Translation for information purposes only

VRANCART S.A.

Individual financial statements
as at December 31st, 2020

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

Contents

Vrancart S.A.

Individual statement of financial position

for the financial year ended on December 31st, 2020

(all the amounts are expressed in RON, unless otherwise stated)

	Note	December 31st, 2020	December 31st, 2019
ASSETS			
Tangible assets	5	285.408.521	282.772.387
Intangible assets		1.446.228	1.404.918
Goodwill	6	3.380.811	3.380.811
Financial assets	6	29.966.328	28.866.728
Total non-current assets		**320.201.888**	**316.424.844**
Inventories	7	42.055.540	52.797.252
Trade receivables	8	64.666.084	65.265.430
Prepaid expenses		761.374	802.431
Cash and cash equivalents	9	4.332.741	2.149.202
Receivables related to current profit tax		-	6.070
Other receivables	10	986.228	343.920
Total current assets		**112.801.967**	**121.364.305**
TOTAL ASSETS		**433.003.855**	**437.789.149**
EQUITY			
Share capital	11	103.168.355	103.168.355
Reserves	11	115.711.008	108.655.307
Retained earnings		12.387.267	12.876.888
Total equity		**231.266.630**	**224.700.550**
LIABILITIES			
Long-term loans	15	43.766.905	46.168.826
Long-term loans from bond issues	15	37.627.000	37.942.100
Long-term liabilities from leasing	14	10.525.739	8.438.653
Deferred income	18	10.627.998	13.141.728
Long-term liabilities to employees	16	453.855	331.832
Liabilities related to deferred profit tax	17	4.275.495	5.083.427
Other long-term liabilities	13	645.822	348.508
Total long-term liabilities		**107.922.814**	**111.455.074**
Short-term trade liabilities	12	26.573.457	26.176.054
Short-term loans	15	50.172.836	59.132.674
Short-term liabilities from leasing	14	4.011.256	4.035.213
Deferred income	18	2.522.385	2.531.041
Debts to employees	16	4.904.713	4.645.092
Liabilities related to current profit tax	17	960.442	-
Other liabilities	13	4.669.322	5.113.451
Total current liabilities		**93.814.411**	**101.633.525**
TOTAL LIABILITIES		**201.737.225**	**213.088.599**
TOTAL EQUITY AND LIABILITIES		**433.003.855**	**437.789.149**

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 43 are an integrant part of the financial statements.

Vrancart S.A.

Individual statement of comprehensive income

as at December 31st, 2020

(all the amounts are expressed in RON, unless otherwise stated)

	Note	2020	2019
Income from turnover	19	286.476.932	300.788.776
Other income	20	5.120.006	3.469.300
Variation of finished products inventories and production in progress		(7.948.362)	14.059.496
Expenses related to raw materials and consumables	21	(124.223.310)	(160.518.413)
Expenses related to commodities		(7.497.067)	(6.745.963)
Third party expenses		(21.789.796)	(21.861.116)
Personnel-related expenses	24	(61.989.022)	(63.398.441)
Expenses related to amortisation and impairment of tangible assets	5	(31.795.560)	(26.784.329)
Other expenses	23	(10.165.789)	(8.403.992)
Operating result		**26.188.032**	**30.605.318**
Financial income	25	821	1.661
Financial expenses	25	(5.422.241)	(6.390.366)
Profit before taxation		**20.766.612**	**24.216.613**
Profit tax expense	26	(2,233,002)	(1.323.757)
Profit for the year		**18.533.610**	**22.892.856**
Other comprehensive income items			
Increases in the reserve from revaluation of tangible assets, net of deferred tax		-	11.008.730
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18.533.610**	**33.901.586**
Earnings per share	27		
Base earnings per share		0,0180	0,0220
Diluted earnings per share		0,0157	0,0194

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

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Vrancart S.A.

Statement of changes in equity

for the financial year ended on December 31st, 2020

(all the amounts are expressed in RON, unless otherwise stated)

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2019	**103.168.355**	**44.685.067**	**40.082.309**	**12.664.226**	**200.599.958**
Comprehensive income for the period					
Net profit/loss for the year	-	-	-	22.892.856	22.892.856
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	11.008.730	-	-	11.008.730
Total comprehensive income	-	**11.008.730**	-	**22.892.856**	**33.901.586**
Distribution of dividends	-	-	-	(9.800.994)	(9.800.994)
Distribution of legal reserves and other reserves	-	-	12.903.180	(12.903.180)	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(23.979)	-	23.979	-
Balance as at December 31st, 2019	**103.168.355**	**55.669.818**	**52.985.489**	**12.876.888**	**224.700.550**
Balance as at January 1st, 2020	**103.168.355**	**55.669.818**	**52.985.489**	**12.876.888**	**224.700.550**
Comprehensive income for the period					
Net profit/loss for the year	-	-	-	18.533.610	18.533.610
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	-	-	-
Total comprehensive income	-	-	-	**18.533.610**	**18.533.610**
Distribution of dividends	-	-	-	(11.967.530)	(11.967.530)
Distribution from retained earnings	-	-	7.859.786	(7.859.786)	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(957.245)	153.159	804.086	-
Balance as at December 31st, 2020	**103.168.355**	**54.712.573**	**60.998.434**	**12.387.268**	**231.266.630**

The notes from page 5 to page 43 are an integrant part of the financial statements.

(all the amounts are expressed in RON, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Amounts collected from customers		331.173.886	345.047.452
Payments to suppliers		(172.027.266)	(220.294.555)
Payments to employees		(40.879.964)	(40.570.656)
Payments to the state budget		(48.247.992)	(51.716.432)
Profit tax paid		(2.074.422)	(1.590.547)
Net cash flows from operating activities		**67.944.242**	**30.875.262**
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	5	(32.718.920)	(28.732.757)
Payments for the purchase of financial assets	6	(1.099.600)	-
Amounts collected from the sale of tangible assets		1.578.635	186.315
Interests collected		296	220
Net cash flows from investment activities		**(32.239.589)**	**(28.546.222)**
Cash flows from financing activities			
Amounts collected from loans		13.548.248	30.491.156
Interests paid and loans reimbursed		(30.338.447)	(19.693.835)
Payments for leasing		(5.069.270)	(3.437.669)
Dividends paid	11	(11.661.645)	(9.603.862)
Net cash flows from financing activities		**(33.521.114)**	**(2.244.210)**
Net increase/ (reduction) of cash and cash equivalents		**2.183.539**	**84.830**
Cash and cash equivalents at the financial year beginning	9	**2.149.202**	**2.064.372**
Cash and cash equivalents at the financial year end	9	**4.332.741**	**2.149.202**

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 43 are an integrant part of the financial statements.

1. The reporting entity

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

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

The Company has working points opened in the following localities: Bucharest, Calimanesti, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mures and Braila.

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 boxes of various formats, die-cut and printed;
- paperboards;
- tissue papers in various assortments.

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

As at December 31st, 2020, the Company is owned 75% by SIF Banat – Crișana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

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

2. Basis for preparation

(a) Statement of conformity

The individual financial statements are drawn up by the Company in accordance with the requirements of the Finance Minister Order no. 2844 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. 1.606/2012 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 Company adopted a presentation based on liquidity within its statement of financial position and a presentation of revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

(c) The functional and presentation currency

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

2. Basis for preparation (continued)

(e) Basis for evaluation

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

As at December 31st, 2020, the Company recorded a net profit amounting to RON 18.533.610 (2019: RON 22.892.856), the working capital is positive, of RON 18.987.556 (2019: positive, RON 19.730.779).

The Company's management has established its medium term strategy, and the estimates provide increases of income and profitability increases, as a result of the effective use of resources.

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

The Company had a positive cash flow of RON 2.183.539 in 2020 (positive in 2019: RON 84.830) and does not have any outstanding debts to the public budgets or to its private partners.

In the context of the situation generated by the COVID-19 virus, the Company has made its own assessment regarding the effects that it may have on the activity carried out, by analysing the uncertainties and risks that the Company is exposed to in the following period. The major areas that were analysed and on which measures were taken in order to reduce the impact onto the Company's business were: employees, analysis of the demand for products and services, contracts to be met, supply, financial commitments, the effect of the announced or expected fiscal measures and the evaluation of future earnings.

Although the economic effects of the COVID-19 pandemic cannot be fully estimated, the Company considers that its very good financial situation, the access to financing and the markets where it operates are a solid basis for ensuring business continuity and for restricting the negative effects of the COVID-19 pandemic crisis.

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

(f) The use of estimates and judgements

The preparation of the individual financial statements in accordance with the Public Finances Minister Order no. 2844/2016 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenditures. The judgements and assumptions associated to these estimates are based on the historical experience, as well as on other factors deemed reasonable in the context of these estimates.

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

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

(all the amounts are expressed in RON, unless otherwise stated)

3. Significant accounting policies

(a) Transactions in foreign currencies

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

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

The exchange rates of the main foreign currencies were:

Currency	**December 31st, 2020**	**December 31st, 2019**	**Variation**
Euro (EUR)	4.8694	4.7793	+1,89%
American dollars (USD)	3.9660	4.2608	- 6,92%

(b) Accounting of the effect of hyperinflation

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

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

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

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

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

(c) Financial instruments

Non-derivative financial instruments

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

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

3. Significant accounting policies (continued)

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

Upon the entire derecognising of a financial asset, the difference between the 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 Company does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Company does not retain the control), the Company will allot the previous 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 Company 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 Company'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 Company 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 initial recognition, the financial assets held until the maturity are evaluated at amortised cost using the actual interest method, less the value 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.

3. Significant accounting policies (continued)

Receivables

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

Receivables include trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and reimbursable deposits with maturities of up to three months from the date of purchase, 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 issue of ordinary shares and share options are recognized as a reduction of equity at value net of tax effects.

Financial liabilities

Financial liabilities include financial leasing liabilities, interest-bearing bank loans, loans from bond issues, overdrafts and trade liabilities and other liabilities. 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 loans 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 a legal applicable right to offset and intends to discount either on a net basis, or to achieve the asset and extinguish the liability at the same time.

3. Significant accounting policies (continued)

(d) Tangible assets

(i) Recognition and evaluation

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

The cost of a tangible assets item built by the Company includes:

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

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

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

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

The land, constructions and equipment are highlighted at revaluated value and this represents the fair value on the date of revaluation less any amortisation accumulated previously and any accumulated impairment losses.

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

The revaluations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The last revaluation of patrimony took place on December 31st, 2019.

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

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

(all the amounts are expressed in RON, unless otherwise stated)

3. Significant accounting policies (continued)

(ii) Subsequent expenses

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

(iii) Amortisation

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

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

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

Land is not subject to amortisation.

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

The amortisation methods, the estimated useful lifetimes and the residual values are revised by the 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 amortisation. Any profit or loss resulting from such operation are included in the current profit or loss.

(e) Rights of use (Leasing)

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

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

(a) it applied a single discount rate to a rental portfolio with reasonably similar characteristics;
(b) it excluded the initial direct costs from the evaluation of assets from the right of use on the date of initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the start date;

(c) it relied on previous assessments as to whether the leases are onerous compared to preparing a revision of impairment in accordance with IAS 36 at the date of the initial application; and

3. Significant accounting policies (continued)

(d) it applied the exemption from not recognizing the rights to use the assets and liabilities for leases with less than 12 months of lease remaining on the date of the initial application.

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

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

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

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

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

(f) Intangible assets

(i) Recognition and evaluation

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

(ii) Research and development

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

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

3. Significant accounting policies (continued)

(iii) Subsequent expenses

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

(iv) Amortisation of intangible assets

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill from the date of availability for use. The estimated useful lifetimes for the current period and for the comparative periods are as follows:

– Software applications 3 years

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

(g) Financial assets

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

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

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

(h) Inventories

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

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

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

In case of inventories manufactured by the 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.

(i) Impairment of assets

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

Impairment adjustments for trade receivables

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

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

Impairment adjustments for inventories

By the nature of its object of activity, the Company does not hold any perishable inventories or inventories posing a short term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events, but may also result from inventories with a low market demand. The Company performs a regular assessment of inventories in order to identify the existence of any indications of their impairment, taking into consideration the following aspects:

- For all categories of inventories older than 180 days, impairment adjustment is established after an individual analysis, for each product, performed by a commission formed of representatives of the marketing-sales and production departments;

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

3. Significant accounting policies (continued)

(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) Re-evaluation reserves

Re-evaluations are made with sufficient frequency, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. To this respect, the Company has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2019.

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

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

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

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

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

(l) Legal reserves

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

(m) 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 Administrators and their family members.

3. Significant accounting policies (continued)

(n) Employee benefits

(i) Short term benefits

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

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

(ii) Determined contribution plans

The Company makes payments on behalf of its own employees to the pension system in Romania, to health insurances and the unemployment fund during the progress of normal activity.

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

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

(iii) Long-term benefits of employees

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

The Company has the obligation to grant benefits to employees upon retirement, in accordance with the collective employment agreement.

(o) Provisions

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

(p) Revenues

(i) The sale of goods

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

(ii) The provision of services

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

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

(q) Financial revenues and expenses

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

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

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

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

3. Significant accounting policies (continued)

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

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

(r) 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 elements.

(i) Current tax

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

For the financial year ended on December 31st, 2020, the profit tax rate was 16% (December 31st, 2019: 16%).

(ii) Deferred tax

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

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

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

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

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

(iii) Fiscal exposures

To determine the amount of the current and deferred tax, the Company takes into consideration the impact of the uncertain fiscal positions and the likelihood of occurrence of additional taxes and interests and the provisions of IFRIC 23 which provide guidance on the accounting of liabilities and of the current and deferred tax and of the assets in circumstances where there is uncertainty about the tax treatment of profit tax.

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 Company 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.

3. Significant accounting policies (continued)

Also, the Company:

• assesses whether uncertain tax treatments should be considered separately, or together as a group, depending on the approach that provides better resolution forecasts;

• whether the tax authorities are likely to accept uncertain tax treatment; and

• if uncertain tax treatment is not likely to be accepted, tax uncertainty is measured based on the most likely amount or expected value, depending on which method best predicts the resolution of the uncertainty. The measurement must be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have full knowledge of all information related to the conduct of such examinations.

(s) Earnings per share

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

(t) Government subsidies

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

(u) 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.

(v) Subsequent events

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

(w) Comparative statements

The financial statements drawn up as at December 31st, 2020 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.

3. Significant accounting policies (continued)

(x) New standards and interpretations, valid as at December 31st, 2020

The European Union adopted a series of standards the application of which is mandatory, for the year ended on December 31st, 2019 and these were applied in the drafting of these individual financial statements:

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, changes in accounting estimates and errors** (Amendment - Disclosure Initiative - Definition of Material). Materiality decisions are common in determining the level of accuracy in applying accounting policies in practice. These changes are part of the IASB's Disclosure Initiative project, which is intended to simplify financial statements and increase their degree of use.
- **IFRS 3 Business Combinations (Amendment - Business Definition) -** Following the review after the implementation of IFRS 3, these amendments change the definition of a business. These changes will result in the accounting of fewer acquisitions as a business combination under IFRS 3. The changes also introduce an optional "concentration test" which allows a simplified assessment of whether a set of acquired activities and assets is a business.
- **The conceptual framework for financial reporting (revised) -** The conceptual framework contains the definitions underlying all IFRS requirements (e.g. the definition of an asset, liability, income, expense, the objectives of general purpose financial reporting, etc.). The revised conceptual framework improves those definitions.
- **The IBOR reform and its effects on financial reporting - Phase 1 -** The amendments change the requirements for Hedging Accounting to provide relief from the potential consequences of the IBOR reform, in the period previous to the changes in reference rates. In addition, the standards have been amended to require additional disclosures to explain how an entity's hedging relationships are affected by uncertainties involving the IBOR reform.
- **Leases (Amendment – Lease concessions related to COVID-19) -** In response to the COVID-19 pandemic, in May 2020, the IASB issued amendments to IFRS 16, which allows lessees to not assess whether a concession received meets the definition of a lease change, if certain criteria are met. Instead, lessors apply other IFRS standards, which will often result in a concession being recorded as a negative variable payment (e.g. DR leasing debts, CR profit or loss). The changes are mandatory for annual reporting periods starting on or after June 1st, 2020, allowing for prior application.

These changes did not have a significant impact onto the financial statements.

(y) New standards and interpretations, which are not applicable as at December 31st, 2020

There are a series of standards, changes to standards and interpretations issued by the IASB that are effective in the future accounting periods that the Company has decided not to adopt in advance. The most important of these are the following, which are applicable for the period beginning on January 1st, 2022:

- Onerous contracts - The cost of fulfilling a contract (Amendments to IAS 37);
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16);
- Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- Conceptual framework references (amendments to IFRS 3).

The company is currently assessing the impact of these new accounting standards and changes.

4. Fair value determination

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

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

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

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

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

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

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

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

(all the amounts are expressed in RON, unless otherwise stated)

5. Tangible assets

	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
As at January 1st, 2020	**12.957.614**	**71.514.177**	**218.791.899**	**13.232.200**	**316.495.893**
Purchases	-	47.618	65.236	29.154.445	29.267.299
Assets related to the rights of use of leased assets	-	2.447.222	5.132.907	-	7.580.129
Transfers from assets in progress	-	2.636.679	21.020.623	(23.657.302)	-
Transfers to intangible assets	-	-	-	(373.403)	(373.403)
Outflows	-	(262.360)	(3.575.952)	-	(3.838.311)
Outflows of assets related to rights of use	-	(1.845.949)	-	-	(1.845.949)
As at December 31st, 2020	**12.957.614**	**74.537.387**	**241.434.717**	**18.355.940**	**347.285.658**
Cumulated amortisation and impairment losses					
As at January 1st, 2020	-	**2.102.095**	**32.268.357**	-	**34.370.452**
Amortisation expense	222.850	2.142.402	24.865.107	-	27.230.359
Expense related to the amortisation of assets related to the rights of use of leased assets	-	2.780.447	1.282.553	-	4.063.000
Outflows	-	(12.412)	(1.858.257)	-	(1.870.669)
Outflows of assets related to rights of use	-	(738.169)	-	-	(738.169)
As at December 31st, 2020	**222.850**	**6.274.364**	**56.557.760**	-	**63.054.974**
Net book value					
As at December 31st, 2020	**12.734.763**	**68.263.023**	**184.876.957**	**18.355.940**	**284.230.684**

Tangible assets include the advances paid for tangible assets corresponding to investment projects for the production divisions, whose balance as at December 31st, 2020 was RON 1.177.838.

(all the amounts are expressed in RON, unless otherwise stated)

5. Tangible assets (continued)

	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
As at January 1st, 2019	**13.068.253**	**56.136.383**	**199.210.420**	**27.693.039**	**296.108.095**
Purchases	-	-	87.699	30.401.962	30.489.661
Assets related to the rights of use of leased assets	-	12.376.434	2.097.094	-	14.473.528
Transfers from assets in progress	-	2.193.667	41.781.718	(43.975.385)	-
Transfers to intangible assets	-	-	-	(887.416)	(887.416)
Outflows	-	-	(567.919)	-	(567.919)
Revaluations	79.377	3.861.056	9.160.630	-	13.101.063
Cumulated amortisation reduced according to the re-evaluated value	(190.016)	(3.053.364)	(32.977.743)	-	(36.221.123)
As at December 31st, 2019	**12.957.614**	**71.514.177**	**218.791.899**	**13.232.200**	**316.495.893**
Cumulated amortisation and impairment losses					
As at January 1st, 2019	**222.850**	**1.687.266**	**42.617.425**	**-**	**44.527.541**
Amortisation expense	222.850	2.093.147	21.541.832	-	23.857.829
Expense related to the amortisation of assets related to the rights of use of leased assets	-	2.102.095	720.360	-	2.822.455
Outflows	-	-	(414.948)	-	(414.948)
Expenses/(revenues) from revaluation	(255.684)	(727.049)	781.431	-	(201.302)
Cumulated amortisation reduced according to the re-evaluated value	(190.016)	(3.053.364)	(32.977.743)	-	(36.221.123)
As at December 31st, 2019	**-**	**2.102.095**	**32.268.357**	**-**	**34.370.452**
Net book value					
As at December 31st, 2019	**12.957.614**	**69.412.082**	**186.523.546**	**13.232.200**	**282.125.441**

Tangible assets include the advances paid for tangible assets corresponding to investment projects for the production divisions, whose balance as at December 31st, 2019 was RON 646.946.

(all the amounts are expressed in RON, unless otherwise stated)

5. Tangible assets (continued)

The main purchases of tangible assets in 2020 were as follows: constructions and warehouses for corrugated cardboard production, as well as equipment and production lines for the paperboards, corrugated cardboard and tissue paper production lines.

The unamortised value of fixed assets which are no longer part of the patrimony following the sale and/or cassation as at December 31st, 2020 was RON 1.967.643 (see note 22) (December 31st, 2019: RON 152.967).

The net book value of the fixed assets purchased through the government subsidies received until December 31st, 2020 was RON 35.980.485 (see note 17) (December 31st, 2019: RON 54.799.693).

As at December 31st, 2019, based on a report drafted by an authorised appraiser, the Company recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines in the amount of RON 13.101.063 and a net increase of RON 201.302 (at income). The fair value of the fixed assets that were subject to revaluation was determined by applying the market comparison method, where market information is available, respectively through the net replacement cost method. Prior to this revaluation, the latest revaluation of those categories of tangible assets had taken place on December 31st, 2017.

A part of the Company's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 161.456 thousand as at December 31st, 2020 (December 31st, 2019: RON 125.030 thousand). The value of the rights of use related to assets held through leasing agreements is presented in Note 14.

If the land, constructions and production lines had not been revaluated, their value as at December 31st, 2020 would have been as follows:

	Cost	**Cumulated amortisation**	**Net book value**
Land and land improvements	14.282.351	2.228.978	12.053.373
Constructions and special buildings	62.892.734	18.208.498	44.684.236
Production lines	251.626.571	138.928.283	112.698.288
Total	**328.801.656**	**159.365.759**	**169.435.897**

6. Financial assets

	December 31st, 2020	**December 31st, 2019**
Rom Paper SRL	28.866.728	28.866.728
Vrancart Recycling SRL	1.000.000	-
Ecorep Group SA	99.600	-
Total	**29.966.328**	**28.866.728**

Rom Paper SRL ("Branch 1") was established in 2002 and it is a Romanian private equity company, active in the field of production of toilet paper products, such as: napkins, folded towels, tissue paper, professional rolls, facial tissues and boxed tissues. The products are sold in 7 countries, both in Romania and abroad, through store chain (hypermarkets, supermarkets, cash and carry), but also through distributors.

(all the amounts are expressed in RON, unless otherwise stated)

6. Financial assets (continued)

On January 20th, 2017, we completed the acquisition of the majority stake (70%) of Rom Paper SRL. As at December 31st, 2020, the Group owned 100% of the shares in the company, as a result of the acquisition in June 2017 of another 15%, respectively, in June 2018 of the last tranche of 15% of the shares of Rom Paper SRL.

Vrancart Recycling SRL ("Branch 2") was established in August 2020, and it is a Romanian private equity company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste. The company is at the beginning of its activity and has a number of 9 employees as of December 31st, 2020.

Ecorep Group SA ("Branch 3") was founded in November 2020, and it is a Romanian private equity company. The main activity of this branch consists of the provision of services regarding the implementation of the obligations regarding the extended liability of the producer for the environmental targets. The company is at the beginning of its activity and is being authorized by the Ministry of Environment.

The Company analysed the need to establish some value adjustments in relation to the investments in branches and considered that such adjustments are not necessary.

7. Inventories

	December 31st, 2020	**December 31st, 2019**
Raw materials and consumables	21.118.423	23.948.795
Finished products and goods	8.726.275	6.392.794
Production in progress	12.660.729	22.968.839
Advances paid for inventories	77.975	40.158
Adjustments for the impairment of inventories	(527.862)	(553.334)
Total	**42.055.540**	**52.797.252**

8. Trade receivables

	December 31st, 2020	**December 31st, 2019**
Clients	71.667.42	71.065.730
Suppliers - debtors for goods/ services	35.240	246
Other receivables	343.272	317.029
Adjustments for the impairment of receivables – customers	(7.379.848)	(6.117.575)
Total	**64.666.084**	**65.265.430**

Adjustments for impairment of receivables – clients	**December 31st, 2020**	**December 31st, 2019**
Balance at the beginning of the period	6.117.575	6.415.503
New adjustments during the period	4.124.318	492.772
Adjustments cancelled during the period	(2.862.045)	(790.700)
Balance as at the end of the period	7.379.848	6.117.575

(all the amounts are expressed in RON, unless otherwise stated)

9. Cash and cash equivalents

	December 31st, 2020	December 31st, 2019
Current accounts at banks and other values	4.317.878	2.135.596
Petty cash	14.863	13.606
Total cash and cash equivalents	**4.332.741**	**2.149.202**

10. Other receivables

	December 31st, 2020	December 31st, 2019
Other personnel-related receivables	497.814	150.465
Sundry debtors	671.478	627.995
Receivables related to the state budget	251.476	-
Adjustments for impairment of other receivables	(434.540)	(434.540)
Total	**986.228**	**343.920**

11. Share capital

Company's shareholding structure

December 31st, 2020	Number of shares	Amount (RON)	(%)
SIF Banat Crișana	774.416.054	77.441.606	75.06%
Paval Holding SRL	176.375.700	17.637.570	17.10%
Other shareholders	80.891.793	8.089.179	7.84%
Total	**1.031.683.547**	**103.168.355**	**100%**

December 31st, 2019	Number of shares	Amount (RON)	(%)
SIF Banat Crișana	774.416.054	77.441.606	75.06%
Other shareholders	257.267.493	25.726.749	24.94%
Total	**1.031.683.547**	**103.168.355**	**100%**

Between January 1st, 2020 and December 31st, 2020, there were no changes in the share capital. The company Paval Holding SRL entered the shareholding structure in 2020.

Dividends

Through the Decision no. 4 dated April 28th, 2020, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2019, amounting to RON 11.967.530, respectively a gross amount of a dividend of RON 0,0116 /share.

(all the amounts are expressed in RON, unless otherwise stated)

Other reserves

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2020, the Company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve established in 2020 related to reinvested profit is RON 6.307.703 (in 2019: RON 11.678.280), the balance of this reserve as at December 31st, 2020 being RON 48.882.943 (December 31st, 2019: RON 42.061.488).

According to the legal requirements, the Company establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31st, 2020 was RON 11.140.485 (December 31st, 2019: RON 10.102.154). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

Reserves from the revaluation of tangible assets

These reserves include the cumulated net changes of the fair values of the land, buildings, special constructions and of the technological equipment whose fair value is greater than historical cost. Revaluation reserves are presented at value net of the related deferred tax (16%) - see Note 3 (j).

12. Trade liabilities

Short-term trade liabilities

	December 31st, 2020	December 31st, 2019
Trade liabilities	26.311.568	25.676.439
Advances received	261.889	499.615
Total	**26.573.457**	**26.176.054**

13. Other liabilities

	December 31st, 2020	December 31st, 2019
Debts to the state budget	3.123.407	3.609.166
Dividends to be paid	1.035.163	874.602
Sundry creditors	510.752	629.683
Other short-term liabilities	**4.669.322**	**5.113.451**
Provisions for disputes	22.822	40.608
Options related to the bonds issued (Note 14)	623.000	307.900
Other long-term liabilities	**645.822**	**348.508**

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

Reconciliation of provisions for disputes	December 31st, 2020	December 31st, 2019
Balance as at the beginning of the period	40.608	40.608
Provisions established during the period	-	-
Provisions used during the period	(17.786)	-
Balance as at the end of the period	**22.822**	**40.608**

(all the amounts are expressed in RON, unless otherwise stated)

14. Liabilities under leasing contracts

	December 31st, 2020	**December 31st, 2019**
Long-term liabilities from leasing	10.525.739	8.438.653
Short-term liabilities from leasing	4.011.256	4.035.213
Total liabilities from leasing	**14.536.995**	**12.473.866**

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

Liabilities under leasing contracts	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2020	**10.530.120**	**1.943.746**	**12.473.867**
Inflows	2.447.222	5.364.108	7.811.330
Outflows	(1.107.780)	-	(1.107.780)
Interest and currency exchange differences	390.547	38.301	428.848
Lease payments	(3.121.908)	(1.947.362)	(5.069.270)
As at December 31st, 2020, out of which:	**9.138.201**	**5.398.794**	**14.536.995**
Long-term liabilities under leasing contracts	6.480.487	4.045.252	10.525.739
Short-term liabilities under leasing contracts	2.657.715	1.353.541	4.011.256

Liabilities under leasing contracts	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2019	**6.896.334**	**2.329.672**	**9.226.006**
Inflows	5.480.101	905.836	6.385.937
Interest and currency exchange differences	255.781	43.812	299.593
Lease payments	(2.102.095)	(1.335.574)	(3.437.669)
As at December 31st, 2019, out of which:	**10.530.120**	**1.943.746**	**12.473.866**
Long-term liabilities under leasing contracts	7.792.224	646.429	8.438.653
Short-term liabilities under leasing contracts	2.737.896	1.297.317	4.035.213

(all the amounts are expressed in RON, unless otherwise stated)

14. Liabilities under leasing contracts (continued)

Rights of use	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2019	**6.896.334**	**3.161.008**	**10.057.342**
Inflows	5.480.101	905.836	6.385.937
Amortisations	(2.102.095)	(1.291.118)	(3.393.213)
As at January 1st, 2020	**10.274.339**	**2.775.726**	**13.050.066**
Inflows	2.447.222	5.132.907	7.580.129
Outflows	(1.107.780)	-	(1.107.780)
Amortisations	(2.780.448)	(1.282.553)	(4.063.001)
Net values as at December 31st, 2020	**8.833.333**	**6.626.081**	**15.459.413**

15. Loans

	December 31st, 2020	**December 31st, 2019**
Bank loans	43.766.905	46.168.826
Loans from bond issues	37.627.000	37.942.100
Total long-term loans	**81.393.905**	**84.110.926**
Bank loans	50.172.836	59.132.674
Total short-term loans	**50.172.836**	**59.132.674**

The Company has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans may lead to the declaring of early maturity and to other sanctions. All the financial and non-financial conditions related to the existing loan agreements as at December 31st, 2020 were complied with and there is no risk of early reimbursement.

(all the amounts are expressed in RON, unless otherwise stated)

15. Loans (continued)

No.	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31st, 2020 – RON equivalent	Principal in balance as at December 31st, 2019 – RON equivalent
1	31.07.2020	RON EUR	Variable	overdraft	30.07.2021	27.551.754	20.760.032
2	15.03.2020	RON EUR	Variable	overdraft	15.03.2022	2.729.526	7.804.545
3	09.05.2018	RON	Variable	long-term	20.04.2025	8.839.870	10.105.200
4	29.11.2017	RON	Variable	long-term	29.11.2024	17.721.311	22.245.902
5	14.09.2018	RON	Variable	long-term	14.09.2022	2.147.115	3.025.000
6	27.07.2016	RON	Variable	long-term	27.07.2023	6.549.113	9.084.252
7	08.07.2020	RON	Variable	overdraft	08.07.2021	964.409	6.071.328
8	09.08.2016	RON	Variable	long-term	31.07.2020	-	656.250
9	30.08.2016	RON	Variable	long-term	31.08.2021	2.764.017	5.690.624
10	18.12.2019	RON	Variable	overdraft	18.12.2020	-	4.721.425
11	23.05.2016	RON	Variable	long-term	30.04.2021	374.306	1.497.222
12	26.03.2015	RON	Variable	long-term	31.12.2020	-	2.076.920
13	03.01.2017	RON	Variable	long-term	29.11.2023	3.650.000	4.901.429
14	26.09.2019	RON	Variable	long-term	20.09.2026	3.581.548	3.511.806
15	03.01.2019	RON	Variable	long-term	02.01.2024	573.814	759.915
16	29.10.2019	EUR	Fixed	long-term	20.11.2024	2.049.285	2.389.650
17	23.10.2020	RON	Variable	long-term	23.10.2025	4.500.000	-
18	18.05.2020	RON	Variable	overdraft	18.05.2021	1.383.618	-
19	23.12.2020	RON	Variable	long-term	20.12.2026	1.250.705	-
20	21.12.2020	RON	Variable	long-term	21.12.2027	7.309.350	-
	Total					**93.939.741**	**105.301.500**

The interest rate for loans in RON is determined as ROBOR + the margin, the final interest ranging between 2% - 4%. The interest rate for loans in EUR is determined as Euribor + the margin, and the final interest ranges between 2% - 4%.

To guarantee its loans, the Company established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising out of current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2020, tangible assets are mortgaged in favour of banks (see Note 5).

(all the amounts are expressed in RON, unless otherwise stated)

15. Loans (continued)

Bonds

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

The bonds were issued in two stages:

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

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 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 in each of the years between 2019 – 2023 at a price equal to the average share price in the past 12 months previous to the date when the conversion price is determined. 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, 2020, SIF Banat-Crișana holds 96,4% of the bonds.

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IFRS 9, as none of the options are strictly connected to the bond contract (see in Note 13 the value of the composed derivative financial instrument).

February 13th, 2021 was the third term for exerting the right of conversion of bonds into shares. As the Company did not receive any notifications on the exerting of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

16. Debts to employees

	December 31st, 2020	December 31st, 2019
Debts related to salaries	1.660.913	1.513.760
Other debts to employees	3.243.800	3.131.332
Retirement benefits (long-term)	453.855	331.832
Total debts to employees	**5.358.568**	**4.976.924**

(all the amounts are expressed in RON, unless otherwise stated)

17. Debts or receivables related to deferred tax

Deferred tax is generated by the elements detailed in the following tables:

December 31st, 2020	**Liabilities**	**Assets**	**Net**
Tangible assets	38.601.061	-	38.601.061
Provisions and impairment adjustments (inventories, customers)	-	11.879.216	(11.879.216)
	38.601.061	**11.879.216**	**26.721.845**
Net temporary differences - 16% share			**26.721.845**
Liabilities related to deferred profit tax			**4.275.495**

December 31st, 2019	**Liabilities**	**Assets**	**Net**
Tangible assets	42.235.739	-	42.235.739
Provisions and impairment adjustments (inventories, customers)	-	10.464.324	(10.464.324)
	42.235.739	**10.464.324**	**31.771.415**
Net temporary differences - 16% share			**31.771.415**
Liabilities related to deferred profit tax			**5.083.427**

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

18. 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*, 2020**	***December 31st*, 2019**
The Ministry of Economy and Research II	6.119.109	7.369.079
The Environmental Fund Administration	2.737.941	2.898.994
Innovation Norway 1	997.877	1.812.112
Innovation Norway 2	3.175.979	3.456.997
Non-reimbursable financial allowance for small enterprises	12.089	14.777
The European Bank for Reconstruction and Development	107.388	120.810
Total	**13.150.383**	**15.672.769**

(all the amounts are expressed in RON, unless otherwise stated)

18. Deferred income (continued)

The subsidy received from the Ministry of Economy and Research aims at financing the upgrade and development of the technological line for paper manufacturing and the non-reimbursable eligible amount was initially RON 18.500.000. The Company has completed the stage for the project monitoring in June 2018. The financing agreement included a series of indicators that had to be met by the end of the monitoring period. All the indicators were met.

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

19. Income from turnover

	2020	**2019**
Income from the sale of finished products	264.553.351	281.347.497
Income from the sale of goods	12.273.022	9.066.535
Income from services provided	11.429.394	12.120.699
Income from royalties, locations under management and rents	904.646	49.237
Income from various activities	134	86
Trade discounts granted	(2.683.615)	(1.795.278)
Total	**286.476.932**	**300.788.776**

The Company's income includes mainly sales of goods, related to the production of the following types of goods:

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

The paperboards can be used as semi-finished products for the production of corrugated cardboard and packaging or sold as finished products to customers.

The Company's customers are mostly Romanian companies and exports hold a share of approximately 15% of the total sales. No client holds a significant share in the total sales of the Company.

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

(all the amounts are expressed in RON, unless otherwise stated)

20. Other income

	2020	2019
Income from investment subsidies	2.522.386	2.535.913
Income from compensations, fines and penalties	37.934	943.529
Income from expenses subsidies	2.352.419	-
Other operating income	207.267	(10.142)
Total	**5.120.006**	**3.469.300**

The subsidy received in 2020 refers to offsetting the costs of greenhouse gas emissions transferred to the price of electricity.

21. Expenses related to raw materials and consumables

	2020	2019
Expenses related to raw materials	53.333.517	78.841.298
Expenses related to consumables and auxiliary materials	28.823.155	32.357.086
Expenses related to fuels	17.649.673	23.206.318
Expenses related to water and electricity	22.763.055	24.157.123
Expenses related to spare parts	1.653.910	1.956.588
Total	**124.223.310**	**160.518.413**

22. Third party expenses

	2020	2019
Expenses related to maintenance and repairs	3.513.177	3.750.085
Expenses related to the shipment of goods	13.207.618	13.873.635
Other third party expenses	5.069.001	4.237.396
Total	**21.789.796**	**21.861.116**

23. Other expenses

	2020	2019
Expenses related to commissions and fees	444.904	612.569
Operating expenses related to provisions	122.023	-
Expenses related to royalties, locations under management and rents	229.344	234.066
Expenses related to bank services and similar	381.515	460.197
Expenses related to insurance premiums	1.344.881	1.303.369
Other taxes, duties and similar payments	3.202.785	2.820.823
Expenses related to donations made	483.602	308.436
Expenses related to travels, secondments and transfers	268.508	329.782
Postage and telecommunication fees	274.378	262.595

(all the amounts are expressed in RON, unless otherwise stated)

Expenses related to entertainment, advertising and publicity	148.570	208.008
Expenses related to compensations, fines and penalties	539.776	24.357
Value adjustments on stocks	(43.258)	-
Value adjustments on receivables	1.310.646	426.679
Net loss from the sale of tangible assets	419.952	71.896
Other operating expenses	1.038.163	1.341.215
Total	**10.165.789**	**8.403.992**

The net loss from the sale of tangible assets as at December 31st, 2020 consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

24. Personnel-related expenses

	2020	2019
Salary expenses	57.177.759	58.572.295
Expenses related to insurance and social protection	1.303.468	1.337.314
Luncheon vouchers granted	3.507.795	3.488.832
Total	**61.989.022**	**63.398.441**

In 2020, the average number of employees of the Company was of 1104 (2019: 1180).

25. Financial income and expenses

	2020	2019
Interest income	821	1.661
Total income	**821**	**1.661**
Interest expenses	5.130.593	6.029.725
Currency exchange losses	290.963	359.091
Other financial expenses	685	1.550
Total expenses	**5.422.241**	**6.390.366**

26. Profit tax expense

	2020	2019
Expenses related to current profit tax	3.040.934	1.586.249
Expenses related to deferred profit tax	(807.932)	(262.492)
Total	**2.233.002**	**1.323.757**

(all the amounts are expressed in RON, unless otherwise stated)

	2020	2019
Loss/Profit before taxation	**20.766.612**	**24.216.613**
Tax in accordance with the statutory taxation rate of 16% (2019: 16%)	**3.322.658**	**3.874.658**
Effect onto the profit tax of:		
The legal reserve	(166.133)	(195.984)
The non-deductible expenses	5.504.458	3.902.899
The fiscal amortisation	(3.988.306)	(3.546.737)
The exemptions for sponsorships	(569.393)	(395.193)
The recording of temporary differences	(807.932)	(262.492)
Reinvested profit – tax credit	(1.062.350)	(2.053.395)
Profit tax	**2.233.002**	**1.323.757**

27. Earnings per share

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

	2020	2019
Profit attributable to ordinary shareholders	18.533.610	22.892.856
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Base earnings per share	**0,0180**	**0,0220**

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

	2020	2019
Profit attributable to ordinary shareholders	18.533.610	22.892.856
Adjustment related to the bonds interest and the tax effect	1.518.035	1.677.915
Profit attributable to ordinary shareholders – adjusted	**20.051.645**	**24.570.771**
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Potential shares from bond issues	243.074.381	238.064.647
Weighted average number of ordinary shares – adjusted	**1.274.757.927**	**1.269.748.193**
Diluted earnings per share	**0,0157**	**0,0194**

28. Affiliated parties

The persons that are part of the Management 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, 2020:

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

(all the amounts are expressed in RON, unless otherwise stated)

El Lakis Rachid Member of the Board of Directors

Transactions with the key management personnel:

	2020	2019
Remuneration of the members of the Board of Directors	1.320.000	1.320.000

Transactions with affiliated parties:

Affiliated party		Transactions* 2020	Transactions* 2019	Balance in 2020	Balance in 2019
Rom Paper/ filiala	Supplier	277.052	363.889	19.257	41.598
Rom Paper/ filiala	Customer	14.157.361	17.057.585	10.091.929	10.952.701
Biofarm S.A.	Customer	156.177	60.706	42.192	25.296
Biofarm S.A.	Supplier	3.303	4.660	-	201
Administrare Imobiliare S.A.	Supplier	257	12.535	-	-
Industrial Energy	Supplier	1.806.036	23.582.456	-	1.759.599
Industrial Energy	Supplier-debtor	-	(840.336)	-	-
SIF Banat Crisana SA	Supplier	104	208	-	-
Bucur SA	Supplier	195	230	-	-
Ci-Co SA	Supplier	10.421	5.429	1.646	250
Gaz Vest SA	Supplier	2.659.365	-	1.051.678	-
BRD-GSG	Supplier	20	-	-	-
Napomar SA	Customer	727	946	-	-
Somplast SA	Supplier	59	60	-	-
Sifi Cj Logistic SA	Supplier	106.064	97.054	3.201	2.317
Uniteh SA	Supplier	-	43.032	-	-
Semtest Craiova SA	Supplier	78.351	76.908	10.041	8.846

* Note: The amounts do not include VAT.

Other operations:

Affiliated party		Transactions in 2020	Transactions in 2019	Balance in 2020	Balance in 2019
SIF Banat Crișana SA	Payment of dividends distributed during the year	8.983.226	7.356.953	-	-
ARIO Bistrița	Debtor	-	-	300.000	300.000

29. Commitments

Not applicable.

(all the amounts are expressed in RON, unless otherwise stated)

30. Contingent assets and liabilities

The Company did not have any contingent assets or liabilities as at December 31st, 2020 (December 31st, 2019: zero).

31. Events subsequent to the balance sheet date

Not applicable.

32. Financial risk management

Overview

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

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

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

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

(a) Credit risk

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

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

Book value	**December 31st, 2020**	**December 31st, 2019**
Trade receivables and other receivables	65.652.312	65.609.350
Cash and cash equivalents	4.332.741	2.149.202
Total	**69.985.053**	**67.758.552**

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

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

(all the amounts are expressed in RON, unless otherwise stated)

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

32. Financial risk management (continued)

Within the process of estimation of receivables impairment adjustments, the Company uses an impairment model whose operating principle has not changed from the previous years, as this model reflects the requirements of the impairment model introduced by IFRS 9 (see Note 3*x*).

Impairment losses

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

December 31st, 2020	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	41.487.001	270.411
Outstanding receivables between 31 and 60 days	4.379.096	30.490
Outstanding receivables between 61 and 90 days	4.750.457	77.187
Outstanding receivables between 91 and 180 days	14.881.780	1.000.648
Outstanding receivables between 181 and 360 days	1.720.110	1.569.321
Outstanding receivables for more than 360 days	6.248.256	4.866.331
Total	**73.466.700**	**7.814.388**

December 31st, 2019	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	35.508.041	242.624
Outstanding receivables between 31 and 60 days	12.370.300	78.506
Outstanding receivables between 61 and 90 days	3.960.731	64.355
Outstanding receivables between 91 and 180 days	13.030.207	536.065
Outstanding receivables between 181 and 360 days	720.410	717.711
Outstanding receivables for more than 360 days	6.571.776	4.912.855
Total	**72.161.465**	**6.552.116**

(b) Liquidity risk

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

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

In general, the Company makes sure that it has sufficient cash to cover the operating expenses. The following table provides a presentation of the residual contractual maturities of financial liabilities as at the end of the reporting period, including the estimated payments of interests:

(all the amounts are expressed in RON, unless otherwise stated)

December 31st, 2020	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	93.939.741	101.385.530	53.615.503	46.666.461	1.103.566
Liabilities under leasing contracts	14.536.995	14.658.402	6.149.713	8.508.689	-
Trade liabilities and other liabilities	38.207.610	38.207.610	37.107.933	1.099.677	
Total	**146.684.346**	**154.251.542**	**96.873.149**	**56.274.826**	**1.103.566**

32. Financial risk management (continued)

Financial liabilities include the loans from bond issuances described in Note 14. These were not included in the table above, as the Company cannot anticipate the time when the reimbursement options, respectively their conversion options could be exerted, so that we cannot determine whether these are between 1-5 years or over 5 years. The bonds with a total value of RON 38.250.000 reach the maturity dates within more than 1 year, namely in 2024.

December 31st, 2019	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	105.301.500	113.611.202	63.437.846	49.839.982	333.375
Liabilities under leasing contracts	12.473.866	12.719.608	4.138.113	8.581.495	-
Trade liabilities and other liabilities	36.242.497	36.242.497	35.934.597	307.900	-
Total	**154.017.863**	**162.573.308**	**103.510.556**	**58.729.377**	**333.375**

(c) Market risk

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

Interest rate risk

(i) Risk exposure profile

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

Variable rate instruments	**December 31st, 2020**	**December 31st, 2019**
Bank loans	93.939.741	105.301.500
Loans from bond issues	38.250.000	38.250.000
Debts related to leasing agreements	14.536.995	12.473.866
Total	**146.726.736**	**156.025.366**

(all the amounts are expressed in RON, unless otherwise stated)

32. Financial risk management (continued)

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

A 1% increase of the interest rates during the current period would have led to a profit or loss reduction by RON 1.467.267 (RON 1.560.254 as at December 31st, 2019). 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 trade receivables and other receivables, cash and cash equivalents, loans, trade liabilities and other liabilities. The book values of the abovementioned financial instruments are approximates of their fair values.

(d) Currency exchange risk

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

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

December 31st, 2020	**TOTAL**	**RON**	**EUR**	**USD**	**Other currencies**
Trade receivables and other receivables	65.652.312	58.044.017	7.581.951	26.343	
Cash and cash equivalents	4.332.741	3.504.546	788.102	22.069	18.024
Financial assets	**69.985.053**	**61.548.563**	**8.370.053**	**48.412**	**18.024**
Loans	131.566.741	124.810.622	6.756.119	-	-
Debts under leasing agreements	14.536.995	561.249	13.975.746	-	-
Trade liabilities and other liabilities	37.753.755	29.034.574	8.719.181	-	-
Financial liabilities	**183.857.491**	**154.406.445**	**29.451.046**	-	-
Total net financial assets /(liabilities)	**(113.872.438)**	**(92.857.883)**	**(21.080.993)**	**48.412**	**18.024**

December 31st, 2019	**TOTAL**	**RON**	**EUR**	**USD**	**Other currencies**
Trade receivables and other receivables	65.609.349	61.261.913	4.347.372	64	-

(all the amounts are expressed in RON, unless otherwise stated)

Cash and cash equivalents	2.149.202	1.875.874	165.213	100.465	7.650
Financial assets	**67.758.551**	**63.137.787**	**4.512.585**	**100.529**	**7.650**
Loans	143.243.600	138.781.881	4.461.719	-	-
Debts under leasing agreements	12.473.866	1.267.935	11.205.931	-	-
Trade liabilities and other liabilities	36.242.497	26.809.608	9.272.529	137.671	22.689
Financial liabilities	**191.959.963**	**166.859.424**	**24.940.179**	**137.671**	**22.689**
Total net financial assets /(liabilities)	**(124.201.412)**	**(103.721.637)**	**(20.427.594)**	**(37.142)**	**(15.039)**

32. Financial risk management (continued)

Sensitivity analysis

An increase by 10 percentage points of RON currency as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2020: RON +2.101.456 (December 31st, 2019: + RON + 2.047.978). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A decrease by 10 percentage points of RON currency as at December 31st, 2020 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

(e) Risk related to taxation

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

The Romanian government has a great number of agencies 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 Company may be subjected to tax inspections as new tax regulations are issued.

The amounts declared to the State for taxes and duties remain open for tax audit for five years. The Romanian tax authorities performed controls related to the calculation of taxes and fees until December 31st, 2014.

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

32. Financial risk management (continued)

(f) Transfer price

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

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

(g) Business environment

The risk re-evaluation process performed during the period between 2007 and 2010 on the international financial markets affected to a significant extent the performance of these markets, including that of the financial market in Romania and led to the occurrence of an increasing uncertainty related to the future economic development.

The significant losses on the international financial market could affect the Company's ability to obtain new loans and to refinance the loans it already has on the terms and conditions of the previous transactions.

The Company’s debtors can also be affected by the low level of liquidity, that could impair their ability to reimburse the outstanding debts. The worsening of the financial conditions under which the debtors conduct their business might also have an impact onto the management of cash flow forecasts and onto the evaluation of financial and non-financial assets depreciation. To the extent that the information was available, the management included revised estimates of future cash flows in its depreciation policy.

The fears that the worsening of the financial conditions might contribute in the future to the lowering of trust have led to common efforts from governments and central banks to adopt some measures to counteract the vicious circle of increasing risk aversion and to help in the reduction of financial crisis effects and, finally, to reinstate the operation under normal market conditions.

The management cannot foresee all the events that would have an impact onto the financial sector in Romania and therefore, what are the effects that they would have onto these financial statements, if the case.

The management cannot 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 Company’s financial statements.

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

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

(h) Capital adequacy

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

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