



Translation for information purposes only

REPORT OF THE BOARD OF ADMINISTRATORS

FOR THE FINANCIAL YEAR 2020

Name of the issuing entity:	VRANCART S.A.
Registered office:	Adjud, 17 Ec. Teodoroiu Street, Vrancea
Telephone/fax no.:	0237-640.800/0237-641.720
Tax Identification Number:	1454846
Trade Registry registration number:	J39/239/1991
Subscribed and paid-in share capital:	RON 103.168.355
The regulated market onto which the securities issued are traded:	The Bucharest Stock Exchange



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1. ANALYSIS OF THE ACTIVITY OF „VRANCART” S.A.

1.1.1. General information

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

General presentation

Trade 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
Tax code	1454846
Tax Identification Number	RO 1454846
Share capital	RON 103.168.355
The nominal value of shares	RON 0,10/share
Number of shares	1.031.683.547

The main object of activity of „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, corrugated cardboard with micro-flutes;
- corrugated cardboard packaging;
- paperboards;
- tissue papers in various assortments.

Also, by means of its waste paper collection network, the company collects its raw material (paper and cardboard waste), as well as other recyclable waste which is sold to other partners.

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 and electrical maintenance, transports (within the company and to customers) and others.

In the context of the situation generated by the COVID-19 virus, the Company made its own assessment regarding the effects that it may have on the activity carried out, 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 on the Company's activity were: employees, analysis of the demand for products and services, contracts to be met, supply, financial commitments, the effect of announced or expected fiscal measures; valuation of future earnings.



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

General evaluation items:

a) gross book result	RON 20.767 thousand
b) turnover	RON 286.477 thousand
c) export	RON 44.467 thousand
d) operating costs	RON 257.461 thousand
e) liquidity as at the year-end	RON 4.333 thousand
f) % of market held (internal estimates)	
In 2020 Tissue paper	- 9 %
Paperboards	- 16 %
Corrugated cardboard	- 15 %

1.1.2. Evaluation of the Company's technical level

The main production activities of „VRANCART” are organised by three different lines of business managed based on their own budgets, component parts of the general budget of the Company, 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 the company's production by lines of business is presented in the table below:

Lines of business	M.U.	2020	2019	2018
The paperboards mill	to	75.592	88.941	91.061
The corrugated cardboard and packaging mill	to	60.292	62.563	62.231
The tissue paper mill	to	17.416	18.131	16.709

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

Lines of business	M.U.	2020	2019	2018
The paperboards mill	%	12%	11%	16%
The corrugated cardboard and packaging mill	%	66%	65%	63%
The tissue paper mill	%	15%	18%	16%



Other activities	%	7%	6%	5%
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The investments made in 2020, by groups of fixed assets, were:

Investments made	Value (RON)
Buildings and building improvements	2.684.297
Technological equipment	18.486.256
Apparatus and working installations	204.316
Means of transport and other fixed assets	2.395.287
Intangible assets	376.358
TOTAL	24.146.514

1.1.3. Evaluation of the technical and material supply activity

The main raw material used by the production mills of “VRANCART” is waste paper. It is purchased by means of the company’s own collection centres or directly from generators.

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

Waste paper purchase	M.U.	2020	2019	2018
Waste paper purchases through the collection centres	to	81.497	90.390	82.883
	% out of the total purchases	66%	65%	62%
Direct purchase (Adjud)	to	41.333	48.353	50.986
	% out of the total purchases	34%	35%	38%
Total purchases	to	122.830	138.743	133.869
	%	100%	100%	100%

1.1.4. Evaluation of the sales activity

The evolution of delivery of the products of „VRANCART” by each market segment in the past 3 years is presented in the table below:

Lines of business	M.U.	2020	2019	2018
The paperboards mill	to	22.538	19.137	26.206
The corrugated cardboard and packaging mill	to	60.363	62.759	61.882
The tissue paper mill	to	17.037	18.469	16.858



The state of competition

In each market segment, there are several manufacturers of products similar to those produced by „VRANCART”.

On the paperboards market in Romania there were four competitors in 2020. The production capacities of the paper production plants based on the public statements of the producers, are as follows:

Producer	Annual production capacity (to/year)
Ambro Suceava (Rossmann Group)	150.000
DS Smith, Zărnești	250.000
Vrancart Adjud	100.000
Romwelle (“CCH”), Turnu Severin	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 hold corrugated cardboard and corrugated cardboard packaging mills, so that most of their own paper production is intended for their own consumption.

Market share evolution for paperboards

Producers	2020	2019	2018
Vrancart Adjud	16%	17%	18%
Other producers	84%	83%	82%
Total	100%	100%	100%

Source: VRANCART estimates

B. On the corrugated cardboard and corrugated cardboard packaging market, in 2020 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 estimated production capacity of the 15 corrugated cardboard mills amounts to over 750 thousand tons per year. The consumption in 2020 was of 387 thousand tons (52% of the total production capacity), recording a slight decrease of approx. 1% in tons compared to the previous year. This was due to the sanitary crisis generated by Covid-19.



Corrugated cardboard producers in Romania in 2020:

No.	Producer's name	Production capacity (to/year) VNC estimates
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

Source: VRANCART estimates

Market share evolution for Corrugated cardboard and corrugated cardboard packaging:

Producers	2020	2019	2018
Vrancart Adjud	15%	17%	16%
Other producers	85%	83%	84%
Total	100%	100%	100%

Source: VRANCART estimates

C. On the tissue paper market, with a market share of 9% in 2020 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.

„VRANCART” recorded a reduction of its market share in 2020 compared to 2019, while internal production increased by approx.. 12% from the previous year, reaching 191 thousand tons/year.

Unlike its 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.

At the end of 2020, Vrancart purchased, through bid, the tissue paper production machine from Petrcart and it will be started over the next period (during the first half of 2021).

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 into operation in 2022 (Source: <https://www.tissueworldmagazine.com>).

Market share evolution for Tissue paper

Producers	2020	2019	2018
Vrancart Adjud	9%	11%	10%



Other producers	91%	89%	90%
Total	100%	100%	100%

1.1.5. Evaluation of the aspects related to the Company'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 2020 was 1104 employees, out of which:

- 154 higher education graduates
- 474 high school graduates
- 297 vocational schools graduates
- 179 middle school graduates

Out of the total number of employees, 217 are trade union members (there is only one trade union within the Company).

The labour force fluctuation index in 2020 was 27% (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.

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

1.1.6. Evaluation of the aspects related to 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 S.A. 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 in 2020 according to ISO 45001/2018, by Lloyd's Register England, Bucharest Agency.

The impact of the Company's activity onto the environment is constantly monitored through the implementation of the Environmental Management System and implicitly through the compliance with the laws in force and the **INTEGRATED ENVIRONMENT AUTHORISATION no. 1/18.03.2015, which was revised on April 14th, 2020.** According to the legislation in force, the INTEGRATED ENVIRONMENTAL AUTHORISATION is valid only with an annual endorsement.

In the event of any changes in the operating conditions (e.g. production capacity increases, investments for the modernisation of the technological flows), in accordance with the legislation in force, the integrated environmental authorisation must be reviewed. This was the reason for the reviewing of the integrated environmental authorisation issued on April 14th, 2020.



ENVIRONMENTAL FACTOR: AIR

The following emissions result from the activity of VRANCART S.A.:

- hot air emissions (after the moist air from drying paper goes through absorption hoods) that are evacuated through exhaust chimneys at high altitude);
- emissions from the combustion gases from the process steam generating boilers (Bosch and CTAT – hot reserves), the 3 process steam generators and the production waste co-incineration plant, which are removed through chimneys at high altitude;
- emissions resulting from the manufacturing processes – spread dust emissions due to the handling of auxiliary solid materials and the processing of tissue paper;
- noise resulting from the operation of the burning and production plants.

The greenhouse gas emissions authorisation no. 126/05.03.2013, revised on November 2nd, 2018, was also revised on February 18th, 2019 due to the replacement of a 24kW centralised heating plant by a 35 kW centralised heating plant.

According to the requirements of the Integrated Environmental Authorisation, we carried out the following:

- determinations for the ambient environment were carried out by the Vrancea Directorate of Public Health
- determinations of the noise level at the limit of the location were carried out by ICEMENERG Bucharest (a laboratory accredited according to ISO 17025).

The results proved that the values measured are below the maximum limits allowed, as established by the applicable legislation in the field.

In 2020, we carried out measurements of the pollutants discharged by fixed sources, in accordance with the Integrated Environmental Authorisation, with ICEMENERG Bucharest (a laboratory accredited according to ISO 17025); the results were below the maximum limits allowed, imposed through the abovementioned authorisation.

We believe that VRANCART's activity has an **insignificant impact onto the air environmental factor**, and the level of emissions into the air comply with the provisions of:

- the Government Decision no. 1218/2006 as supplemented by the Government Decision no. 1/2012 and the Government Decision no. 355/2007 for the establishing of the minimum labour health and security requirements for the provision of the workers' protection against the risks related to the presence of chemical substances;
- the Government Decision no. 493/2006 on the minimum labour health and security requirements related to the workers' exposure to the risks generated by noise;
- the Government Decision no. 1091/2006 on minimum labour health and security requirements at the work place;
- the Government Decision no. 1048/2006 on minimum security and health requirements for the use of the personal protective equipment by workers at the workplace.
- We believe that VRANCART's activity has an **insignificant impact onto the air environmental factor**, and the level of emissions into the air comply with the provisions of:



- the Government Decision no. 1218/2006 as supplemented by the Government Decision no. 1/2012 and the Government Decision no. 355/2007 for the establishing of the minimum labour health and security requirements for the provision of the workers' protection against the risks related to the presence of chemical substances;
- the Government Decision no. 493/2006 on the minimum labour health and security requirements related to the workers' exposure to the risks generated by noise;
- the Government Decision no. 1091/2006 on minimum labour health and security requirements at the work place;
- the Government Decision no. 1048/2006 on minimum security and health requirements at the workplace;
- Order no. 462/1993 of the Ministry of Waters, Forests and Environmental protection for the approval of the technical conditions related to environmental protection and the Methodological norms on the determination of the emissions of air pollutants produced by stationary sources;
- Law no. 104/2011 on air quality, as amended as supplemented by the Government Decision no. 336/2015 and the Government Decision no. 806/2016;
- Law no. 278/2013 on industrial emissions, as amended as supplemented by the Government Emergency Ordinance no. 101/2017.

ENVIRONMENTAL FACTOR: WATER

VRANCART S.A. holds the “**Water Management Permit no. 1/04.02.2008**”, revised on **November 4th, 2013, valid until February 4th, 2017**. In June 2017, the Water Management Permit was renewed under no. 160/17.07.2017, valid until July 17th, 2022.

In 2020, the wastewater discharged from Vrancart's wastewater treatment plant into Siret river were within the limits imposed by the revised Water Management Permit, according to the current monitoring and the determinations carried out by ALS GLOBAL Ltd, Ploiești (a laboratory accredited according to ISO 17025).

The “Plan for the Prevention and Control of Accidental Pollution” is revised on a yearly basis according to Order no. 278/1997 of the Minister of Water, Forests and Environmental Protection - the framework methodology for the preparation of the plans for the prevention and control of accidental pollution is revised; this plan is submitted to the Vrancea Water Management System and to the Bacau Water Basin Administration.

ENVIRONMENTAL FACTOR: SOIL

Since one of the sources of soil pollution is represented by the faulty management of waste, within the environmental management system, clear rules were established to provide the compliance with the legal provisions on waste.

The manufacturing wastes and the sludge from the wastewater treatment plant are stored in the temporary waste storage facility and are co-incinerated in our own plant, and the resulting process steam is used for dewatering sludge in the dryer, with the purpose to optimise the burning.



The ash resulting from the co-incineration of our own technological wastes is a non-hazardous waste. Since the start-up of the waste co-incineration boiler in 2008, the resulting ash was deposited in several concrete pools. The obligation related to the adequate arrangement and the final closing is in accordance with the provisions of Order no. 757/2004.

According to the requirements on the protection of soil from the “Integrated Environmental Permit”, in October 2020, ALS GLOBAL Ltd Ploiesti (a laboratory accredited according to ISO 17025) made determinations of the concentrations of pollutants. The results showed that the measured values are below the maximum limits allowed.

The Vrancea Environmental Guard, the Vrancea Environmental Protection Agency, the Siret Bacău Water Basin Administration and the Vrancea Water Management System performed controls. The findings were recorded in the control reports – the quality indicators of wastewater did not exceed the limits imposed through the regulatory deeds, according to the information presented in the **Water environmental factor**, without any violations of the legislation in force.

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 and it will be carried out over a period of 2 years. The project was approved in November 2020 and the project implementation period is 2020 – 2022. The project value amounts to RON 600.000 and it is financed from the state budget.

1.1.8. Evaluation of the Company’s activity on risk management

The Company’s risk management policies are defined so as to provide the identification and analysis of the risks that the Company 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 regularly revised to reflect the changes occurred in the market conditions and in the Company’s activities. Through its management and training standards and procedures, the Company aims to develop an orderly and constructive control environment, where all the employees understand their roles and obligations.

The Company is exposed to the following risks from using financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Credit risk is the risk that the Company incurs a financial loss following its partners’ failure to meet their contractual obligations. 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 covers the credit risk through the preparation and implementation of relevant credit policies (e.g. each new customer is analysed on an individual basis in terms of its trustworthiness before being given the standard payment and delivery conditions of the Company; sales limits are established for each separate customer), the customers failing to meet the conditions established by the Company may make transactions with it only after making an advance payment.

Liquidity risk – The Company 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, 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
Debts 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

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
Debts 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

*Out of the total bank loans of RON 93 million as at December 31st, 2020 (respectively RON 105 million as at December 31st, 2019), a percentage of 48% in 2020 (37% in 2019) is represented by credit lines which are renewed on an annual basis. The company believes that it will be able to renew these facilities over the next period as well.

VRANCART's management considers that it is taking all the measures necessary to support the sustainability and development of the Company's business, under the current conditions, through:

- the constant monitoring of liquidity;
- the performance of short-term forecasts on net liquidity;



- the monitoring of the cash inflows and outflows (on a daily basis), the evaluation of the effects onto the debtors, of the limited access to financing and of the economic environment in Romania and in the European area.

Market risk. The objective of managing this risk is to maintain the exposures related to the exchange rate, the interest rate and the price of equity instruments within acceptable limits and at the same time to optimize the return on investment.

1.1.9. Prospects for the Company's business

In 2021, 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 the product portfolio. Although their implementation will require great investment efforts and discontinuations of the production flow (for the replacement/upgrade of equipment), the Company expects its results will be at the same level as in the previous year.

1.1.10. Operating permits and certifications

During the previous years, VRANCART implemented an integrated Quality – Environment – Labour Health and Security system, certified by Lloyd's Register England, Bucharest Branch. The ISO certification takes into account several aspects of the Company's business, from environmental protection to personnel protection and security, to the technical availability of the machines and plants involved in the production processes and proves the management's interest for the constant improvement of the Company's environmental situation, health and security.

The certificates are valid for three years, with half-yearly supervision audits, in order to check the compliance with the requirements of the ISO standards.

The ISO management systems were re-certified in 2018, according to the variants of standards in force.

The certificates for the ISO management systems are valid as follows:

- a) The Quality Management System in accordance with **ISO 9001/2015: 13.09.2021;**
- b) The Environmental Management System in accordance with **ISO 14001/2015: 13.09.2021;**
- c) The Labour Health and Security Management System in accordance with **OHSAS 18001/2007: 12.03.2021.**

In October 2020, the Labour Health and Security Management System was migrated to the new standard ISO 45001/2018. The migration was finalised through the issuance of a certificate in accordance with ISO 45001/2018.

In 2020, supervision audits were carried out in October with the purpose of checking the implementation and maintenance of each individual system, as well as the audit for migration to ISO 45001/2018. The results proved that the management systems operate in accordance with the requirements of the standards chosen as reference models. VRANCART S.A. also holds since 2014 a FSC certification for the Chain of Custody Management System for the recovery, processing and delivery of products obtained from recycled materials, mixed and pure according to the FSC-STD-40-004/ FSC-STD-40-007 standards. The certificate was issued by TUV SUD, valid until October 14th,



2019 and it was revised on October 15th, 2019 and it is valid until October 14th, 2024 with annual supervision audits.

The re-certification was carried out in 2019, due to the expiry of the validity term. During the annual audit carried out in 2020, the certificate was revised, due to the exclusion of tissue paper converting products, that VRANCART S.A. no longer produces.

„VRANCART” operates in accordance with the provisions of:

- **THE INTEGRATED ENVIRONMENTAL AUTHORISATION no. 1/March 18th, 2015**, that was revised on April 14th, 2020 and is valid with an annual endorsement.

- **THE WATER MANAGEMENT AUTHORISATION no. 1/February 4th, 2008**, revised on November 4th, 2013, valid until November 4th, 2017. In 2015, it was revised under no. 190/July 28th, 2015. In June 2017, the Water Management Authorisation was renewed under no. 160/July 17th, 2017, valid until July 17th, 2022 and the indicators' value remained in accordance with NTPA 001/2005.

The **general objectives** of the ISO and FSC management systems were included in the policies on quality, environment, labour health and security. Specific project objectives were established in order to reach the general objectives.

The ISO, FSC certificates and the related policies are available on the website www.vrancart.ro.

2. THE COMPANY'S TANGIBLE ASSETS

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

"Vrancart" S.A. Adjud is located in Adjud municipality, Vrancea county. The following production capacities operate within the Company:

a) *The corrugated cardboard machine*, with the existing production capacity of 80.000 tons/year;

b) *The paperboards machine*, with a production capacity of 100.000 tons/year, considering that the machine operates with raw materials consisting of 100% waste paper;

c) *The tissue paper machine*, with a production capacity of 25.500 tons/year;

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

The re-evaluations are made by specialised assessors, members of ANEVAR (the National Association of Authorised Assessors in Romania). The last re-evaluation of the Company's patrimony was made as at December 31st, 2019. The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ to a significant extent from the value that would be determined using the fair value as at the balance sheet date.

The company has production facilities in Jiblea locality, Valcea county, where a machine for corrugated cardboard production and corrugated cardboard boxes converting (production) operates, as well as in Ungheni, Mures county, where the company holds a mill for corrugated cardboard converting (production of boxes).



2.2. Description and analysis of the degree of wear of the Company'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 Company, 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, 2020 is as follows:

(all the values are expressed in RON thousand):

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	79.784	20.354	26%
Equipment and other fixed assets	365.637	185.987	51%

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

A part of the Company's tangible assets are mortgaged or pledged to guarantee the loans granted by banks. The net book value of these pledged or mortgaged assets was RON 161.456 thousand as at December 31st, 2020 (December 31st, 2019: RON 125.030 thousand). The net book value of the assets purchased through financial leasing was RON 102 thousand as at December 31st, 2020 (December 31st, 2019: RON 1.399 thousand).

3. THE MARKET OF THE SECURITIES ISSUED BY THE COMPANY

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

The shares of "VRANCART" SA are listed at the Bucharest Stock Exchange, 2nd category, with the indicative VNC, starting from July 15th, 2005.

The shareholding structure as at December 31st, 2020 is as follows:

- SIF Banat-Crişana - 75,06 %
- Paval Holding - 17,10%
- Legal entities - 3,02 %



- Natural persons - 4,82 %

3.2. Description of the Company's policy on dividends

The Company's policy on dividends is established by the Ordinary General Meeting of the Shareholders. 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, 2020 in the amount of RON 11.967.530, respectively a gross amount of a dividend of RON 0,0116/share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes
2018	17.772.017	951.043	9.800.994	7.662.059	-	-
2019	22.892.856	1.224.900	11.967.530	9.700.426	-	-
2020	18.533.610	1.038.331	**	6.307.703	-	**

* 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 Company's profit for 2020 falls under the competence of the Ordinary General Meeting of the Shareholders and will be established during the meeting to be held in April 2021.

3.3. Description of any activities of the trade company to redeem its own shares

From its establishing, „VRANCART” S.A. Adjud has not purchased or held at any time its own shares.

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

The company **Rom Paper SRL, Brasov (Branch 1)** was acquired in January 2017. The acquisition contract provided the acquisition in three stages, namely 70% (in January 2017), 15% (in June 2017) and 15% (in June 2018). The acquisition contract was completed, so that as at December 31st, 2020, the Company holds 100% of the shares. The main activity of the company is represented by the production and sale of tissue paper products.

Vrancart Recycling S.R.L. (Branch 2) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste. The company is at the beginning of its activity and had a number of 9 employees as at December 31st, 2020. Vrancart holds 100% of the share capital of the branch as at December 31st, 2020.

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



environmental targets. The company is at the beginning of its activity and it is currently pending authorisation by the Ministry of Environment. Vrancart holds 99,6% of the shares as at December 31st, 2020.

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

In 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 COMPANY’S MANAGEMENT

4.1. The Company’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, 2020:

1. Ciucioi Ionel-Marian - aged 43, economist,
Chairman of the Board of Administrators and General Manager for 7 years
2. Drăgoi Bogdan Alexandru - aged 41, economist,
member of the Board of Administrators for 5 years
3. Mihailov Sergiu - aged 41, economist,
member of the Board of Administrators of „Vrancart” for 3 years
4. Fercu Adrian - aged 44, economist,
member of the Board of Administrators of „Vrancart” since April 28th, 2020
5. El lakis Rachid - aged 24, economist,
provisional member of the Board of Administrators of „Vrancart” since July 3rd, 2020

On January 8th, 2020, Mr. Bîlteanu Dragoş George was revoked from his position as member of the Board of Administrators of Vrancart through the Decision of the Ordinary General Meeting of the Shareholders no. 1 dated January 8th, 2020.

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 December 31st, 2020:

1. Ciucioi Ionel-Marian - 0 shares
2. Drăgoi Bogdan Alexandru - 0 shares
3. Mihailov Sergiu - 0 shares



- | | |
|--------------------|------------|
| 4. Fercu Adrian | - 0 shares |
| 5. El Lakis Rachid | - 0 shares |

d) the list of persons affiliated to the Company

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-Crișana, which is the main shareholder, together with the other companies controlled by it, are considered affiliated parties.

4.2. The Company's executive management

a) The executive management of "Vrancart" S.A. Adjud as at December 31st, 2020 was provided by Ec. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators.

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 managing members of VRANCART 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 company, as well as those related to the capacity of that person to fulfil its tasks within the issuing company.

- Not applicable.

5. CORPORATE GOVERNANCE

5.1. The compliance with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange

The Board of Administrators decided on the voluntary conformation with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange, a decision that was ratified by the General Meeting of the Shareholders of August 10th, 2011 and on this occasion the Corporate Governance Regulation of „VRANCART” S.A. Adjud was approved.

„VRANCART” S.A. Adjud, as an issuer listed in the standard category of the Bucharest Stock Exchange, considers the compliance with the corporate governance principles of the Corporate Governance Code of the Bucharest Stock Exchange. The shares of “VRANCART” S.A. are listed and traded starting from July 15th, 2005, at the Bucharest Stock Exchange rate, standard category, having the symbol VNC. The activity related to keeping the shareholders' registry was and is being performed by S.C. „Depozitarul Central” S.A. in accordance with the agreement no. 7270/March 7th, 2017.



Still, at the Company level there are documents and rules specific to corporate governance that are available in the Company's "Articles of incorporation", the Organisation and Operation Regulation, internal regulations and decisions where the functions, competences and responsibilities of the Board of Administrators and of the executive management are described. Information on the corporate governance policy of „VRANCART” is disseminated on the Company's website, respectively www.vrancart.ro:

- The list of members of the Board of Administrators and of the members of the executive management;
- The updated articles of incorporation.

The new Code of Corporate Governance of the Bucharest Stock Exchange was adopted in September 2015; it replaces the old code and it comprises a set of principles and recommendations for the companies admitted to trading, for the purpose of creating an internationally attractive capital market, and our company acceded to this code. Although the new code does not expressly provide any more the existence of the "Apply or Explain" statement, this mechanism is still maintained, as it is an element that strengthens the shareholders' and stakeholders' trust in the issuers, and clear, accurate and current information on the compliance with the rules of corporate governance of the listed companies is transmitted in the capital market through this mechanism.

The new Code of Corporate Governance of the Bucharest Stock Exchange includes 34 recommendations that must be met, structured by 4 sections, out of which, on the date of its implementation, our company complies with 24 provisions. In reference to the provisions that our company does not comply with, entirely and partially, the Company's management took the necessary steps in order to comply with all the recommendations, and the subsequent progresses that our company records in terms of the compliance with the Code of Corporate Governance will be reported to the capital market.

5.2. The Company's management

The Board of Administrators

„VRANCART” is managed by a Board of Administrators formed of 5 members, elected by the General Meeting of the Shareholders for a period of 4 years, with the possibility of being re-elected. The Board of Administrators has decision-making competences on the Company's management during the period between the general meetings, except for the decisions that the law or the Company's articles of incorporation provide exclusively for the General Meeting of the Shareholders. The Board of Administrators elects a chairman from among its members. The chairman also holds the position of General Manager and provides the actual management of the Company.

In the current mandate of the Board of Administrators, elected by the General Meeting of the Shareholders of April 27th, 2018 and the General Meeting of the Shareholders of April 28th, 2020, the structure of the Board of Administrators provides a balance between the executive and non-executive members, with a ratio of 1/5. The election of the members of the Board of Administrators through the shareholders' vote in the General Meeting of the Shareholders of April 27th, 2018 and April 28th, 2020 was based on a transparent procedure, by making public the contents of the



candidacy file and the criteria to meet in order to hold the position of manager in a trade company. The mandate of the members of the Board of Administrators is of 4 years, according to the statutory provisions.

According to the provisions of Law no. 31/1990, the General Meeting of the Shareholders approves the policy for the remuneration of the administrators and of the executive management members on an annual basis. According to the statutory provisions, the Board of Administrators meets at least every three months in order to monitor the performance of the Company's activity.

„VRANCART” complies with the rules regarding the behaviour and the obligations to report on the transactions with the shares issued by the Company, made on their own behalf by the administrators and other natural persons involved and these rules are complied with by the persons in question, in accordance with the regulations of the Financial Supervisory Authority and the specific rules are available in the Regulation of Corporate Governance of “VRANCART” that became effective in 2011. The list of persons that have access to privileged information is constantly updated, and this situation is sent to the Financial Supervisory Authority. The obligation to give notification on the transactions made by the initiated persons is both personal and of the intermediaries and the information is disseminated through the website of the Bucharest Stock Exchange.

The activity of the Board of Administrators in 2020

In 2020, the Board of Administrators of “VRANCART” S.A. Adjud gathered 19 times in accordance with the statutory provisions and the administrators' attendance in the meetings was in accordance with the legal provisions.

The chairman of the Board of Administrators chaired all the meetings held in 2020. As a result of the meetings, 40 management decisions on the Company's current activity were adopted.

5.3. Respecting the shareholders' rights

„VRANCART” S.A. respects the shareholders' rights, providing their equal treatment. For the General Meeting of the Shareholders held in 2020, namely on April 28th, 2020, in a dedicated section of the Company's website www.vrancart.ro – “For Shareholders”, the details on the conduct of the meeting were published: the notice to attend the General Meeting of the Shareholders, the materials related to the agenda, as well as any other information on the topics on the agenda; the forms for exercising the vote by special proxy and the form for vote by correspondence; the procedures for attendance and vote providing the orderly and effective performance of the works of the General Meeting of the Shareholders and granting the right to every shareholder to express freely its opinion on the issues under debate; on the decisions made within the General Meeting of the Shareholders and on the result of the vote.

For the financial year 2020, the information on the financial schedule, current reports, quarterly and half-yearly reports were posted on the website by the deadline.



Within „VRANCART” there are two people specialised in the field of relationships with investors and for the time being this activity does not require the existence of a specialised compartment within the Company.

5.4. Communication transparency

„VRANCART” S.A. gives particular importance to communication transparency, taking into consideration the provision of a continuous and regular reporting, that includes all the important aspects of the Company’s business, the performances recorded, etc.

Also, through the Company’s website, the Company is presented both in terms of the activities carried out and in what concerns its relationship with the shareholders and investors. Information of interest for the shareholders and investors and also the current and regular reports on the Company’s business is disseminated in the “For shareholders” section in Romanian and English.

5.5. Financial reporting

The financial statements for 2020 were drawn up in accordance with the Order of the Minister of Finances no. 2844 from 2016, for the approval of the Accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016) and provide a fair view, compliant with the accuracy of the statement of assets, liabilities, financial position and of the profit and loss account of „VRANCART”.

According to the legal provisions, the financial and accounting statements were audited by BDO Audit S.R.L. – an independent financial auditing company, appointed by the General Meeting of the Shareholders dated April 24th, 2019 for a period of two years.

5.6. Internal control and risk management

Internal control monitors and checks regularly the application of the new legal provisions incidental to the Company’s business, verifies the compliance with the Company’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 Company’s business, the establishing or improvement of the Company’s internal procedures.

An Internal Audit Compartment operates within „VRANCART” and it audits on a regular basis the Company’s activities in order to provide relevant information on the performance of these activities, makes recommendations for the improvement of the activities, of the procedures and of the controls performed. The internal audit activity is carried out on the basis of the Company’s yearly audit plan that is approved by the Audit Committee established in accordance with the provisions of principle 13 of the Code of Corporate Governance.

Within the Board of Administrators of “VRANCART” there is an Audit Committee that examines regularly the efficiency of the financial reporting, of internal control, of the internal audit and of the risk management system adopted by the Company. The Audit Committee is formed exclusively of non-executive managers.



5.7. Conflict of interests and transactions with stakeholders

For the proper identification and resolution of the conflict of interests situations, providing that all the investments and sales of securities are made only for the shareholders' interests and not for any other reasons, the Board of Administrators adopted within its Corporate Governance Regulation a standard procedure for the resolution of such potential circumstances. In case of a conflict of interests between the Company's interest and the personal interest of a decision maker (member of the Board of Administrators) or decision-making employee (member of the executive management), the solution is the withdrawal of the person in question from that decision-making process.

The internal regulations impose the prohibition for the employees to engage in affiliated transactions that are in breach of the Financial Supervisory Authority regulations.

When a conflict of interests occurs among the administrators, they inform the Board of Administrators of this issue and refrain from the debates and the vote on those issues, in accordance with the relevant legal provisions; these situations are recorded in the minutes of the meeting of the Board of Administrators.

5.8. The corporate information regime

The standard procedure on the internal circuit and the disclosure to third parties of the documents and information on the issuer, that might influence the evolution of the market price of the securities issued by it, was regulated through the Corporate Governance Regulation.

The persons assigned with attributions in this field draw up on a regular basis notices on the implications of the normative provisions on the management of privileged information (as defined in art. 114 of Law no. 24/2017) in "VRANCART" as well as in what concerns the obligations of the initiated persons. The notice is subject to the analysis and approval by the Board of Administrators.

5.9. Social responsibility

„VRANCART” S.A. constantly carries out activities related to the Company's 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.

5.10. Non-financial statement

“VRANCART” S.A. will draft a separate report on information related to the 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 2020 will be made available to the public on the Company's website www.vrancart.ro, until June 30th, 2021.



6. THE FINANCIAL AND ACCOUNTING STATEMENTS

The individual 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.

The individual financial statements are presented in accordance with the requirements of IAS 1 “Submission of the financial statements”.

The Company adopted a presentation based on liquidity within the statement of financial position and a presentation of the 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 submitted based on other methods allowed by IAS 1.

Summarised presentation of the financial performance indicators in the past 3 years

Indicator's name	M.U.	December 31 st , 2020	December 31 st , 2019	December 31 st , 2018
Overall liquidity	ratio	1.20	1.19	1.28
Immediate liquidity	ratio	0.75	0.67	0.78
Stock turnover	rot./year	7	6	7
Debt recovery	days	81	78	73
Reimbursement of trade liabilities	days	33	31	34
Operating profitability	%	9%	10%	8%
Gross profit ratio	%	7%	8%	6%



6.1. Statement of financial position in the past 3 years

(RON)	December 31 st , 2020	December 31 st , 2019	December 31 st , 2018
ASSETS			
Tangible assets	285.408.521	282.772.387	253.882.844
Intangible assets	1.446.228	1.404.918	742.663
Goodwill	3.380.811	3.380.811	3.380.811
Financial assets	29.966.328	28.866.728	28.866.728
Total non-current assets	320.201.888	316.424.844	286.873.046
Inventories	42.055.540	52.797.252	40.212.707
Trade receivables	64.666.084	65.265.430	59.884.485
Prepaid expenses	761.374	802.431	836.013
Cash and cash equivalents	4.332.741	2.149.202	2.064.372
Receivables related to current profit tax	-	6.070	-
Other receivables	986.228	343.920	93.484
Total current assets	112.801.967	121.364.305	103.091.061
TOTAL ASSETS	433.003.855	437.789.149	389.964.107
EQUITY			
Share capital	103.168.355	103.168.355	103.168.355
Reserves	115.711.008	108.655.307	84.767.377
Retained earnings	12.387.267	12.876.888	12.664.226
Total equity	231.266.630	224.700.550	200.599.958
LIABILITIES			
Long-term loans from bond issues	37.627.000	37.942.100	37.887.400
Long-term bank loans	43.766.905	46.168.826	50.965.421
Long-term liabilities under leasing contracts	10.525.739	8.438.653	530.236
Deferred income	10.627.998	13.141.728	15.672.765
Long-term debts to employees	453.855	331.832	372.440
Debts related to deferred profit tax	4.275.495	5.083.427	3.253.586
Other long-term liabilities	645.822	348.508	362.600
Total long-term liabilities	107.922.814	111.455.074	109.044.448
Short-term trade liabilities	26.573.457	26.176.054	27.737.837
Short-term loans	50.172.836	59.132.674	39.231.962
Short-term liabilities under leasing contracts	4.011.256	4.035.213	608.178
Deferred income	2.522.385	2.531.041	2.535.916
Debts to employees	4.904.713	4.645.092	4.813.136
Debts related to current profit tax	960.442	-	7.928
Other liabilities	4.669.322	5.113.451	5.384.744
Total current liabilities	93.814.411	101.633.525	80.319.701
TOTAL LIABILITIES	201.737.225	213.088.599	189.364.149
TOTAL EQUITY AND LIABILITIES	433.003.855	437.789.149	389.964.107



6.2. Statement of comprehensive income in the past 3 years

(RON)	2020	2019	2018
Income from turnover	286.476.932	300.788.776	295.295.394
Other income	5.120.006	3.469.300	3.473.520
Variation of finished products inventories and production in progress	(7.948.362)	14.059.496	3.826.288
Expenses related to raw materials and consumables	(124.223.310)	(160.518.413)	(156.745.033)
Expenses related to commodities	(7.497.067)	(6.745.963)	(4.459.109)
Third party expenses	(21.789.796)	(21.861.116)	(19.453.202)
Personnel-related expenses	(61.989.022)	(63.398.441)	(58.389.483)
Expenses related to amortisation and impairment of tangible assets	(31.795.560)	(26.784.329)	(22.714.532)
Other expenses	(10.165.789)	(8.403.992)	(17.835.715)
Operating result	26.188.032	30.605.318	22.998.128
Financial income	821	1.661	1.984.932
Financial expenses	(5.422.241)	(6.390.366)	(5.907.566)
Profit (loss) before taxation	20.766.612	24.216.613	19.075.494
Profit tax expense	(2.233.002)	(1.323.757)	(1.303.477)
Profit (loss) for the year	18.533.610	22.892.856	17.772.017
Other comprehensive income items			
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	-	11.008.730	872.522
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	18.533.610	33.901.586	18.644.539



6.3. Statement of cash flows in the past 3 years

(RON)	2020	2019	2018
Cash flows from operating activities			
Amounts collected from customers	331.173.886	345.047.452	331.147.639
Payments to suppliers	(172.027.266)	(220.294.555)	(206.492.576)
Payments to employees	(40.879.964)	(40.570.656)	(37.577.657)
Payments to the state budget	(48.247.992)	(51.716.432)	(46.290.986)
Profit tax paid	(2.074.422)	(1.590.547)	(1.616.233)
Net cash flows from operating activities	67.944.242	30.875.262	39.170.188
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(32.718.920)	(28.732.757)	(43.202.899)
Letters of credit for the purchase of tangible assets	-	-	(530.871)
Payments for the purchase of financial assets	(1.099.600)	-	(5.074.273)
Collections from the sale of tangible assets	1.578.635	186.315	712.768
Interests collected	296	220	32.393
Takeover of merger fund	-	-	1.503.847
Net cash flows from investment activities	(32.239.589)	(28.546.222)	(46.559.035)
Net cash flows from financing activities			
Collections from loans	13.548.248	30.491.156	43.118.451
Payments for leasing	(5.069.270)	(3.437.669)	(938.433)
Interests paid and loans reimbursed	(30.338.447)	(19.693.835)	(23.469.287)
Dividends paid	(11.661.645)	(9.603.862)	(11.159.080)
Net cash flows from financing activities	(33.521.114)	(2.244.210)	7.551.651
	2.183.539	84.830	162.804
Net increase/ (Reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	2.149.202	2.064.372	1.901.568
Cash and cash equivalents at the financial year end	4.332.741	2.149.202	2.064.372



7. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

Not applicable.

The administrators' report was approved by the Board of Administrators of Vrancart SA.

SIGNATURES

The report will be 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

