

Translation for information purposes only



**THE CONSOLIDATED REPORT
OF THE ADMINISTRATORS**
FOR THE FINANCIAL YEAR 2019

THE „VRANCART” GROUP OF COMPANIES

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1. ANALYSIS OF THE ACTIVITY

1.1.1. General information

The Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branch Rom Paper S.R.L., based in Cristian locality, DN73B, Brasov county.

The merger through absorption between Vrancart SA as absorbing company and its branch Giant Prodimpex SRL as absorbed company took place on September 1st, 2018.

The Group operates in the paper and corrugated cardboard industry.

General evaluation elements of the Group:

a) gross book result	RON 24.445 thousand
b) turnover	RON 362.001 thousand
c) export	RON 53.867 thousand
d) operating costs	RON 349.617 thousand
e) % of the market held	

Year 2019	Tissue paper	- 11%
	Paperboards	- 17%
	Corrugated cardboard	- 17%

f) liquidity as at the year-end	RON 2.485 thousand
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VRANCART SA

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

General presentation

Company name	„VRANCART”
Type of company	Joint-stock trade company
Address	17 Ecaterina Teodoroiu Street, Adjud, Vrancea county, 625100
Telephone/ Fax no.	0237.640.800/ 0237.641.720
Registered with the Trade Registry under no.:	J39/239/1991
VAT number	1454846
Tax Identification Number	RO1454846
Share capital	RON 103.168.355
Nominal value of shares	RON 0,10/share
Number of shares	1.031.683.547

The company has its registered office in Adjud and working points opened in the following localities: Bucharest, Călimănești, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mureș and Brăila.

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

- single-faced corrugated cardboard, double-faced corrugated cardboard, double-double faced corrugated cardboard with B, C, B+C, E+C flutes, corrugated cardboard with micro-flutes;
- corrugated cardboard packaging (boxes) of various sizes, die-cut and printed;
- paperboards in various assortments;
- tissue papers in various assortments;
- paper strips for the manufacturing of paper core tubes;
- paper core tubes.

Besides the production activities resulting in the products mentioned above, VRANCART also performs activities to support its main activities (supporting activities): the production of utilities (industrial water, treated water for thermal boilers, process steam, waste water clarifying), mechanical maintenance, electric and automation activities, predictive maintenance of the technological machines, quality control, transports (to the company's working points and to customers) and others.

In 2019, the average number of employees of the Group was of 1.316 (2018: 1.262).

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

As at December 31st, 2019, the Company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

ROM PAPER SRL

On January 19th, 2017, the company completed the process related to the purchase of the shares of Rom Paper S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders. Following the purchase, Vrancart holds 85% of the shares as at September 30th, 2017. The acquisition contract provides the purchase in three annual stages, of 70% (completed), 15% (completed) and 15% (completed in 2018).

Rom Paper S.R.L. ("the 2nd Branch") was established in 2002 and it is a Romanian privately-owned company. Its products are traded in 7 countries, both on the territory of Romania, and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors. The product range provided by the company was constantly diversified and evolved, being adapted to customers' needs.

Identification data of the company acquired

Name – Rom Paper S.R.L.

Registered office – Cristian locality, DN73B, Brasov county

Registered with the Trade Registry under no.: J28/548/2002

Tax Identification Number – 14619270

Field of activity – production of corrugated cardboard packaging

The average number of employees of the Branch as at December 31st, 2019 was 136 (December 31st, 2018: 129 employees).

1.1.2. Evaluation of the Group's technical level

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

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

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

Market	M.U.	2019	2018	2017
Paperboards	to	88.941	91.061	85.642
Corrugated cardboard and packaging	to	62.563	64.885	59.393
Tissue paper	to	25.658	23.683	27.317

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

Product category	M.U.	2019	2018	2017
Paperboards	%	11%	13%	17%
Corrugated cardboard and packaging	%	65%	52%	46%
Tissue paper	%	18%	32%	36%
Other activities	%	6%	3%	1%

The investments made in 2019, by groups of fixed assets, were as follows:

Investments made	Amount (RON)
Buildings and building improvements	2.198.545
Technological equipment	39.218.543
Work apparatus and installations	301.984
Means of transport and other fixed assets	4.597.470
Intangible assets	895.359
TOTAL	47.211.901

1.1.3. Evaluation of the technical-material supply activity

The main raw material of the Group's paper manufacturing plants is represented by waste paper. It is purchased by means of the Company's own collection centers or directly from generators.

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

Waste paper purchases	M.U.	2019	2018	2017
Purchases through the collection centres	to	90.390	82.883	84.102
	% out of the total purchases	65%	62%	65%
Direct purchases (Adjud)	to	48.353	50.986	44.436
	% out of the total purchases	35%	38%	35%
Total purchases	To	138.743	133.869	128.538
	%	100%	100%	100%

1.1.4. Evaluation of the sales activity

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

Market segment	M.U.	2019	2018	2017
Paperboards	to	19.137	26.206	30.839
Corrugated cardboard and packaging	to	62.759	64.466	59.135
Tissue papers	to	30.175	25.989	27.147

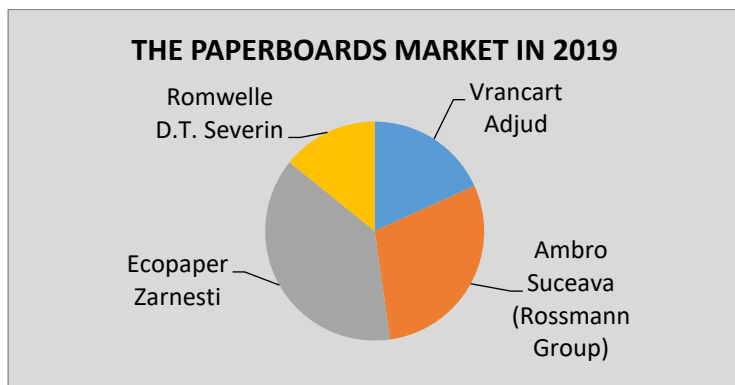
The state of competition

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

A. On the paperboards market in Romania, there were four competitors in 2019. The production capacities of the paper production plants and the main characteristics defining them, by producers, are as follows:

Producer	Annual production capacity (to/year)
Ambro Suceava – Rossmann Group	150.000
Ecopaper Zărnești	250.000
Vrancart Adjud	100.000
Romwelle	70.000
Total	570.000

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



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

Market share evolution for Paperboards

Producers	2019	2018	2017
Vrancart	17%	18%	24%
Other producers	83%	82%	76%
Total	100%	100%	100%

Source: VRANCART's estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2019 there were 9 competitors, out of which 5 have two mills each (Vrancart, Dunapack, DS Smith, Rossmann and Rondocarton).

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

The total production capacity of the 15 corrugated cardboard mills amounts to over 750 thousand tons per year. The consumption in 2019 was of 390 thousand tons, that is 52% of the total production capacity. In 2019, corrugated cardboard packaging consumption recorded an increase of approximately 0.7%, respectively 1.5% in square metres from the previous year and there is still an increasing trend in this segment.

Corrugated cardboard producers in 2019 in Romania

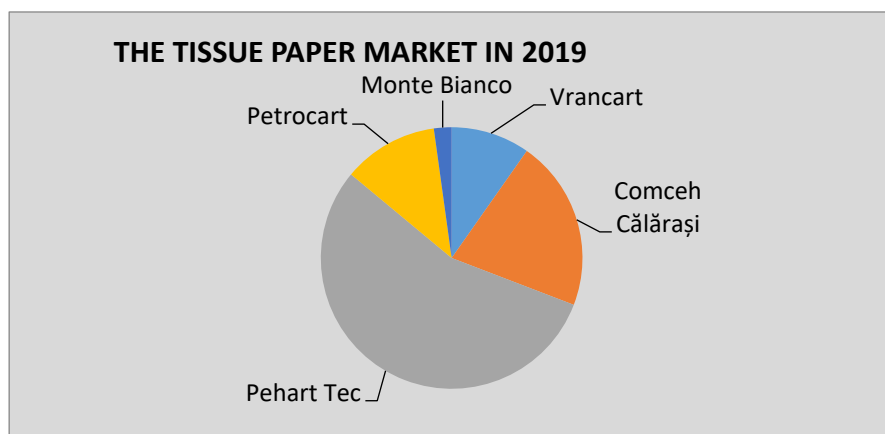
No.	Producer's name	Production capacity (to/year)
1	Rondocarton (2 Mills)	160.000
2	Rossmann (2 Mills)	120.000
3	Vrancart (2 Mills)	120.000
4	Dunapack (2 Mills)	120.000
5	DS Smith Group (2 Mills)	80.000
6	VPK Salonta	60.000
8	Thimm Sura Mica	60.000
9	Europa Expres Iași	30.000
TOTAL		750.000

Market share evolution for Corrugated cardboard and corrugated cardboard packaging

Producers	2019	2018	2017
Vrancart Adjud	17%	16%	15%
Other producers	83%	84%	85%
Total	100%	100%	100%

Source: VRANCART's estimates

C. On the tissue paper market, with a market share of 11% in 2019 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.



„VRANCART” recorded an increase of its market share in 2019 compared to 2018, while internal production remained relatively constant at approximately 170 thousand tons/year.

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

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

Also, during the next period, new production capacities will appear. MG TEC Industry Dej will build with a state aid a new mill of large consumption tissue paper products, where it will invest over EUR 80 million in two new production lines. The equipment will be put in operation in 2020 and 2022 (Source: <https://www.tissueworldmagazine.com>).

Producers	2019	2018	2017
Vrancart Adjud	11%	10%	11%
Other producers	89%	90%	89%
Total	100%	100%	100%

Source: VRANCART's estimates

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

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

The average number of employees in 2019 was 1316 employees, out of which:

- 173 higher education graduates
- 511 high school graduates
- 388 vocational school graduates
- 244 middle school graduates

Out of the total number of employees, 274 are trade union members (there is only one union within the Group, at the parent-company's headquarters).

The labour force fluctuation index during 2019 was 20% (the number of employees that left the company/average number of personnel x 100).

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

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

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

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

Vrancart Group has implemented an integrated quality-environment-health management and labour security system, which was re-certified in September 2018, according to ISO 9001/2015; ISO 14001/2015 and OHSAS 18001/2007, by Lloyd's Register England, Bucharest Agency.

1.1.7. Evaluation of the research and development activity

The company is involved as a partner in various research and development projects. Thus, in 2019, "Gheorghe Asachi" Technical University in Iasi submitted a project for financing with the programme: PN-III-CERC-CO-PED-2016 with the name „Novel materials with optical properties for anti-counterfeiting paper" (OptiPaper).

The project objective is to manufacture paper for money production, so as not to allow its counterfeiting. The project will be carried out over a 2 years period.

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

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

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

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

The Group's risk management policies are defined so as to provide the identification and analysis of the risks that the Group is facing, to establish the appropriate limits and controls, as well as to monitor the risks and to meet the limits established. The risk management policies and systems are periodically revised to reflect the changes occurred in the market conditions and the Group's activities. Through its management and training standards and procedures, the Group aims to develop an orderly and constructive control environment, where all the employees understand their roles and obligations.

Credit risk is the risk that the Group incurs a financial loss following its partners' failure to meet their contractual obligations. The maximum exposure to credit risk was:

Book value	December 31st, 2019	December 31st, 2018
Trade receivables and other receivables	72.711.693	69.439.786
Cash and cash equivalents	2.485.165	2.435.896
Total	75.196.858	71.875.682

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

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

December 31st, 2019	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	121.496.708	127.571.544	69.657.239	54.496.021	3.418.284
Financial leasing	12.473.867	12.719.608	4.138.113	8.581.495	-
Trade liabilities and other liabilities	48.309.967	48.309.967	48.002.067	307.900	-
Total	182.280.542	188.601.119	121.797.420	63.385.416	3.418.284

December 31st, 2018	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	105.636.117	109.722.589	49.391.174	57.021.003	3.310.412
Trade liabilities and other liabilities	50.599.032	50.599.032	50.236.432	362.600	-
Total	156.235.149	160.321.621	99.627.606	57.383.603	3.310.412

The Group's approach to managing liquidity consists of making sure, as far as possible, that it always has sufficient funds to pay its liabilities that reached their maturity dates, both under normal

conditions and under stress conditions, without incurring unacceptable losses or endangering the Group's reputation.

Market risk

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

Currency exchange risk

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

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

December 31st, 2019	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	72.711.693	68.337.995	4.373.635	64	-
Cash and cash equivalents	2.485.165	2.210.914	165.421	100.465	8.365
Financial assets	75.196.858	70.548.908	4.539.056	100.529	8.365
Loans	159.438.808	154.977.089	4.461.719	-	-
Debts under leasing contracts	12.473.867	1.267.936	11.205.931	-	-
Trade liabilities and other liabilities	48.309.967	36.753.353	11.396.254	137.671	22.689
Financial liabilities	220.222.643	192.998.377	27.063.904	137.671	22.689
Total net financial assets /(liabilities)	(145.025.785)	(122.449.469)	(22.524.848)	(37.142)	(14.324)

December 31st, 2018	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	69.439.786	62.975.416	5.760.818	703.554	-
Cash and cash equivalents	2.435.896	2.370.593	23.089	24.600	17.613
Financial assets	71.875.682	65.346.007	5.783.908	728.154	17.613
Loans	143.523.517	142.894.069	629.448	-	-
Trade liabilities and other liabilities	50.599.032	40.032.947	10.318.797	238.201	9.087
Financial liabilities	194.122.550	182.927.016	10.948.246	238.201	9.087
Total net financial assets /(liabilities)	(122.246.868)	(117.581.009)	(5.164.338)	489.953	8.527

Sensitivity analysis

An increase by 10 percentage points of RON as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2019: RON -2.257.631 (December 31st, 2018: RON -466.586). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

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

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

1.1.9. Prospects for the Group's business

In 2020, the Company will continue its development process through the implementation of large investments that will lead to the optimization and increase of the production capacity, as well as to the diversification of its product portfolio. Although their performance will require great investment efforts and disturbances of the production flow (for the replacement/ upgrade of equipments), the Company expects its results will be at the same level as in the previous year.

2. THE GROUP'S TANGIBLE ASSETS

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

The following production capacities operate within the Group:

- a) *The corrugated cardboard production machine*, with an existing production capacity of 80.000 tons/ year;
- b) *The paperboards production machine*, with a production capacity of 120.000 tons/ year, under the condition of operation with 100% waste paper as raw material;
- c) *The tissue paper machine*, with a production capacity of 25.500 tons/ year;

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

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The last re-evaluation of the patrimony was made as at December 31st, 2019.

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

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

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

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

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

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

The degree of wear in the records as at December 31st, 2019 is as follows:

(all the amounts are stated in RON thousand)

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	90.616	23.930	26%
Equipment and other fixed assets	364.060	172.164	47%

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

A part of the Group's tangible assets are mortgaged or pledged to guarantee the loans granted by banks. The net book value of these pledged or mortgaged assets is RON 152.008 thousand as at December 31st, 2019 (December 31st, 2018: RON 111.417 thousand). The net book value of the assets purchased through financial leasing is RON 1.399 thousand as at December 31st, 2019 (December 31st, 2018: RON 1.219 thousand).

3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP

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

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

The shareholding structure as at December 31st, 2019 is as follows:

- SIF Banat-Crişana - 75,06 %
- Legal entities - 20,03 %
- Natural persons - 4,91 %

3.2. Description of the Group's policy on dividends

The Group's policy on dividends is established by the Ordinary General Meeting of the Shareholders.

In the past three years, only the parent-company distributed dividends.

Through the Decision no. 4 of April 24th, 2019, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit for the financial year ended on December 31st, 2018, in the amount of RON 9.800.994, respectively a gross amount of a dividend of RON 0,0095/share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes
2017	22.328.453	1.277.195	11.348.519	9.333.273	-	369.466
2018	17.772.017	951.043	9.800.994	7.662.059	-	**
2019	22.892.856	1.224.900	**	11.678.280	-	**

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

**The distribution of the Group's profit falls under the competence of the Ordinary General Meeting of the Shareholders and will be established during the meeting to be held in April 2020.

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

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

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

On July 17th, 2015, the company completed the process related to the purchase of the shares of Giant Prodimpex Târgu Mureș, approved through the Decision no. 7 of April 30th, 2015 of the Ordinary General Meeting of the Shareholders. Following the purchase, Vrancart holds 100% of the shares of Giant Prodimpex S.R.L.

On November 23rd, 2018, the company Giant Prodimpex SRL was deregistered following the approval of the merger through absorption between Vrancart SA – the parent-company – as absorbing company and the branch Giant as absorbed company. The merger date was considered September 1st, 2018, respectively the first day of the month following the month when the General Meeting of the Shareholders approved the merger, in accordance with the Merger prospectus.

On January 19th, 2017, the the process related to the purchase of the shares of Rom Paper S.R.L. was finalised, being approved by the Ordinary General Meeting of the Shareholders. Following the purchase Vrancart holds 85% as at December 31st, 2017. The acquisition contract provides the purchase in three annual steps, of 70% (completed), 15% (completed) and 15% (completed in 2018).

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

During the period between January 1st – December 31st, 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1st, 2017, the Financial Supervisory Authority approved the bond issuance prospectus in the amount of RON 38.250.000, with the interest Robor 3m + 2%, with the maturity term in 7 years. On March 13th, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds. The bonds are listed at the Bucharest Stock Exchange.

4. THE GROUP'S MANAGEMENT

4.1. The Group's Administrators

a) Presentation of the list of administrators of the trade company and of the following information for each administrator (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31st, 2019:

1. Ciucioi Ionel-Marian – aged 42, economist, Chairman of the Board of Administrators and General Manager for 6 years
2. Bîlteanu Dragoş George – aged 42, economist, member of the Board of Administrators of „Vrancart” for 7 years
3. Drăgoi Bogdan Alexandru – aged 40, economist, member of the Board of Administrators of „Vrancart” for 4 years
4. Mihailov Sergiu, aged 40, economist, member of the Board of Administrators of „Vrancart” for 2 years

On April 3rd, 2019, Mr. Lakis El Najib waived his mandate as a member of the Board of Administrators.

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

Not applicable.

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

The administrators' participation in the company's capital as at la December 31st, 2019:

1. Ciucioi Ionel-Marian – 0 shares
2. Bîlteanu Dragoş George - 0 shares
3. Drăgoi Bogdan Alexandru – 0 shares
4. Mihailov Sergiu – 0 shares

d) the list of persons affiliated to the Group

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

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

4.2. The Group's executive management

a) The Group's executive management as at December 31st, 2019 was provided by Mr. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators of Vrancart S.A. and also chairman of the Board of Administrators of the branch Rom Paper S.R.L.

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

- Not applicable.

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

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

4.3. Potential disputes or administrative procedures

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

- Not applicable.

5. INTERNAL CONTROL AND RISK MANAGEMENT

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

The general objectives of internal audit for 2019 were focused in particular on risk management, as well as on the assessment of the general system of controls implemented for transactions and/ or flows.

The consolidated financial statements of the Vrancart Group for the financial year ended on December 31st, 2019 were audited by the external auditor BDO Audit SRL.

The audit opinion states that the financial statements provide a fair view, in all significant aspects, of the financial position, as well as of the comprehensive income and of the cash flows for the financial year ended on December 31st, 2019 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

6. SOCIAL RESPONSIBILITY

The Vrancart Group constantly carries out activities related to the its social responsibility and each year it supports either directly or through foundations/ specialised associations the unprivileged categories of people from the local community where it carries out its activity.

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

7. NON-FINANCIAL STATEMENT

“VRANCART” S.A. will draft a separate report on information related to the consolidated non-financial statement and the aspects related to diversity, in accordance with the provisions of chapter 7 of Order no. 2844/2016. The separate report concluded for 2019 will be made available to the public on the Company's website www.vrancart.ro, until June 30th, 2020.

8. THE FINANCIAL AND ACCOUNTING STATEMENTS

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

Summarized table of the financial performance indicators in the past 3 years

Indicator's name	M.U.	December 31 st , 2019	December 31 st , 2018	December 31 st , 2017
General liquidity	Ratio	1.05	1.15	1.22
Immediate liquidity	Ratio	0.59	0.69	0.76
Stock turnover	Rot/year	6	7	8
Debt recovery	Days	72	70	73
Reimbursement of trade liabilities	Days	37	39	43
Operation profitability	%	9%	7%	9%
Gross profit ratio	%	7%	5%	8%

8.1. Consolidated statement of financial position in the past 3 years

<i>(RON)</i>	December 31 st , 2019	December 31 st , 2018	December 31 st , 2017
ACTIVE			
Tangible assets	318.233.960	284.802.972	263.138.155
Intangible assets	7.717.493	8.052.663	9.230.006
Financial assets	35.293	34.756	-
Goodwill	8.526.391	8.526.391	8.526.391
Total non-current assets	334.513.137	301.416.782	280.894.552
Inventories	59.833.767	48.922.412	42.945.100
Trade receivables	72.238.293	68.673.849	66.016.628
Prepaid expenses	869.447	880.606	730.972
Restricted cash	-	-	4.130
Cash and cash equivalents	2.485.165	2.435.896	3.219.141
Receivables related to current profit tax	339.999	102.001	1.002.646
Other receivables	473.401	765.937	416.657
Total current assets	136.240.072	121.780.701	114.335.274
TOTAL ASSETS	470.753.209	423.197.483	395.229.826
EQUITY			
Share capital	103.168.355	103.168.355	103.168.355
Reserves	111.517.107	86.396.421	75.445.583
Retained earnings	10.211.840	12.949.042	18.129.505
Total equity	224.897.302	202.513.818	196.743.443
LIABILITIES			
Long-term loans	46.168.826	51.903.848	38.064.304
Long-term liabilities under leasing contracts	8.438.653	530.236	1.138.161
Long-term loans from bond issues	37.942.100	37.887.400	37.232.800
Deferred income	15.569.283	18.304.694	20.793.786
Long-term provisions	372.440	372.440	376.015
Debts related to deferred profit tax	6.956.128	5.143.692	5.987.434
Other long-term liabilities	307.900	362.600	1.017.200
Total long-term liabilities	115.755.330	114.504.910	104.609.700
Short-term trade liabilities	37.564.636	38.611.249	38.793.148
Short-term loans	75.327.882	52.593.856	36.791.348
Short-term liabilities under leasing contracts	4.035.213	608.178	763.590
Deferred income	2.735.415	2.740.289	3.212.452
Short-term provisions	-	-	72.393
Debts related to current profit tax	-	7.928	51.695
Other short-term liabilities	10.437.431	11.617.255	14.192.057
Total current liabilities	130.100.577	106.178.755	93.876.683
TOTAL LIABILITIES	245.855.907	220.683.665	198.486.383
TOTAL EQUITY AND LIABILITIES	470.753.209	423.197.483	395.229.826

8.2. Consolidated statement of comprehensive income in the past 3 years

<i>(RON)</i>	2019	2018	2017
Income from turnover	362.000.902	355.414.633	324.981.015
Other income	3.928.285	3.698.375	3.413.470
Variation of finished products inventories and production in progress	15.219.705	4.027.368	319.306
Expenses related to raw materials and consumables	(183.234.053)	(180.295.883)	(172.309.913)
Expenses related to commodities	(26.232.934)	(19.669.707)	(10.352.008)
Third party expenses	(27.879.290)	(25.258.111)	(25.227.578)
Personnel-related expenses	(72.400.901)	(67.863.714)	(59.866.434)
Expenses related to amortisation and impairment of tangible assets	(26.693.232)	(25.675.940)	(23.658.531)
Other expenses	(10.176.578)	(20.909.263)	(7.198.461)
Operating result	31.541.904	23.467.758	30.100.866
Financial income	1.709	1.115.264	1.035.689
Financial expenses	(7.098.653)	(6.803.610)	(3.072.728)
Profit (loss) before taxation	24.444.960	17.779.412	28.063.827
Profit tax expense	(1.234.759)	(960.844)	(2.624.873)
Profit (loss) for the year	23.210.201	16.818.568	25.438.954
Other comprehensive income items			
Increases in the reserve from revaluation of tangible assets, net of deferred tax	11.878.496	-	18.963.480
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	35.088.697	16.818.568	44.402.434

8.3. Consolidated statement of cash flows in the past 3 years

<i>(RON)</i>	2019	2018	2017
Cash flows from operating activities			
Amounts collected from customers	413.662.850	404.327.883	368.881.379
Payments to suppliers	(273.627.372)	(270.709.827)	(252.220.327)
Payments to employees	(45.592.583)	(43.440.660)	(44.647.130)
Payments to the state budget	(57.340.504)	(50.716.673)	(35.356.586)
Profit tax paid	(1.590.547)	(1.731.783)	(3.380.501)
Net cash flows from operating activities	35.511.844	37.728.940	33.276.835
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(34.561.091)	(46.669.941)	(52.930.644)
Payments for the purchase of financial assets	-	(5.074.273)	(23.792.455)
Escrow account	-	-	8.899.753
Letters of credit for the purchase of tangible assets	-	(530.871)	-
Collections from the sale of tangible assets	186.315	1.518.567	105.302
Interests collected	268	33.481	1.221
Net cash flows from investment activities	(34.374.508)	(50.723.037)	(67.716.823)
Cash flows from financing activities			
Amounts collected from loans	35.078.786	50.202.137	94.690.407
Payments for leasing	(3.437.670)	(938.433)	(1.107.978)
Interests paid and loans reimbursed	(23.125.321)	(25.893.772)	(67.069.966)
Dividends paid	(9.603.862)	(11.159.080)	(13.786.199)
Net cash flows from financing activities	(1.088.067)	12.210.852	12.726.264
	49.269	(783.245)	(21.713.724)
Net increase/(reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	2.435.896	3.219.141	24.932.865
Cash and cash equivalents at the financial year end	2.485.165	2.435.896	3.219.141

9. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END

9.1. Subsequent Events

The Ordinary General Meeting of the Shareholders took place on January 8th, 2020, during which it was decided that Mr. Bîlteanu Dragoş George will be revoked from his position as director due to incompatibility reasons.

During the meeting of the Board of Directors held on January 27th, 2020, Mr. Minea Alexandru-Lucian and Mr. El Lakis Rachid were appointed as provisional members of the Board of Directors, until the date of the Ordinary General Meeting of the Shareholders of Vrancart.

9.2. Impact assessment “COVID-19”

In the context of the situation generated by the COVID-19 virus, the Company has carried out its own assessment regarding the effects that it can have on the activity performed, analyzing the uncertainties and risks to which the Company is exposed in the next period. The major areas that were analyzed and which measures were taken to reduce the impact on the Company's activity were: employees, analysis of the demand for products and services, honor contracts, supply, financial commitments, the effect of the announced or planned fiscal measures and assessing future earnings.

Although the economic effects generated by the COVID-19 pandemic cannot be fully estimated, the Company considers that the very good financial situation, the access to financing and the markets it activates, are solid bases for ensuring the continuity of activity and for limiting the negative effects generated by the COVID-19 crisis.

The consolidated report of the administrators was approved by the Board of Administrators of VRANCART SA.

SIGNATURES

The report was signed by the authorised representative of the Board of Administrators, by the manager/the executive manager and by the financial manager of the company.

Ciucioi Ionel-Marian
Chairman of the Board of Administrators

Arsene Vasilica-Monica
Financial Manager