Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2023

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

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Consolidated statement of financial position

as at December 31st, 2023

(all amounts in RON, unless otherwise stated)

	Note	December 31st, 2023	December 31st, 2022
ASSETS			
Tangible assets	4	552.107.867	425.202.360
Downpayments for tangible assets		23.363.024	37.053.636
Intangible assets	5	3.785.076	5.114.021
Other non-current assets		1.224.189	1.204.663
Goodwill	5	8.526.391	8.526.391
Total non-current assets		**589.006.547**	**477.101.071**
Inventories	6	76.630.055	81.370.713
Trade receivables	8	74.408.633	104.969.853
Prepaid expenses		1.054.817	4.483.704
Receivables related to current profit tax		835.908	-
Other receivables	10	10.526.706	15.627.368
Restricted cash		-	1.881.991
Cash and cash equivalents	9	2.823.520	3.563.830
		166.279.639	-
Assets held for sale	7	19.725.761	-
Total current assets		**209.368.424**	**248.951.095**
TOTAL ASSETS		**775.011.947**	**688.998.530**
EQUITY			
Share capital	11	169.121.665	120.338.551
Premiums related to capital		775.497	664.564
Revaluation reserves	12	100.969.137	103.350.319
Legal reserves	12	13.646.880	13.338.707
Other reserves	12	64.601.130	58.899.291
Retained earnings		8.432.683	18.783.273
Total equity – Parent-company		**357.546.992**	**315.374.705**
Non-controlling interests		(3.757)	(3.114)
Total equity		**357.543.235**	**315.371.591**
LIABILITIES			
Long-term loans	13	140.955.586	125.981.209
Long-term loans under leasing agreements	16	21.977.764	16.346.044
Long-term loans from bond issues	15	-	38.164.800
Subsidies	20	13.137.193	11.735.050
Long-term debts to employees	18	444.379	440.169
Liabilities related to deferred profit tax	19	13.894.851	14.766.201
Provisions	15	492.830	188.422
Total long-term liabilities		**190.902.603**	**207.621.895**
Short-term trade liabilities	13	57.577.273	70.804.082
Short-term loans	17	104.412.448	68.541.291
Short-term liabilities under leasing agreements	16	9.320.959	7.718.425
Short-term loans from bond issues	17	38.250.000	-
Subsidies	20	1.361.714	1.826.984
Debts to employees	18	7.072.857	7.646.369
Liabilities related to current profit tax		92.996	680.223

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

Other liabilities	14	8.477.862	8.787.670
Total current liabilities		**226.566.109**	**166.005.044**
TOTAL LIABILITIES		**417.468.712**	**373.626.939**
TOTAL EQUITY AND LIABILITIES		**775.011.947**	**688.998.530**

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

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

Vrancart S.A.

Consolidated statement of comprehensive income

as at December 31st, 2023

(all amounts in RON, unless otherwise stated)

	Note	2023	2022
Income from agreements with customers	21	500.299.036	607.354.159
Income from operating subsidies		12.922.747	3.421.768
Other income	22	10.248.680	13.763.542
Variation in finished product inventories and production in progress		3.733.454	6.787.240
Expenses related to raw materials and consumables	23	(225.478.150)	(331.925.706)
Expenses related to commodities		(54.073.764)	(56.152.237)
Third-party expenses	24	(47.561.802)	(53.262.802)
Personnel-related expenses	26	(120.053.600)	(99.542.909)
Expenses related to amortisation and impairment of assets		(42.988.971)	(34.976.920)
Other expenses	25	(18.234.873)	(17.785.815)
Operating result		**18.812.757**	**37.680.320**
Financial income	27	1.530.677	557.455
Financial expenses	27	(13.765.270)	(12.561.518)
Profit before taxation		**6.578.164**	**25.676.257**
Profit tax expense	28	(1.155.779)	(2.729.364)
Profit for the year		**5.422.385**	**22.946.893**
- **of the Parent-company's shareholders**		**5.423.028**	**22.948.967**
- **of non-controlling interests**		**(643)**	**(2.074)**
Other comprehensive income items			
Changes in the reserves from the revaluation of tangible assets, net of deferred tax (Note 2 b1)		-	56.954.484
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5.422.385**	**79.901.377**
- **of the Parent-company's shareholders**		**5.423.028**	**79.903.451**
- **of non-controlling interests**		**(643)**	**(2.074)**
Earnings per share	29		
Base earnings per share		0,0040	0,0219
Diluted earnings per share		0,0052	0,0196

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

General Manager	Financial Manager
Nicolae-Paul Dumitrescu	Monica Vasilica Arsene

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

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2023

(all amounts in RON, unless otherwise stated)

	Attributable to the Parent-company's shareholders							
	Share capital	**Revaluation reserves**	**Premiums related to capital**	**Legal reserves**	**Other reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
Balance as at January 1st, 2022	**120.363.081**	**49.182.872**	**621.219**	**12.018.911**	**53.630.876**	**4.689.698**	**(1.040)**	**240.505.617**
Comprehensive income for the year								
Net profit/loss for the year	-	-	-	-	-	22.948.967	(2.074)	22.946.893
Other comprehensive income items								
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	56.954.484	-	-	-	-	-	56.954.484
Total comprehensive income for the year	**-**	**56.954.484**	**-**	**-**	**-**	**22.948.967**	**(2.074)**	**79.901.377**
Distribution of reserves	-	-	43.345	1.319.796	4.940.629	(6.303.770)	-	-
Transfer of the revaluation reserve to retained earnings following the sale/cassation of tangible assets, net of tax	-	(2.787.037)	-	-	327.786	2.459.251	-	-
Transactions with the shareholders								
Dividends	-	-	-	-	-	(5.054.219)	-	(5.054.219)
Share capital increase	(24.530)	-	-	-	-	43.346	-	18.816
Total transactions with the shareholders	(24.530)	-	-	-	-	(5.010.873)	-	(5.035.403)
Balance as at December 31st, 2022	**120.338.551**	**103.350.319**	**664.564**	**13.338.707**	**58.899.291**	**18.783.273**	**(3.114)**	**315.371.591**
Balance as at January 1st, 2023	**120.338.551**	**103.350.319**	**664.564**	**13.338.707**	**58.899.291**	**18.783.273**	**(3.114)**	**315.371.591**
Comprehensive income for the year								
Net profit/loss for the year	-	-	-	-	-	5.423.028	(643)	5.422.385
Other comprehensive income items								
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**5.423.028**	**(643)**	**5.422.385**
Distribution of reserves	-	-	110.933	308.173	5.701.839	(6.120.945)	-	-
Transfer of the revaluation reserve to retained earnings following the sale/cassation of tangible assets, net of tax	-	(2.381.182)	-	-	-	2.381.182	-	-
Transactions with the shareholders								

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

Dividends	-	-	-	-	-	(12.033.855)	-	(12.033.855)
Share capital increase	48.783.114	-	-	-	-	-	-	48.783.114
Total transactions with the shareholders	48.783.114	-	-	-	-	(12.033.855)	-	36.749.259
Balance as at December 31st, 2023	**169.121.665**	**100.969.137**	**775.497**	**13.646.880**	**64.601.130**	**8.432.683**	**(3.757)**	**357.543.235**

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

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

DIRECT METHOD

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

General Manager
Nicolae-Paul Dumitrescu

Financial Manager
Monica Vasilica Arsene

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

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 Brașov locality, 30 Cristianului Road, Brașov 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, 2023 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 December 31st, 2023**	**Shareholding as at December 31st, 2022**
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, Călimănești, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureș, Brăila and Piatra Neamț.

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

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

The Group's number of employees as at December 31st, 2023 was 1475 (December 31st, 2022: 1303 employees).

1. The reporting entity (continued)

The company's shares are listed on 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, 2023, the company is owned 76% by LION Capital S.A. (formerly called SIF Banat – Crișana S.A.), 17% by Paval Holding S.R.L. and 7% by other shareholders (note 12).

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

As at December 31st, 2023, the Branch had a number of 112 employees (December 31st, 2022: 114 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 89 employees as at December 31st, 2023 (December 31st, 2023: 73 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 obtained the authorisation from the Ministry of Environment in 2021. The number of employees as at December 31st, 2023 is 7 employees (December 31st, 2022: 6 employees).

Main investments in progress at Group level

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

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

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

2. Basis for preparation

(a) Statement of conformity

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

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

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

(e) Comparative statements

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

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

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

(f) Business continuity

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

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

In 2023, the Group's performance was impacted by the decreasing demand for packaging, generated by the reduction in consumption at macroeconomic level, especially in the second half of the year, due to the still high level of annual inflation (10,4%), as well as by the record-high interest rates of the past 10 years. Thus, the Group's sales were lower by 14% than in the previous year and lower by 16% compared to the budget, mainly due to price decreases in all business segments, although if analysed separately by segment, we can see sales increases compared to the previous year (Rom Paper +2%, Vrancart Recycling +58%, Ecorep +45%). The pressure on sales prices caused by the reduction in demand has been a particular challenge in terms of maintaining the company's profitability within normal standards.
Labour force cost was also a stress factor to the company’s profitability.

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

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

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

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

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

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

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

(g) Use of significant judgements and estimates

The preparation of the consolidated financial statements in accordance with the Public Finance Ministry Order no. 2844 requires the management to make estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported amounts of assets, liabilities, income and expenses. The judgments and assumptions associated with these estimates are based on historical experience, as well as on other factors deemed reasonable in the context of these estimates.

The results of these estimates form the basis of judgements about the book values of assets and liabilities that cannot be obtained from other sources of information. The results obtained may differ from the estimates.

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

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

The main estimates relate to:

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

3. Significant accounting policies

a. Basis for consolidation

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

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

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

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

- Exposure or rights to variable income based on its shareholding in the invested entity
- The ability to use its authority over the invested entity to influence the amount of the investor's income.

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

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

- The rights arising from other contractual commitments

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

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

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

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

(i) 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 counteperformance 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 the profit and loss account.

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

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

(ii) Branches

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

(iii) Loss of control

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

(iv) Transactions removed from consolidation

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

(v) Non-controlling interests

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

b. Transactions in foreign currencies

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

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

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

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

c. Financial instruments

Non-derivative financial instruments

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

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

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

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

On the derecognising of a financial asset other than entirely (e.g. when the 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.

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

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, receivables are evaluated at amortised cost using the effective interest method. The Group applies the simplified IFRS 9 approach for measuring the expected credit losses, which uses a reduction for the losses expected over the lifetime for all trade receivables. Details on the modality to calculate impairment adjustments for trade receivables are included in note i. Impairment of assets.

Cash and cash equivalents

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

Financial assets held for sale

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

Share capital – ordinary shares

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

Financial liabilities

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

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

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

d. Tangible assets

(i) Recognition and evaluation

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

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

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

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

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

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

Land, constructions and equipment are 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.

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

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

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

(ii) Subsequent expenses

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

(iii) Depreciation

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

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

– Land improvements	3-10 years
– Constructions	30-60 years
– Equipment and other tangible assets	2-16 years

Land is not subject to depreciation.

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

The depreciation methods, the estimated useful lifetimes and the residual values are revised by the Company's management on every reporting date and are adjusted, if necessary.

(iv) The sale/ cassation of tangible assets

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

e. Rights of use (Leasing)

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

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

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

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

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

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

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

f. Intangible assets and goodwill

(i) Recognition and evaluation

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

(*ii) Goodwill*

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

(iii) 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.

(vi) European Union Allocation (EUA)emission certificates

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

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

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

g. Inventories

Inventories are evaluated at the lower of cost and net achievable value.

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

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

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

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

h. Assets held for sale

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

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

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

i. 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 highest amount between the usage value and its fair value, less the costs for the sale of that asset or unit.

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

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

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

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

Impairment adjustments for trade receivables

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

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

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

Impairment adjustments for inventories

By the nature of its object of activity, the Group does not hold any perishable inventories or inventories posing a short-term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events, 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 all categories of inventories older than 180 days, impairment adjustment is established after an individual analysis, for each product, performed by a commission formed of representatives of the sales and production departments;

- For all finished products, the Group compares the cost of inventories with the sale prices less the distribution costs for the immediately following period, to present the inventories remained in balance at the minimum value between the production cost and the sale price less the distribution costs, according to the provisions of the policy (g).

j. Dividends to be distributed

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

k. Affiliated parties

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

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

l. Employee benefits

(i) Short-term benefits

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

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

(ii) Determined contribution plans

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

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

The Group is not engaged in any independent pensions system, therefore it has no liabilities in this respect. The Group is not engaged in any 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. The Group uses actuaries to calculate the provision for long-term benefits, at each financial reporting.

m. Provisions

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

n. Income

(i) The sale of goods

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

The shipment services related to the goods are usually included in the agreements for the sale of goods. If the Company transports the customer's goods, the transfer of ownership is made at the time of delivery of the goods at the place of completion of the shipment, depending on the conditions of delivery. Thus, these shipment services are not recognized as a separate performance obligation.

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

The Group offers its customers the right to return the products sold if these fail to meet the quality conditions stated in the agreements concluded with the customers. The Group assesses the value related to such returns from customers and recognises these as an adjustment of income.

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

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

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

(ii) Provision of services

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

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

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

o. Financial income and expenses

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

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

The currency exchange gains or losses related to the financial assets and liabilities are reported depending on currency exchange fluctuations: profit or loss.

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

Financial income from the temporary investment of the specific loans obtained for the purchase or construction of eligible assets are deducted from the costs of loans that can be capitalised.

All the other borrowing costs are recognised in the consolidated profit or loss, where they are incurred.

p. Profit tax

The expenses related to profit tax include the current and deferred tax.

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

(i) Current tax

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

For the financial year ended on December 31st, 2023, the profit tax rate was 16% (December 31st, 2022: 16%).

(ii) Deferred tax

Deferred tax is determined by the Group using the balance sheet method for those temporary differences occurring between the tax base for the calculation of tax for assets and liabilities and their 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) Tax exposures

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

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

q. Earnings per share

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

r. Government subsidies

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

s. Contingent assets and liabilities

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

t. Subsequent events

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

u. New standards and interpretations

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

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

- **IFRS 17 „ Insurance Contracts" -** including the amendments to IFRS 17 issued by the IASB on June 25th, 2020 - adopted by the EU on November 19th, 2021 (applicable for annual periods beginning on or after January 1st, 2023),
- **Amendments to IAS 1 Submission of financial statements -** Presentation of accounting policies (applicable for annual periods beginning on or after January 1st, 2023),
- **Amendments to IAS 12 „Profit tax” –** Deferred tax on receivables and payables arising from a single transaction (applicable for annual periods beginning on or after January 1st, 2023),

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

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

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

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

- **Amendments to IAS 7 „Statements of cash flows" and IFRS 7 „Financial instruments" –** supplier financing agreements (applicable for annual periods beginning on or after January 1st, 2024),

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

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

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

- **Amendments to IAS 16 „Tangible assets"** – Amounts collected in advance of the intended use, as adopted by the EU on June 28th, 2021 (applicable for annual periods beginning on or after January 1st, 2022)
- **Amendments to IAS 37 „Provisions, contingent assets and liabilities"** - Onerous contracts - Cost of fulfilling a contract as 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 (period 2018 -2020)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 9, IFRS 16 and IAS 41) with the main purpose of removing inconsistencies and clarifying certain wording - as adopted by the EU on 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 a significant impact on the Company's individual financial statements.

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

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

- **IFRS 17 „ Insurance Contracts" -** including the amendments to IFRS 17 issued by the IASB on 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"** – The 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" -** Disclosure 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 taxes" -** 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 its individual financial statements during the period of initial application.

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

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

- **IFRS 14 „Deferral accounts related to regulated activities"** (applicable for annual periods beginning on or after January 1st, 2016) - the European Commission has decided not to issue the endorsement process for this interim standard and to wait for the final standard;
- **Amendments to IAS 1 „Submission of financial statements" -** Classification of liabilities into short-term liabilities and long-term liabilities (applicable for annual periods beginning on or after 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 agreements"** – Lease 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 on the Company's individual financial statements during the period of initial application.

v. Fair value determination

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

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

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

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

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

- 3rd level: unobservable entry data for assets or liabilities.

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

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

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

4. Tangible assets

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

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

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

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

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

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

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

Depreciation tests

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

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

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

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

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

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

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

• Net working capital variation – estimated by the evaluator based on the working capital for the first forecast year, respectively 3.1% of the estimated turnover in the explicit forecast period, and for the rest of the explicit forecast period, respectively in perpetuity it was kept at the same level as previously mentioned.

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

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

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

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

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

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

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

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

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

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

	Land and land improvements	Special constructions and buildings	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-valuated value					
As at January 1st, 2023	**19.158.120**	**110.900.063**	**289.816.762**	**67.766.267**	**487.641.212**
Purchases	657.615	338.762	234.094	173.642.995	174.873.466
Assets related to the rights of use of leased assets (note 16)	-	11.858.382	5.135.013	-	16.993.395
Transfers from assets in progress	1.274.592	23.752.700	53.587.283	(78.614.575)	-
Outflows	(1.033.017)	(1.980.807)	(4.974.239)	(16.698.276)	(24.686.339)
Outflows of assets related to rights of use	-	(373.586)	(138.318)	-	(511.904)
As at December 31st, 2023	**20.057.310**	**144.495.514**	**343.660.595**	**146.096.411**	**654.309.830**
Cumulated depreciation and depreciation losses					
As at January 1st, 2023	**-**	**11.532.481**	**50.906.371**	**-**	**62.438.852**
Depreciation expense	210.840	3.086.809	28.859.134	-	32.156.783
Expenses related to the depreciation of assets related to the rights of use of leased assets (note 16)	-	5.444.095	3.843.197	-	9.287.292
Outflows	-	(274.723)	(1.406.251)	-	(1.680.974)
As at December 31st, 2023	**210.840**	**19.788.662**	**82.202.451**	**-**	**102.201.953**
Net book value					
As at December 31st, 2023	**19.846.470**	**124.706.852**	**261.458.134**	**146.096.411**	**552.107.867**

5. Intangible assets and goodwill

in RON	Customer relations	Brands	Other non-current assets	Total intangible assets	Goodwill
Cost					
As at January 1st, 2023	**6.133.926**	**3.094.411**	**4.437.207**	**13.665.544**	**8.526.391**
Purchases	-	-	174.904	**174.904**	-
Transfers from non-current assets in progress	-	-	-	-	-
Outflows	-	-	-	-	-
As at December 31st, 2023	**6.133.926**	**3.094.411**	**4.612.111**	**13.840.448**	**8.526.391**
Cumulated amortisation and impairment losses					
As at January 1st, 2023	**3.912.564**	**1.856.646**	**2.708.202**	**8.551.520**	-
Amortisation expense	631.565	309.441	562.843	**1.577.957**	-
Outflows	-	-	-	-	-
As at December 31st, 2023	**4.544.129**	**2.166.087**	**3.271.045**	**10.055.369**	-
Net book value					
As at December 31st, 2023	**1.589.797**	**928.324**	**1.341.066**	**3.785.079**	**8.526.391**

in RON	Customer relations	Brands	Other non-current assets	Total intangible assets	Goodwill
Cost					
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**	-
Transfers from non-current assets in progress	-	-	-	-	-
Outflows	-	-	-	-	-
As at December 31st, 2022	**6.133.926**	**3.094.411**	**4.437.207**	**13.665.544**	**8.526.391**
Cumulated amortisation and impairment losses					
As at January 1st, 2022	**3.260.470**	**1.547.205**	**2.167.272**	**6.974.947**	-
Amortisation 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**	-
Net book value					
As at December 31st, 2022	**2.221.362**	**1.237.765**	**1.729.005**	**5.114.021**	**8.526.391**

Intangible assets

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

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

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

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

Goodwill

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

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

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

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

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

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

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

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

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

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

6. Inventories

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

7. Assets held for sale

Through the decision no. 54/December 14th, 2023 and the decision no. 55/December 14th, 2023, the Parent-company's Board of Directors decided to reclassify the assets of 2 locations as held for sale, as follows:

- Piatra Neamt location – tissue paper production line – initially, the intention was to relocate the production line to Adjud, but as the costs of the special constructions are significant, it was decided to sell the asset.
- Ungheni, Mures location – land and production hall - the production centre was relocated to Santana de Mures, in a rented space, as the location in Ungheni was insufficient to increase the production and storage capacity.

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

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

8. Trade receivables

	December 31st, 2023	December 31st, 2022
Customers	79.866.554	110.453.842
Customers – invoices to be issued	(74.851)	-
Adjustments for the depreciation of receivables – customers	(5.383.070)	(5.483.989)

Total	**74.408.633**	**104.969.853**

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

9. Cash and cash equivalents

	December 31st, 2023	**December 31st, 2022**
Current bank accounts and other values	2.789.338	3.533.059
Petty cash	34.181	30.771
Total cash and cash equivalents	**2.823.519**	**3.563.830**

10. Other receivables

	December 31st, 2023	**December 31st, 2022**
Other personnel-related receivables	780.294	617.735
Other receivables	1.000.856	74.690
VAT to be recovered	490.894	725.242
Suppliers-debtors	364.762	14.437.072
Other receivables related to the state budget	1.077.033	72.630
Subsidies to be received	7.112.867	-
Adjustments for the depreciation of other receivables	(300.000)	(300.000)
Total	**10.526.706**	**15.627.369**

11. Share capital

Group's shareholding structure

December 31st, 2023	**Number of shares**	**Amount (RON)**	**(%)**
LION Capital SA	1.286.197.217	128.619.722	76.05%
Paval Holding SRL	292.390.802	29.239.080	17.29%
Other shareholders	112.628.634	11.262.863	6.66%
Total	**1.691.216.653**	**169.121.665**	**100%**
December 31st, 2022	**Number of shares**	**Amount (RON)**	**(%)**
SIF Banat Crișana	908.612.549	90.861.255	75.51%
Paval Holding	206.554.601	20.655.460	17.16%

Other shareholders	88.218.364	8.821.836	7.33%
Total	**1.203.385.514**	**120.338.551**	**100%**

Through the Decision no. 1 of April 27th, 2023, the Extraordinary General Meeting of the Shareholders decided to increase the share capital through the issuance of 488.409.440 new shares, with a nominal value of RON 0,10 each. On September 13th, 2023 we completed the share capital increase procedure. The increased amount was RON 48.783.114.

Dividends

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

12. Reserves

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

Legal reserves

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

Reserves from the revaluation of tangible assets

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

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

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

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

Other reserves

Other reserves in the statement of changes in equity include reserves from tax facilities and other reserves. In 2023 the Company benefited from tax exemption on reinvested profits, as provided for in the Tax Code (art. 22). The value of the reserve established in 2023, related to reinvested profit, is RON 5.320.851 (in 2022: RON 4.940.628), the balance of this reserve as at December 31st, 2023 being RON 64.601.130 (December 31st, 2022: RON 58.899.291).

13.Trade liabilities

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

14. Other liabilities

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

Provisions for disputes	492.830	103.222
Options related to the issued bonds (Note 15)	-	85.200
Other long-term liabilities	**492.830**	**188.422**

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

Reconciliation of provisions for disputes	**December 31st, 2023**	**December 31st, 2022**
Balance as at the beginning of the year	103.222	22.822
Provisions set up during the year	399.469	80.400
Provisions used during the year	9.861	-
Balance as at the year end	**492.830**	**103.222**

15. Lease liabilities

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

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

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

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

Rights of use	**Special constructions and buildings**	**Equipment and other fixed assets**	**Total**
As at 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)
As at January 1st, 2023	**11.843.492**	**10.480.461**	**22.323.953**
Inflows	11.858.382	5.135.013	16.993.395
Outflows	(99.522)	(35.502)	(135.024)
Amortisation	(5.444.095)	(3.843.197)	(9.287.293)
Net values as at December 31st, 2023	**18.158.256**	**11.736.774**	**29.895.031**

16. Loans

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

Bank loans	**December 31st, 2023**	**December 31st, 2022**
Initial balance	181.672.774	130.008.685
Draws	101.562.320	142.339.006
Reimbursements	(47.866.389)	(90.657.661)
Net currency exchange differences	874.760	(17.256)
Final balance	**236.242.974**	**181.672.774**

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

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

Reimbursements	-	-
Final balance	**38.250.000**	**38.164.800**

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

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

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

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

Details on the loans:

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

No.	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31st, 2023 – RON equivalent	Principal in balance as at December 31st, 2022 – RON equivalent
35	02.06.2023	EUR	variable	long-term	15.10.2027	1.497.166	-
36	22.12.2023	EUR	variable	long-term	30.09.2033	6.267.996	-
37	21.12.2022	EUR	variable	overdraft	21.12.2023	574.706	500.698
	Total					**236.242.975**	**181.672.773**

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

Bonds

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

The bonds were issued in two stages:

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

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

As at December 31st, 2023, SIF Banat-Crisana holds 96,4% of the bonds.

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

February 15th, 2024 was the sixth term for exerting the right of conversion of bonds into shares. As the Parent-company did not receive any notifications on the exerting of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion of titles did not take place.

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

17. Debts to employees

	December 31st, 2023	December 31st, 2022
Debts related to salaries	3.156.129	2.829.861
Other debts to employees	3.916.728	4.816.508

Retirement benefits (long-term)	444.379	440.169
Total debts to employees	**7.517.236**	**8.086.538**

18. Liabilities or receivables related to deferred tax

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

December 31st, 2023	**Liabilities**	**Assets**	**Net**
Tangible assets	97.610.917	-	97.610.917
Assets held for sale	1.765.655	-	1.765.655
Provision for inventories	-	2.940.809	(2.940.809)
Depreciation of receivables	-	5.383.070	(5.383.070)
Other receivables	-	300.000	(300.000)
Other liabilities	-	3.909.876	(3.909.876)
	99.376.572	**12.300.348**	**86.842.818**
Net temporary differences - 16% share			**86.842.818**
Liabilities related to deferred profit tax			**13.894.851**

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

	December 31st, 2023	**Difference**	**December 31st, 2022**
Deferred tax to be paid			
Tangible assets	(15,617,747)	1.054.831	(16,672,577)
Assets held for sale	(282,505)	(282,505)	-
Deferred tax to be recovered			
Provision for inventories	470,529	215,996	254,534
Depreciation of receivables	861,291	(16,147)	877.438
Other receivables	48.000	-	48.000
Other liabilities	625.580	(100,824)	726.404
Totals, out of which	**(13.894.851)**	**1.072.998**	**(14.766.201)**
P&L impact		**319.771**	

19. Deferred income

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

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

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

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

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

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013. The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at 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.

20.Income from turnover

	2023	**2022**
Income from the sale of finished products	418.383.109	520.776.302
Income from the sale of goods	73.012.205	76.558.001
Income from services provided	22.456.620	17.398.286
Income from various activities	391.281	571.133
Trade discounts granted	(13.944.179)	(7.949.563)
Total	**500.299.036**	**607.354.160**

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

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

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

Presentation of indicators by segments

	VRANCART S.A.	**VRANCART Recycling**	**Rom Paper S.R.L.**	**Others/ Eliminations**	**Consolidated**
Total non-current assets	451.080.223	135.180.712	55.846.486	(76,463,898)	565.643.523
Total current assets	168.049.117	2.398.165	29.513.972	9,407,170	209.368.424
TOTAL ASSETS	**619.129.340**	**137.578.877**	**85.360.458**	**(67,056,728)**	**775.011.947**
EQUITY	**363.488.801**	**28.828.565**	**22.177.582**	**(56,947,956)**	**357.543.235**
Total long-term liabilities	141.991.640	96.066.500	29.500.503	(76,656,040)	190.902.603
Total current liabilities	113.648.899	12.683.812	33.682.373	66,551,025	226.566.109
TOTAL LIABILITIES	**255.640.540**	**108.750.312**	**63.182.876**	**(10,105,016)**	**417.468.712**
TOTAL EQUITY AND LIABILITIES	**619.129.340**	**137.578.877**	**85.360.458**	**(67,056,728)**	**775.011.947**

	VRANCART S.A.	**VRANCART Recycling**	**Rom Paper S.R.L.**	**Others/ Eliminations**	**Consolidated**
Income	434.454.861	7.565.464	129.838.590	(54.903.678)	516.955.237
Variation in inventories	5.074.068	(63.582)	(1.277.033)	6.515.227	10.248.680
Cost of commodities and raw materials	(229.576.227)	(2.441.621)	(92.470.492)	44.936.426	(279.551.914)
Gross margin	**209.952.703**	**5.060.261**	**36.091.065**	**(3.452.026)**	**247.652.003**

Operating expenses	(152.611.348)	(7.607.979)	(27.968.210)	2.337.262	(185.850.275)
EBITDA	**57.341.355**	**(2.547.718)**	**8.122.855**	**(1.114.764)**	**61.801.728**
Expenses related to amortisation and depreciation of non-current assets	(39.836.284)	(446.184)	(1.708.043)	(998.460)	(42.988.971)
EBIT	**17.505.070**	**(2.993.901)**	**6.414.812**	**(2.113.224)**	**18.812.757**
Financial result	(10.828.795)	(213.799)	(1.175.162)	(16.837)	(12.234.593)
EBT	**6.676.275**	**(3.207.701)**	**5.239.650**	**(2.130.060)**	**6.578.164**
Profit tax expense	(1.086.157)	-	(869.673)	800.051	(1.155.779)
Profit for the year	**5.590.118**	**(3.207.701)**	**4.369.977**	**(1.330.009)**	**5.422.385**

21. Other income

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

22. Expenses related to raw materials and consumables

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

23. Third-party expenses

	2023	**2022**
Expenses related to maintenance and repairs	5.142.822	5.564.963

Expenses related to the shipment of goods	24.488.769	25.086.996
Other third-party expenses	17.930.212	22.610.843
Total	**47.561.803**	**53.262.802**

24.Other expenses

	2023	**2022**
Expenses related to commissions and fees	1.352.600	8.027.336
Expenses related to royalties, locations under management and rents	1.985.994	1.898.884
Expenses related to bank services and similar	969.836	906.404
Expenses related to insurance premiums	2.356.773	1.863.767
Expenses related to other taxes, duties and similar payments	3.363.075	3.755.741
Donations granted	353.431	426.479
Expenses related to travels, secondments and transfers	733.501	528.294
Postage and telecommunication fees	476.638	429.315
Expenses related to entertainment, advertising and publicity	546.632	608.275
Expenses related to compensations, fines and penalties	78.803	254.567
Value adjustments on inventories	602.155	995.842
Value adjustments on receivables	2.017.321	1.455.206
Loss from the sale of tangible assets	-	688.243
Other operating expenses	3.398.114	2.339.859
Total	**18.234.873**	**17.785.814**

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

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

25. Personnel-related expenses

	2023	**2022**
Salary expenses	109.054.501	91.305.860
Expenses related to insurance and social protection	2.459.626	2.036.803
Luncheon vouchers granted	9.202.194	6.200.246

Total	**120.716.321**	**99.542.909**

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

26. Financial income and expenses

	2023	2022
Interest income	1.192.659	410.323
Currency exchange gains	198.578	-
Other financial income	139.441	147.132
Total income	**1.530.678**	**557.455**
Expenses related to interests associated to loans	12.166.582	11.194.034
Expenses related to interests associated to leasing agreements	649.686	228.357
Currency exchange losses	939.981	1.136.059
Other financial expenses	9.021	3.069
Total expenses	**13.765.270**	**12.561.519**

27. Profit tax expense

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

	2023	2022
Profit/loss before taxation	**5.915.444**	**25.676.257**
Tax in accordance with the statutory taxation rate of 16% (2022: 16%)	**946.471**	**4.108.201**
Effect onto the profit tax of the:		
Legal reserve	(49.308)	(211.167)
Non-deductible expenses	6.287.602	6.466.583
Fiscal amortisation	(4.614.221)	(5.077.781)
Elements similar to income	-	9.872
Exemptions for sponsorships	(219.604)	(604.523)
Recording of temporary differences	(71.446)	(896.973)
Reinvested profit – tax credit	(1.123.715)	(832.106)
Profit tax	**1.155.779**	**2.729.364**

28. Earnings per share

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

	2023	2022
Profit attributable to ordinary shareholders	5.423.028	22.946.893
Weighted average number of ordinary shares	1.349.066.594	1.049.082.590
Base earnings per share	**0,0040**	**0,0219**

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

	2023	2022
Profit attributable to ordinary shareholders	5.423.028	22.948.967
Adjustment related to the bonds interest and the tax effect	2.841.280	2.057.618
Profit attributable to ordinary shareholders – adjusted	**8.264.308**	**25.006.585**
Weighted average number of ordinary shares	1.349.066.594	1.049.082.590
Potential shares from bond conversion	228.358.209	227.849.552
Weighted average number of ordinary shares – adjusted	**1.577.424.803**	**1.276.932.142**
Diluted earnings per share	**0,0052**	**0,0196**

29. Affiliated parties

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

The list of people that were part of the Board of Directors as at December 31st, 2023:

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

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

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

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

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

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

Dumitrescu Nicolae-Paul	Director
Mihailov Sergiu	Director
Fercu Adrian	Director

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

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

Transactions with affiliated parties:

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

*Note: The values are exclusive of VAT.

Other operations:

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

Transactions with the key management personnel:

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

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

30. Events subsequent to the balance sheet date

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

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

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

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

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

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

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

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

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

Depreciation losses

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

December 31st, 2023	Gross value	Depreciation
Current and outstanding receivables between 0 and 30 days	50.152.599	306.084
Outstanding receivables between 31 and 60 days	4.188.470	28.584
Outstanding receivables between 61 and 90 days	793.844	12.719
Outstanding receivables between 91 and 180 days	2.104.440	757.169
Outstanding receivables between 181 and 360 days	836.593	688.810
Outstanding receivables for more than 360 days	22.015.757	3.889.704
Total	**79.791.703**	**5.383.070**

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

(b) Liquidity risk

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

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

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

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

December 31st, 2023	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	245.368.034	263.365.537	103.377.103	145.152.965	14.835.470
Bonds	38.250.000	38.250.000	38.250.000	-	-

Financial leasing	31.298.723	31.298.723	9.320.959	21.977.764	-
Trade liabilities and other liabilities	74.158.402	74.158.402	73.221.193	937.209	-
Total	**389.074.954**	**407.072.457**	**224.169.050**	**168.067.937**	**14.835.470**

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

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

(c) Market risk

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

Interest rate risk

(i) Risk exposure profile

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

Variable rate instruments	December 31st, 2023	December 31st, 2022
Bank loans	236.242.974	181.672.774
Other loans	9.125.060	12.849.726
Loans from bond issues	38.250.000	38.164.800
Debts related to leasing contracts	31.298.723	24.064.469
Total	**314.916.757**	**256.751.769**

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

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by RON 3.149.168 (RON 2.567.518 as at December 31st, 2022). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

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

Fair values

Fair value is the price that would be received following the sale of an asset or the price that would be paid to transfer a liability through a normal transaction between the market participants as at the evaluation date. Financial instruments that are not accounted for at fair value in the statement of financial position include 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 approximate values of their fair values.

(d) Currency exchange risk

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

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

December 31st, 2023	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	84.935.339	77.874.810	7.029.958	30.571	-
Restricted cash	-	-	-	-	-
Cash and cash equivalents	2.823.519	2.490.063	326.990	682	5.784
Financial assets	**87.758.858**	**80.364.873**	**7.356.948**	**31.254**	**5.784**
Loans	245.368.034	43.883.066	201.484.968	-	-
Debts under leasing contracts	32.298.723	664.797	30.633.926	-	-
Trade liabilities and other liabilities	74.158.402	50.265.995	23.481.143	411.264	-
Financial liabilities	**350.824.955**	**94.813.653**	**255.600.037**	**411.264**	**-**
Total net financial assets /(liabilities)	**(263.066.097)**	**(14.448.781)**	**(248.243.089)**	**(380.010)**	**5.784**

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**

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

A depreciation by 10 percentage points of EURO as at December 31st, 2023 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

(e) Risk related to taxation

The Romanian tax system is under consolidation and constantly changing, and there can be different interpretations of the authorities in relation to the fiscal legislation, that can generate additional taxes, duties and penalties. In the event that the state authorities find any violations of the Romanian legal provisions, these can lead, according to case, to: the confiscation of the relevant amounts, the imposing of additional tax obligations, the charging of fines, the charging of delay penalties (applied to the amounts to be paid). Therefore, the fiscal sanctions resulting from the violation of the legal provisions can result in significant amounts to be paid to the State.

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

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities conducted inspections related to the calculation of taxes and fees until 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 policy is to maintain a sound capital basis necessary in order to maintain the trust of investors, creditors and of the market and in order to support the entity's future development.

The capital management objectives at Group level consist of:

- Ensuring the maintenance of the ability to continue the activity, respectively to continue producing value for shareholders and benefits for other stakeholders;
- Maintaining an optimal capital structure in order to reduce the cost of capital.

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

- Total Equity
- Total Assets
- Equity ratio calculated as the ratio between total equity and total assets.

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

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