goodwill following the acquiring of Rom Paper
 - the allotment of some lifetimes for the intangibles purchased.

3. Significant accounting policies

(a) Basis for consolidation

(i) Combinations of entities

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

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

- the fair value of the counterperformance transferred, including
- the value of non-controlling interests in the entity purchased, including
- if that combination is performed in stages, the fair value as at the acquisition date of the participation in the equity held by the purchased entity, less
- the net value recognised (in general, the fair value) of the identifiable assets acquired and of the liabilities assumed

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

the profit and loss account.

3. Significant accounting policies (continued)

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

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

(ii) Branches

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

(iii) Loss of control

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

(iv) Transactions removed from consolidation

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

(v) Non-controlling interests

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

(b) Transactions in foreign currencies

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

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

The currency exchange rates of the main foreign currencies were:

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

3. Significant accounting policies (continued)

(c) Accounting of the effect of hyperinflation

In accordance with IAS 29 “Financial reporting in hyperinflationary economies”, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current measurement unit on the balance closing date (non-monetary elements are restated using a general price index on the date of purchase or contribution).

According to IAS 29, an economy is considered as hyperinflationary if, besides other factors, the cumulated rate of inflation for a period of three years exceeds 100%.

The Romanian economy ceased being hyperinflationary, with an effect onto the periods of the financial statements starting from January 1st, 2004.

Thus, the values expressed in the current measurement unit as at December 31st, 2003 are treated as the basis for the accounting values reported in the individual financial statements and do not represent evaluated values, replacement costs or any other measurement of the current value of the assets or prices at which the transactions would take place now.

For the purpose of drafting its individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31st, 2003.

(d) Financial instruments

Non-derivative financial instruments

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part does it no longer recognises based on the fair values corresponding to those parts as at the transfer date.

The difference between the book value allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

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

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

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

Derivative financial instruments

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

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

Receivables

Receivables are financial assets with fixed or determinable payments that are not traded on an active market. Such assets are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, the receivables are evaluated at amortised cost using the effective interest rate method less the value of impairment losses. Receivables include trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and reimbursable deposits with maturities of up to three months from the date of purchase and are subject to an insignificant risk of change in their fair value and are used by the Group to manage short-term commitments.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

Financial assets held for sale

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

Share capital – ordinary shares

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

Financial liabilities

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

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

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

(e) Tangible assets

(i) Recognition and evaluation

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

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

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

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

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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

3. Significant accounting policies (continued)

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

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

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

The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value as at the balance sheet date.

The expenses related to the maintenance and repairs of tangible assets are recorded by the Group in the statement of comprehensive income upon their occurrence, and the significant improvements brought to tangible assets, that increase their value or lifetime duration or that increase to a significant extent their capacity to generate economic benefits are capitalised.

(ii) Subsequent expenses

Subsequent expenses are capitalised only when they increase the value of the future economic benefits incorporated into the asset they are intended for. The expenses related to repairs and maintenance are recognised in the profit and loss account as they are incurred.

(iii) Amortisation

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

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

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

Land is not subject to amortisation.

Amortisation is usually recognised in the profit and loss account, except for the case when the amount is included in the book value of another asset.

The amortisation methods, the estimated useful lifetimes and the residual values are revised by the Group on every reporting date and are adjusted, if necessary.

(iv) The sale/ cassation of tangible assets

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

The tangible assets that are quashed or sold are removed from the balance sheet together with the corresponding cumulated amortisation. Any profit or loss resulting from such operation are included in the current profit or loss.

3. Significant accounting policies (continued)

(f) Rights of use (Leasing)

As of January 1st, 2019, the Company adopted IFRS 16 using the amended retrospective approach, recognizing the transitional adjustments at the date of the initial application (January 1st, 2019), without restating the comparative figures. The Company has chosen to apply the practical exception in order not to re-evaluate whether it is or contains a lease agreement at the date of the initial application. Contracts entered into before the transition date that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not restated. The definition of a lease in accordance with IFRS 16 applied only to contracts entered into or amended on or after January 1st, 2019.

IFRS 16 provides certain practical optional exceptions, including those related to the initial adoption of the standard. The Company has applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

- (a) it applied a single discount rate to a rental portfolio with reasonably similar characteristics;
- (b) it excluded the initial direct costs from the evaluation of assets from the right of use on the date of initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the start date;
- (c) it relied on previous assessments as to whether the leases are onerous compared to preparing a revision of impairment in accordance with IAS 36 at the date of the initial application; and
- (d) it applied the exemption from not recognizing the rights to use the assets and liabilities for leases with less than 12 months of lease remaining on the date of the initial application.

As a user, the Company previously classified the lease as an operating or financial lease based on its assessment on whether the lease transferred substantially all the risks and benefits of the right of ownership. In accordance with IFRS 16, the Company recognizes the leased assets and liabilities for the majority of the leases.

However, the Company has chosen not to recognize leasing assets and liabilities for some low value leases based on the new value of the underlying asset for short-term leases with a lease term of 12 months or less.

In adopting IFRS 16, the Company recognized the rights to use the leased assets and liabilities as follows:

Classified according to IAS 17	Rights of use	Debts under leasing contracts
Operational leasing	Assets from rights of use are measured at an amount equal to the lease liability, adjusted by the amount of any amounts paid in advance or preliminary.	Measured at the current value of the remaining leasing payments, updated using the Company's incremental loan rate as at January 1 st , 2019. The company's incremental loan rate is the rate at which a loan could be obtained from an independent financier, on comparable terms and conditions. The average rate applied was 1% p.a.
Financial leasing	Measured on the basis of the carrying amounts for leasing assets and liabilities immediately before the date of the initial application (carrying amounts, unadjusted).	

Following the application of the provisions of IFRS 16 during the current financial year, the Company recognized usage rights at assets, at the same time with the increase of the total debts by the same amount. No determinations were made for the periods prior to the financial year ended on December 31st, 2019.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(g) Intangible assets and goodwill

(i) Recognition and evaluation

The intangible assets purchased by the Group that have determined useful lifetimes are evaluated at cost less the cumulated amortisation and the cumulated impairment losses. Goodwill is not depreciated, and this is regularly tested, at least on an annual basis, for impairment indicators, and recognised at initial value, less the cumulated impairment losses. Impairment losses recognised in relation to goodwill cannot be subsequently reversed.

(ii) Research and development

The expenses related to the research activities, performed for the purpose of gaining knowledge or for new scientific or technical interpretations are recognised in the profit and loss account when incurred.

The development activities involve a plan or project aimed at new or substantially improved products or processes. The development costs are capitalized only if they can be reliably measured, the product or process is technically and commercially feasible, the future economic benefits are probable and the Group intends and has sufficient resources to complete the development and to use or sell the asset. The capitalized expenditures include the cost of materials, the direct personnel-related costs and the administrative costs that are directly attributable to preparing the asset for its intended use and the capitalized borrowing costs. Other development costs are recognized in the profit or loss account when they are incurred.

(iii) Brands and commercial relations

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

(iv) Subsequent expenses

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

(v) Amortisation of intangible assets

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(h) Financial assets

Financial assets include the shares held in affiliated entities, the loans granted to affiliated entities, the shares held in associated entities and jointly-controlled entities, the loans granted to associated entities and jointly-controlled entities, other investments held as assets, other loans.

The initial evaluation – The financial assets recognised as assets are evaluated at purchase cost.

The evaluation as at the balance sheet date – The financial assets are presented in the balance sheet at input value less the cumulated value adjustments for impairment.

(i) Inventories

Inventories are evaluated at the minimum value between cost and the net achievable value.

The net achievable value represents the estimated sale price during the normal performance of the activity less the estimated costs for completion and the costs necessary to perform the sale.

The cost of inventories is based on the first-in-first-out (FIFO) principle and includes the expenses incurred for the purchase of inventories, the production or converting costs and other costs incurred to bring the inventories in the current form and location.

In case of inventories manufactured by the Group and the production in progress, the cost includes the corresponding share of the administrative expenses related to production based on the normal operating capacity.

(j) Impairment of assets

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

An impairment loss is recognised when the book value of the asset or of its unit generating cash exceeds the recoverable value of the asset or of the unit generating cash. A unit generating cash is the smallest identifiable group that generates cash and that has the ability to generate cash flows independently from other assets or groups of assets. Impairment losses are recognised in the statement of comprehensive income.

The recoverable value of an asset or of a unit generating cash represents the maximum amount between the usage value and its fair value, less the costs for the sale of that asset or unit.

To determine the usage value, the future cash flows forecasted are updated using an update rate before taxation, reflecting the current market conditions and the specific risks of that asset.

Impairment losses recognised during the previous periods are evaluated on each reporting date in order to determine whether they have decreased or ceased to exist. Impairment loss is reproduced if a change in the estimated uses to determine the recoverable value has occurred.

Impairment loss is reproduced only if the book value of the asset does not exceed the book value that would have been calculated, net of amortisation and depreciation, if the impairment loss had not been recognised.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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

Impairment adjustments for trade receivables

The Group analyses on an individual basis the need to record an impairment adjustment for the customers whose balances at the year-end exceed RON 100.000 and that have either started court proceedings to recover their balances, or that have invoices overdue for more than one year, calculated for the oldest invoice of the balance. Also, the Group calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

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

Impairment adjustments for inventories

By the nature of its object of activity, the Group does not hold any perishable inventories or inventories posing a short term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events, but may also result from inventories with a low market demand.

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

- For inventories older than 180 days, impairment adjustment is established after an individual analysis, for each product, performed by a commission formed of representatives of the sales and production departments;
- For all finished products, the Group compares the cost of inventories with the sale prices less the distribution costs for the immediately following period, to present the inventories remained in balance at the minimum value between the production cost and the sale price less the distribution costs, according to the provisions of the policy (g).

(k) Dividends to be distributed

Dividends are treated as a distribution of profit during the period when they were declared and approved by the General Meeting of the Shareholders. The dividends declared before the reporting date are registered as liabilities as at the reporting date.

(l) Re-evaluation reserves

Re-evaluations are made with sufficient regularity, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. In this respect, the Group has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2022.

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

If the result of re-evaluation is an increase from the net book value, then it shall be treated as follows: as an increase of the re-evaluation reserve presented in equity, if there was not a previous reduction recognised as expense related to that asset or as an income that would compensate the expense by the decrease previously recognised for that asset.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

If the result of re-evaluation is a decrease of the net book value, it is treated as an expense for the entire amount of depreciation when an amount relating to that asset (re-evaluation surplus) is not recorded in the re-evaluation reserve or as a reduction of the re-evaluation reserve by the minimum value between the amount of that reserve and the amount of reduction, and the potential difference remained uncovered shall be recorded as an expense.

The re-evaluation surplus included in the re-evaluation reserve is transferred to retained earnings when this surplus represents an income achieved. The income is considered to be achieved upon the decommissioning of the fixed asset as a result of its sale or cassation. No part of the re-evaluation reserve can be distributed, either directly or indirectly, except for the case when the re-evaluated asset has been capitalized, in which case the re-evaluation surplus represents an actually achieved income.

Starting from May 1st, 2009, as a result of the changes occurred in the fiscal legislation, the re-evaluation reserves recorded after January 1st, 2004 become taxable as the fixed asset is amortised. Therefore, the Group recorded a liability related to deferred tax related to this re-evaluation difference that is included in the fixed asset amount.

(m) Legal reserves

The legal reserves of each Group entity are established in a proportion of 5% of the gross profit as at the year end until the total legal reserves reach 20% of the paid-up nominal share capital in accordance with the legal provisions. These reserves are deductible at the calculation of the profit tax and are not distributable except for the case of the entities' liquidation.

(n) Affiliated parties

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

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

(o) Employee benefits

(i) Short-term benefits

The liabilities related to short term benefits given to employees are not updated and are recognised in the statement of comprehensive income as the related service is provided.

Short term benefits of employees include salaries, premiums and social security contributions.

(ii) Determined contribution plans

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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

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

(iii) Long-term benefits of employees

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

The parent-company has the obligation to grant benefits to employees upon retirement, in accordance with the collective labour agreement.

(p) Provisions

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

(q) Income

(i) The sale of goods

The Company concludes agreements with its customers. These are usually framework-agreements establishing the payments terms, the delivery and acceptances conditions related to the goods sold, the parties' rights and obligations. The sale price of the goods is usually established for each order launched by the customer and accepted by the Company.

The shipment services related to the goods are usually included in the agreements for the sale of goods. These shipment services are not recognised as a separate obligation due to the specifics of the industry where the Company operates, which involves the need for the customers to organise the shipment as a measure to streamline the logistic and storage activities.

The revenues from the sale of goods are recognised when control is transferred to the customer. Most of the sales agreements provide that the delivery will be made FOB buyer or according to the delivery condition CPT (Carriage Paid To, according to Incoterms).

The Company offers its customers the right to return the products sold if these fail to meet the quality conditions stated in the agreements concluded with the customers. The Company assesses the value related to such returns from customers and recognises these as an adjustment of income. For the current financial year, the amount of such returns is deemed insignificant.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

The Company concluded agreements with a part of its customers, usually great retailers, under which these undertake to provide a non-monetary counterperformance in the form of services, including logistic services, as well as marketing and promotion services. These services are recognised as a reduction of the transaction price, as long as the following conditions are met:

- the customer provides a good or service which is distinct, separable from the other elements of the agreement;
- the fair value of such services can be reasonably determined;
- the actually paid amount does not exceed the fair value of such services.

The Company recognises a reduction of the transaction price for the services invoiced by great retailers for most of these services, as it does not hold the information required to credibly assess their fair value.

(ii) The provision of services

The revenues from the provision of services are stated in the accounting records as they are incurred. The provision of services includes the performance of works and any other operations that cannot be considered as deliveries of goods.

The stage of execution of the work is determined based on work progress reports which accompany the invoices, the reception protocols or other documents certifying the stage of completion of the services provided.

(r) Financial income and expenses

Financial income includes the interest-related income corresponding to the funds invested and other financial income. Interest-related income is recognised at profit or loss based on accrual accounting, using the actual interest method.

Financial expenses include the expense related to the interest for loans and other financial expenses.

The currency exchange gains or losses related to the financial assets and liabilities are reported on a net basis, either as financial revenues or as financial expenses depending on currency exchange fluctuations: net profit or loss.

The borrowing costs that are directly attributable to the purchase, construction or generation of eligible assets, that require a significant period of time to be ready for use or sale, are added to the cost of those assets until the assets are significantly ready for use or sale.

The revenues from the temporary investment of the specific loans obtained for the purchase or construction of eligible assets are deducted from the costs of loans that can be capitalised. All the other borrowing costs are recognised in the consolidated profit or loss, where they are incurred.

(s) Profit tax

Profit tax expenses include the current and deferred tax.

Profit tax is recognised in the statement of comprehensive income or in other items of comprehensive income if the tax is related to equity elements.

(i) Current tax

Current tax is the tax to be paid related to the profit achieved during the current period, determined based on the percentages applied on the reporting date and on all the adjustments related to the previous periods.

For the financial year ended on December 31st, 2022, the profit tax rate was 16% (December 31st, 2021: 16%).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(ii) Deferred tax

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

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

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

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

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

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

(iii) Fiscal exposures

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

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

(t) Earnings per share

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

(u) Government subsidies

Government subsidies for investments are initially recognised as deferred revenues, at fair value when there is the certainty that they will be received and the Group will meet the related conditions. The subsidies that compensate the Group's expenses related to the cost of an asset are recognised in the statement of comprehensive income in "Other income" systematically throughout the useful lifetime of the asset, as the subsidised asset is amortised. The subsidies that compensate the expenses incurred by the Group are recognised in the statement of comprehensive income, in "Other income" systematically during the same periods when the expenses are recognised.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(v) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are presented, except for the case when the likelihood of a resource outflow that represents economic benefits is removed. A contingent asset is not recognised in the financial statements, but is presented when an inflow of economic benefits is likely.

(w) Subsequent events

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

(x) Comparative statements

The financial statements drawn up as at December 31st, 2022 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

4. Fair value determination

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

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

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

Upon the evaluation of assets or liabilities at fair value, the company uses to the maximum extent possible observable market information. The hierarchy of fair value classifies the entry data for the evaluation techniques used to evaluate the fair value on three levels, as follows:

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

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

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

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

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

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

5. Tangible assets (continued)	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2021	16.243.613	82.423.701	260.896.419	21.936.370	381.500.103
Purchases	165.630	1.637.568	52.220	48.183.896	50.039.314
Assets related to the rights of use of leased assets	-	11.964.541	4.246.177	-	16.210.718
Transfers from assets in progress	-	2.234.068	16.761.135	(21.965.066)	(2.969.863)
Transfers to intangible assets	-			(430.672)	(430.672)
Outflows	-	(2.292.166)	(7.252.759)	-	(9.544.925)
As at December 31st, 2021	16.409.243	95.967.712	274.703.192	47.724.528	434.804.675
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2021	222.851	7.638.396	58.953.887	-	66.815.134
Amortisation expense	222.850	2.567.759	26.475.914	-	29.266.523
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	1.927.802	2.496.203	-	4.424.005
Outflows	-	(8.359)	(2.064.928)	-	(2.073.287)
As at December 31st, 2021	445.701	12.125.598	85.861.076	-	98.432.375
<i>Net book value</i>					
As at December 31st, 2021	15.963.542	83.842.114	188.842.116	47.724.528	336.372.300

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

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

The main purchases of tangible assets in 2022 of the parent-company consisted of constructions and warehouses for corrugated cardboard production, as well as equipment and lines for the production of paperboards, tissue paper and corrugated cardboard. For the branch Rom Paper SRL, production equipment was purchased in 2022, to increase the existing capacities and to diversify the assortment range.

The unamortised value of fixed assets that were no longer part of the patrimony following the sale and/or cassation as at December 31st, 2022 was RON 2.291.196 (see note 5) (December 31st, 2021: RON 3.523.045).

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

As at December 31st, 2022, based on some reports drafted by authorised appraisers, the Group recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines amounting to RON 67.259.732 and a net increase amounting to RON 4.248.609 (in revenues). The fair value of the fixed assets that were subject to revaluation was determined by applying the market comparison method, where market information is available, respectively through the net replacement cost method. Prior to this revaluation, the latest revaluation of those categories of tangible assets had been performed as at December 31st, 2019.

In Rom Paper SRL, the assets were taken over at fair value as at the acquisition date based on a purchase price allocation report drafted by authorised appraisers.

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 199.605 thousand as at December 31st, 2022 (December 31st, 2021: RON 166.262 thousand). The value of the rights of use related to the assets held through leasing contracts is presented in the Note 14.

6. Intangible assets and goodwill

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

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

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

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

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

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

Goodwill

Goodwill related to the branch Giant Prodimpex SRL was taken over following the merger at the value recognised as at the acquisition date, namely RON 3.380.811.

Goodwill related to the acquisition of Rom Paper SRL was recognised as at the completion of acquisition of 70% of the shares of Rom Paper SRL, namely on January 20th, 2017, as follows:

1	Payment made on the acquisition date by Vrancart SA		18.630.018
2	Payment made on the acquisition date by Giant Prodimpex SRL		1.767
3=1+2	Total payments made by the Group		18.631.785
4	Book value of the existing net assets		(16.640.576)
5	Customer relations recognised as at the acquisition date		(6.133.926)
6	Brands recognised as at the acquisition date		(3.094.411)
7	Debts related to deferred profit tax		2.461.229
8=5+6+7	Total adjustments of net assets at fair value		(6.767.108)
9	Value of the put options acquired	Note 1	10.444.225
10	Value of the call options acquired	Note 1	(522.746)
11=3+4+8+9+10	Goodwill		5.145.580

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

On July 19th, 2017, Vrancart S.A. exerted its option to purchase an additional stake of 15% of the shares in Rom Paper S.R.L., for which it paid the amount of RON 5.160.670. In 2018, Vrancart acquired the remaining 15% of the shares in Rom Paper SRL for the amount of RON 5.076.040, so that as at the end of 2018, the shareholding is 100%.

The total payments made by the Group during the period between 2017 - 2018 for the acquisition of 100% of the shares in Rom Paper S.R.L. is RON 28.866.728.

There are no impairments related to goodwill, given that the income, the results and the net assets taken over are in line with the Group's expectations.

7. Inventories

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

8. Trade receivables

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

Adjustments for the impairment of receivables – customers

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

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

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

10. Other receivables

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

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

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

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

In 2020, there were changes in the share capital and the Paval Holding Group holds as at the year-end over 17% of the total shares. On December 31st, 2021, stage 1 of the share capital increase was completed, and in January 2022 the process was finalised. The increased amount was RON 17.194.726.

Dividends

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

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

Other reserves in the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2022, the Parent-company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve related to reinvested profit, in balance as at December 31st, 2022 is RON 55.268.649 (December 31st, 2021: RON 50.327.211).

According to the legal requirements, the Company establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31st, 2022 was RON 13.037.107 (December 31st, 2021: RON 11.717.311). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

Reserves from the revaluation of tangible assets

These reserves include the cumulated net changes of the fair values of the land, buildings, special constructions and of the technological equipment whose fair value is greater than historical cost. Revaluation reserves are presented at value net of the related deferred tax (16%).

12. Trade liabilities

Short-term trade liabilities	December 31st, 2022	December 31st, 2021
Trade liabilities	69.924.347	73.689.479
Advances received	879.735	657.608
Total	70.804.082	74.347.087

13. Other liabilities

	December 31st, 2022	December 31st, 2021
Debts to the state budget	6.754.930	3.456.963
Dividends to be paid	1.253.181	1.168.705
Sundry creditors	779.558	502.588
Other short-term liabilities	8.787.669	5.128.256
Provisions for disputes		Provizioane pentru litigii
Options related to the bonds issued (Note 15)		Opțiuni legate de obligațiunile emise (Nota 15)
Other long-term liabilities		Alte datorii pe termen lung

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

Reconciliation of provisions for disputes	December 31st, 2022	December 31st, 2021
Balance as at the beginning of the period	22.822	22.822
Provisions established during the period	80.400	-
Provisions used during the period	-	-
Balance as at the end of the period	103.222	22.822

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

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

The reconciliation of debts under leasing contracts and of the rights of use recognised following the application of IFRS 16 is presented in the following tables:

Debts under leasing contracts	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2022	16.459.711	7.274.568	23.734.279
Inflows	2.294.550	6.265.387	8.559.937
Outflows	(266.750)	-	(266.750)
Interest and currency exchange differences	119.017	109.339	228.357
Payments under leasing contracts	(4.674.641)	(3.516.712)	(8.191.353)
As at December 31st, 2022, out of which:	13.931.887	10.132.583	24.064.469
Long-term liabilities under leasing contracts	9.951.220	6.394.823	16.346.043
Short-term liabilities under leasing contracts	3.980.667	3.737.759	7.718.425
Debts under leasing contracts	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2021	9.138.201	5.443.777	14.581.978
Inflows	11.784.789	4.426.463	16.211.252
Outflows	(2.233.541)	(567.073)	(2.800.614)
Interest and currency exchange differences	335.927	99.625	435.552
Payments under leasing contracts	(2.565.665)	(2.128.224)	(4.693.889)
As at December 31st, 2021, out of which:	16.459.711	7.274.568	23.734.279
Long-term liabilities under leasing contracts	12.706.155	5.164.099	17.870.254
Short-term liabilities under leasing contracts	3.753.556	2.110.469	5.864.025

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

Rights of use	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2021	8.833.333	6.670.216	15.503.548
Inflows	11.905.285	4.305.431	16.210.715
Outflows	(3.425.059)	(774.546)	(4.199.605)
Amortisation	(1.894.059)	(2.529.946)	(4.424.005)
As at January 1st, 2022	15.419.499	7.671.154	23.090.653
Inflows	2.294.550	6.265.387	8.559.937
Outflows	(4.451.374)	(3.456.080)	(7.907.454)
Amortisation	(1.419.183)	-	(1.419.183)
Net values as at December 31st, 2022	11.843.492	10.480.461	22.323.953

15. Loans

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

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

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

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

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

To guarantee its loans, the Group established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising from current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2022, tangible assets are mortgaged in favour of banks (see Note 5).

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

(all amounts in RON, unless otherwise stated)

15. Loans (continued)

Details regarding the loans:

No.	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2022 – RON equivalent	Principal in balance as at December 31 st , 2021 – RON equivalent
1	31.07.2022	EUR/RON	Variable	overdraft	30.07.2023	956.672	6.526.765
2	15.03.2022	RON	Variable	overdraft	31.12.2022	-	10.780.971
3	09.05.2018	RON	Variable	long-term	20.04.2025	4.649.690	6.642.414
4	29.11.2017	RON	Variable	long-term	29.11.2024	8.672.131	13.196.722
5	14.09.2018	RON	Variable	long-term	14.09.2022	-	920.192
6	08.07.2021	RON	Variable	overdraft	08.07.2022	9.509.442	3.132.457
7	28.05.2021	EUR	Variable	long-term	30.06.2025	14.253.303	-
8	15.07.2021	RON	Variable	overdraft	15.07.2022	-	281.368
9	19.08.2022	EUR	Variable	overdraft	19.08.2023	347.079	-
10	28.05.2021	EUR	Variable	long-term	31.12.2031	22.042.764	5.698.530
11	27.07.2016	RON	Variable	long-term	27.07.2023	-	4.013.974
12	03.11.2017	RON	Variable	long-term	29.11.2023	1.147.143	2.398.572
13	16.09.2021	RON	Variable	overdraft	09.09.2022	-	5.332.835
14	18.12.2018	RON	Variable	long-term	12.12.2028	3.264.901	3.800.121
15	18.08.2022	EUR/RON	Variable	overdraft	18.08.2023	3.525.677	9.957.651
16	27.12.2021	RON	Variable	long-term	27.12.2025	3.002.984	4.000.000
17	23.08.2021	RON	Variable	long-term	29.07.2026	8.741.319	7.266.184
18	27.07.2021	RON	Variable	long-term	31.12.2022	-	969.966
19	21.12.2021	RON	Variable	long-term	21.12.2024	11.571.800	16.875.541
20	26.09.2019	RON	Variable	long-term	20.09.2026	2.307.694	2.923.078
21	03.01.2019	RON	Variable	long-term	02.01.2024	-	387.712
22	29.10.2019	EUR	Fixed	long-term	20.11.2024	1.018.905	1.550.884
23	14.02.2019	RON	Variable	long-term	16.07.2022	1.137.831	2.369.863
24	06.11.2019	RON	Variable	long-term	05.11.2029	3.480.772	3.973.019
25	06.11.2019	RON	Variable	long-term	04.11.2022	-	360.381
26	23.10.2020	RON	Variable	long-term	23.10.2025	2.684.210	3.631.579
27	21.12.2020	RON	Variable	long-term	31.12.2022	-	6.497.200
28	18.05.2022	EUR/RON	Variable	overdraft	18.05.2023	6.030.236	4.431.724
29	20.12.2020	RON	Variable	long-term	20.12.2026	1.671.186	2.088.983
30	26.07.2022	EUR	Variable	long-term	26.03.2031	3.685.758	-
31	26.07.2022	EUR	Variable	long-term	30.04.2024	2.836.581	-
32	20.12.2022	EUR	Variable	long-term	20.06.2026	25.039.197	-
33	20.12.2022	EUR	Variable	long-term	15.06.2026	5.022.945	-
34	28.12.2022	EUR	Variable	long-term	28.12.2027	2.869.492	-
35	27.12.2022	EUR	Variable	long-term	27.07.2024	2.005.609	-
36	21.12.2022	EUR	Variable	long-term	21.12.2027	5.447.808	-
37	28.12.2022	EUR	Variable	long-term	28.07.2023	1.487.978	-
38	21.12.2022	EUR	Variable	long-term	21.12.2027	11.725.338	-
39	21.12.2022	EUR	Variable	long-term	21.12.2027	6.431.620	-
Total						181.672.773	130.008.685

Bonds

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

The bonds were issued in two stages:

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

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

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 17th, 2024. The bonds can be reimbursed in advance by the Company at any time after 2 years from their issuance. Bonds can be converted into shares by the bondholders in each of the years between 2019 – 2023 at a price equal to the average share price in the past 12 months previous to the date when the conversion price is determined. Reimbursement can only be initiated if at least 10% of the bonds issued are requested to be converted into shares.

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

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IFRS 9, as none of the options are strictly connected to the bond contract.

February 15th, 2023 was the fifth term for exerting the right of conversion of bonds into shares. As the company did not receive any notifications on the exertion of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

16. Debts to employees

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

17. Debts or receivables related to deferred profit tax

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

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

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

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

Deferred profit tax is mainly generated by the re-evaluation of fixed assets that is not recognised for tax purposes, impairment adjustments for inventories, customers and provisions for benefits granted to employees.

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

Deferred income categorised as short terms liabilities represents the part of the government subsidies received that are to be recognised as income the following financial year. Deferred income categorised as long term liabilities represents the part of the government subsidies received that will be recognised in periods of over 1 year.

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

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

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

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

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013. The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at December 31st, 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the parent-company was undergoing the monitoring stage until 2020, respectively until 2021.

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***19. Income from turnover**

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

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

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

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

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

20. Other income

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

21. Expenses related to raw materials and consumables

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

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

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

23. Other expenses

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

The net loss from the cassation of tangible assets consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

24. Personnel-related expenses

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

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

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

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

26. Profit tax expense

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

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2022**(all amounts in RON, unless otherwise stated)***27. Earnings per share**

The calculation of base earnings per share was made based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

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

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

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

28. Affiliates parties

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

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

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

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

As at December 31st, 2022: not applicable

As at December 31st, 2021: not applicable

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

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

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

Ciucioi Ionel-Marian	Sole director
----------------------	---------------

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

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

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

Transactions with affiliated parties:

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

* Note: The values do not include VAT.

Other operations:

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

Transactions with the key management personnel:

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

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

29. Commitments

Not applicable.

30. Contingent assets and liabilities

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

31. Events subsequent to the balance sheet date

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

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

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

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

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

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

December 31st, 2021	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	92.568.269	412.360
Outstanding receivables between 31 and 60 days	7.034.420	27.255
Outstanding receivables between 61 and 90 days	1.680.845	10.532
Outstanding receivables between 91 and 180 days	2.209.232	126.638
Outstanding receivables between 181 and 360 days	1.442.655	107.526
Outstanding receivables for more than 360 days	4.972.252	3.439.756
Total	109.907.673	4.124.067

(b) Liquidity risk

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

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

In general, the Group makes sure that it has sufficient cash to cover the operating expenses.

The following table provides a presentation of the residual contractual maturities of financial liabilities as at the end of the reporting period, including the estimated payments of interests:

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

Financial liabilities include the loans from bond issues described in Note 15. These were not included in the table above, as the Company cannot anticipate the time when the reimbursement options, namely their conversion options could be exerted.

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

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

(c) Market risk

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

Interest rate risk***(i) Risk exposure profile***

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

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

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

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by RON 2.567.518 (RON 1.916.924 as at December 31st, 2021). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

A depreciation of the interest rates by 100 base points as at December 31st would have led to the same effect, but in the opposite sense, onto the amounts presented above, considering that all the other variables remain constant.

Fair values

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

(d) Currency exchange risk

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

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

(all amounts in RON, unless otherwise stated)

32. Financial risk management (continued)

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

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

December 31st, 2021	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	105.783.606	96.662.184	9.121.422	-	-
Cash and cash equivalents	2.368.775	1.673.945	665.072	21.691	8.067
Financial assets	108.152.381	98.336.129	9.786.494	21.691	8.067
Loans	130.008.685	128.457.801	1.550.884	-	-
Debts under leasing contracts	23.734.279	529.385	23.204.894	-	-
Trade liabilities and other liabilities	84.812.490	64.506.253	20.005.148	336.178	(35.089)
Financial liabilities	238.555.455	193.493.439	44.760.925	336.178	(35.089)
Total net financial assets / (liabilities)	(130.403.074)	(95.157.310)	(34.974.432)	(314.487)	43.156

Sensitivity analysis

An appreciation by 10 percentage points of RON as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2022: -RON 15.768.649 (December 31st, 2021: -RON 3.524.576). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A depreciation by 10 percentage points of EURO as at December 31st, 2022 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

(e) Risk related to taxation

The Romanian tax system is under consolidation and constantly changing, and there can be different interpretations of the authorities in relation to the fiscal legislation, that can generate additional taxes, duties and penalties. In the event that the state authorities find any violations of the Romanian legal

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2022

(all amounts in RON, unless otherwise stated)

provisions, these can lead, according to case, to: the confiscation of the relevant amounts, the imposing of additional tax obligations, the charging of fines, the charging of delay penalties (applied to the amounts to be paid). Therefore, the fiscal sanctions resulting from the violation of the legal provisions can result in significant amounts to be paid to the State.

32. Financial risk management (continued)

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

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities conducted inspections related to the calculation of taxes and fees until December 31st, 2020 for the Parent-company and until September 30th, 2020 for the branch Rom Paper S.R.L.

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

(f) Transfer price

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

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

(g) Business environment

The management cannot foresee all the events that would have an impact onto the financial sector in Romania and therefore, what are the effects that they would have onto these financial statements, if the case. The management cannot estimate credibly the effects of any future decrease in financial market liquidity, of the depreciation of financial assets influenced by the low level of liquidity of loan market, of the increase in currency volatility of the currency and of the stock markets onto the Group’s financial statements.

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

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

(h) Capital adequacy

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

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