

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of VRANCART SA

Headquarters: 17 Ecaterina Teodoroiu str., Adjud, Vrancea, Romania;
CUI: 1454846

Report on consolidated financial statements

Opinion

- 1 We have audited the consolidated financial statements of VRANCART SA ("the Company"), which comprise which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

The consolidated financial statements as of December 31, 2019 refer to:

▪ Net assets/Total equity and reserves:	RON 224.897.302
▪ Net loss of the year:	RON 23.210.201

- 2 In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards (OMFP no. 2844/2016).

Basis for Opinion

- 3 We conducted our audit in accordance with International Standards on Auditing (ISAs), EU Regulation no. 537 issued by the Parliament and the European Council (the Regulation), and Law no. 162/2017 (the Law). Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Romania, including the Regulation and the Law, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

- 4 Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
<p>Key audit matters</p> <p>Please see Note 18 „Revenue from turnover” and the revenue recognition policy from Note 3 (p).</p> <p>According to ISA, an inherent risk regarding the revenue recognition may exist when management is under pressure to achieve an expected financial outcome.</p> <p>The main activities out of which the Company obtains revenue are the sale of cardboard plates, cardboard packaging, sanitary paper products and paper towels.</p> <p>Revenue is recorded when the control over the goods sold is transferred to the final customer, which happens at the moment of the reception of the products sold and are adjusted with the commercial discounts, according to the agreements concluded between parties.</p>	<p>How audit addressed key audit matters:</p> <p>The audit procedures performed included, among others:</p> <ul style="list-style-type: none"> ▪ Evaluating the processes and internal controls regarding existence and accuracy of revenue recognition, including detection of fraud and errors in revenue recognition; ▪ Inspection based on a sample of contracts signed with customers, to understand the delivery conditions, and the conditions for discounts to be paid; ▪ Examine the sale journals to identify unusual transactions and inspection of supporting documentation to assess whether the revenue has been properly recognized. ▪ Performing audit procedures to test that the revenue was recorded in the appropriate period, for a sample of the transactions recorded close to the year end. ▪ Testing based on a sample of the receivables recorded by sending confirmations letters.

Other Information - Report of the Board of directors

- 5 The Board is responsible for preparation and presentation of other information. The other information comprises the consolidated Board of Directors Report but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- 6 In connection with our audit of the consolidated financial statements for the year ended at December 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
- 7 With regards to the Board of directors Report, we have read and report whether it was prepared, in all material respects, in accordance with the OMFP 2844/2016, articles 26-28, out of the Accounting Regulations in accordance with International Financial Reporting Standards.

- 8 Based exclusively on the activities that should be done during the audit of the financial statements, in our opinion:
 - a) Information presented in the Board of Directors Report for the financial period for which the consolidated financial statements have been prepared, is in accordance, in all material respects, with financial statements;
 - b) The Board of Directors Report has been prepared, in all material respects, in accordance with OMFP 2844/2016, articles 26-28 out of the Accounting Regulations in accordance with International Financial Reporting Standards.
- 9 Besides this, based on our knowledge and understanding of the Company and its environment gained during the audit of consolidated financial statements for the year ended at December 31, 2019, we shall report whether we identified any information included into Board of Directors Report that is material misstated. We have nothing to report in this regard.

Responsibilities of Management and Those charged with Governance for the Consolidated Financial Statements

- 10 Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with OMFP 2844/2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 11 In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company's or to cease operations, or has no realistic alternative but to do so.
- 12 Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

- 13 Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.
- 14 As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
 - We obtain sufficient and adequate audit evidence regarding the financial information of the entities or activities within the Group, in order to express an opinion regarding the consolidated financial statements. We are responsible for the coordination, supervision and execution of the group audit. We are solely responsible for our audit opinion.
- 15 We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 16 We also, provide those charged with governance with a statement regarding our compliance with ethical requirements regarding independence, and we communicate to them all the relationships and other aspects which could may be reasonably considered that could affect our independence and, where needed, related safety measures.
- 17 Out of the aspects communicated to those charged with governance, we set those aspects that were of higher importance in auditing the financial statements from the current period and, therefore, represents key audit matters. We described such aspects in our audit report, except for the case when the legislation or regulation prohibit public presentation of such aspects, or in case of, in extremely rare circumstances, we consider that an aspect may not be presented in our report when the negative impact of such a communication will overcome the benefits of presentation.

Report on other legal and regulatory provisions

- 18 We were appointed by the General Shareholders Assembly on April 24, 2019 to audit the financial statements of VRANCART S.A. for the financial years 2019 and 2020. The total passed continuous period of our commitment is 1 year, respectively for the financial year ended December 31, 2019.
- 19 We confirm that:
- Our audit opinion is in accordance with the additional report presented to the Company's Audit Committee, which was issued on the same date as this report. Also, during our audit, we maintained our independence in relation with the audited entity.



- We have not provided to the Company prohibited non-audit services, mentioned in article 5 (1) of the EU Regulation no.537 / 2014.
- 20 For the financial year to which our statutory audit refers, in addition to the audit services, we have provided the Company and the entities controlled with the following services that are not presented in the consolidated financial statements or in the Report of the Board of Directors:
- Limited assurance services in relation with the prices of the transactions presented by the Company in the current reports comprising the legal documents concluded between January 1 - June 30, 2019 and July 1 - December 31, 2019 according to the provisions of article 82 of the law on issuers of financial instruments and market operations. no. 24/2017 and of Regulation no. 5/2018 of the Financial Supervisory Authority regarding issuers and securities transactions;

Other matter

- 21 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

On behalf of BDO AUDIT SRL

Registered to Electronic Public Register of financial auditors and audit companies no. FA18

Name of the engagement partner: Cristian Iliescu

Refer to the original signed
Romanian version

Registered to Electronic Public Register of financial auditors and audit companies no. AF1530

March 11, 2020

Bucharest, Romania