

Translation for information purposes only

VRANCART S.A.

Individual financial statements
as at December 31st, 2019

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

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Vrancart S.A.

Individual statement of financial position

for the financial year ended on December 31st, 2019

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

	Note	December 31 st , 2019	December 31 st , 2018
ASSETS			
Tangible assets	5	282.772.387	253.882.844
Intangible assets		1.404.918	742.663
Goodwill	6	3.380.811	3.380.811
Financial assets	6	28.866.728	28.866.728
Total non-current assets		316.424.844	286.873.046
Inventories	7	52.797.252	40.212.707
Trade receivables	8	65.265.430	59.884.485
Prepaid expenses		802.431	836.013
Cash and cash equivalents	9	2.149.202	2.064.372
Receivables related to current profit tax		6.070	-
Other receivables	10	343.920	93.484
Total current assets		121.364.305	103.091.061
TOTAL ASSETS		437.789.149	389.964.107
EQUITY			
Share capital	11	103.168.355	103.168.355
Reserves	11	108.655.307	84.767.377
Retained earnings		12.876.888	12.664.226
Total equity		224.700.550	200.599.958
LIABILITIES			
Long-term loans	15	46.168.826	50.965.421
Long-term loans from bond issues	15	37.942.100	37.887.400
Long-term liabilities from leasing	14	8.438.653	530.236
Deferred income	18	13.141.728	15.672.765
Long-term provisions	16	372.440	372.440
Liabilities related to deferred profit tax	17	5.083.427	3.253.586
Other long-term liabilities	13	307.900	362.600
Total long-term liabilities		111.455.074	109.044.448
Short-term trade liabilities	12	26.176.054	27.737.837
Short-term loans	15	59.132.674	39.231.962
Short-term liabilities from leasing	14	4.035.213	608.178
Deferred income	18	2.531.041	2.535.916
Liabilities related to current profit tax	17	-	7.928
Other liabilities	13	9.758.543	10.197.880
Total current liabilities		101.633.525	80.319.701
TOTAL LIABILITIES		213.088.599	189.364.149
TOTAL EQUITY AND LIABILITIES		437.789.149	389.964.107

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

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

Vrancart S.A.

Individual statement of comprehensive income

as at December 31st, 2019

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

	Note	2019	2018
Income from turnover	19	300.788.776	295.295.394
Other income	20	3.469.300	3.473.520
Variation of finished products inventories and production in progress		14.059.496	3.826.288
Expenses related to raw materials and consumables	21	(160.518.413)	(156.745.033)
Expenses related to commodities		(6.745.963)	(4.459.109)
Third party expenses		(21.861.116)	(19.453.202)
Personnel-related expenses	24	(63.398.441)	(58.389.483)
Expenses related to amortisation and impairment of tangible assets	5	(26.784.329)	(22.714.532)
Other expenses	23	(8.403.992)	(17.835.715)
Operating result		30.605.318	22.998.128
Financial income	25	1.661	1.984.932
Financial expenses	25	(6.390.366)	(5.907.566)
Profit before taxation		24.216.613	19.075.494
Profit tax expense	26	(1.323.757)	(1.303.477)
Profit for the year		22.892.856	17.772.017
Other comprehensive income items			
Increases in the reserve from revaluation of tangible assets, net of deferred tax		11.008.730	872.522
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		33.901.586	18.644.539
Earnings per share			
Profit (loss) attributable to ordinary shareholders	27	22.892.856	17.772.017
Weighted average number of ordinary shares		1.031.683.547	1.031.683.547
Base earnings per share		0,022	0,017

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

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

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Vrancart S.A.

Statement of changes in equity

for the financial year ended on December 31st, 2019

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

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2018	103.168.355	43.879.020	30.739.830	14.787.355	192.574.560
Comprehensive income for the period					
Net profit/loss for the year	-	-	-	17.772.017	17.772.017
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	872.522	-	-	872.522
Total comprehensive income	-	872.522	-	17.772.017	18.644.539
Distribution of dividends	-	-	-	(11.240.361)	(11.240.361)
Distribution of legal reserves and other reserves	-	-	8.721.260	(8.721.260)	-
Merger premiums	-	-	621.219	-	621.219
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(66.475)	-	66.475	-
Balance as at December 31st, 2018	103.168.355	44.685.067	40.082.309	12.664.226	200.599.958
Balance as at January 1st, 2019	103.168.355	44.685.067	40.082.309	12.664.226	200.599.958
Comprehensive income for the year					
Net profit/loss for the year	-	-	-	22.892.856	22.892.856
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	11.008.730	-	-	11.008.730
Total comprehensive income	-	11.008.730	-	22.892.856	33.901.586
Distribution of dividends	-	-	-	(9.800.994)	(9.800.994)
Distribution from retained earnings	-	-	12.903.180	(12.903.180)	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(23.979)	-	23.979	-
Balance as at December 31st 2019	103.168.355	55.669.818	52.985.489	12.876.888	224.700.550

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

Vrancart S.A.

Individual statement of cash flows

for the financial year ended on December 31st, 2019

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

	Note	2019	2018
Cash flows from operating activities			
Amounts collected from customers		345.047.452	331.147.639
Payments to suppliers		(220.294.555)	(206.492.576)
Payments to employees		(40.570.656)	(37.577.657)
Payments to the state budget		(51.716.432)	(46.290.986)
Profit tax paid		(1.590.547)	(1.616.233)
Net cash flows from operating activities		30.875.262	39.170.188
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	5	(28.732.757)	(43.202.899)
Letters of credit for the purchase of tangible assets		-	(530.871)
Payments for the purchase of financial assets	6	-	(5.074.273)
Amounts collected from the sale of tangible assets		186.315	712.768
Interests collected		220	32.393
Takeover of balance following the merger	6	-	1.503.847
Net cash flows from investment activities		(28.546.222)	(46.559.035)
Cash flows from financing activities			
Amounts collected from loans		30.491.156	43.118.451
Interests paid and loans reimbursed		(19.693.835)	(23.469.287)
Payments for leasing		(3.437.669)	(938.433)
Dividends paid	11	(9.603.862)	(11.159.080)
Net cash flows from financing activities		(2.244.210)	7.551.651
		84.830	162.804
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	9	2.064.372	1.901.568
Cash and cash equivalents at the financial year end	9	2.149.202	2.064.372

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

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

Vrancart S.A.

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

1. The entity reporting

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

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

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

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

- single-wall, double-wall and double-double wall corrugated cardboard, corrugated cardboard with micro-flutes;
- corrugated cardboard boxes of various formats, die-cut and printed;
- paperboards;
- tissue papers in various assortments.

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

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

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

2. Basis for preparation

(a) Statement of conformity

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

(b) Submission of financial statements

The financial statements are presented in accordance with the provisions of IAS 1 “Submission of financial statements”. The Company adopted a presentation based on liquidity within its statement of financial position and a presentation of revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

(c) The functional and presentation currency

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

2. Basis for preparation (continued)

(d) Basis for evaluation

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

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

As at December 31st, 2019, the Company recorded a net profit amounting to RON 22.892.856 (2018: RON 17.772.017), the net working capital is positive, amounting to RON 19.730.779 lei (2018: positive, RON 22.771.360).

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

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

The Company had a positive cash flow of RON 84.830 in 2019 (positive in 2018: RON 162.804) and does not have any outstanding debts to the public budgets or to its private partners.

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

(e) The use of estimates and judgements

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies

(a) Transactions in foreign currencies

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

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

The exchange rates of the main foreign currencies were:

Currency	December 31 st , 2019	December 31 st , 2018	Variation
Euro (EUR)	4.7793	4.6639	+2,47%
American dollars (USD)	4.2608	4.0736	+4,59%

(b) Accounting of the effect of hyperinflation

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

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

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

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

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

(c) Financial instruments

Non-derivative financial instruments

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

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

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

On the derecognising of a financial asset other than entirely (e.g. when the Company does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Company does not retain the control), the Company will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part does it no longer recognises based on the fair values corresponding to those parts as at the transfer date.

The difference between the book value allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

A financial asset is classified at fair value through the profit and loss account if it is classified as held for trading or if it is assigned as such on the original recognition. Financial assets are assigned as evaluated at fair value through the profit and loss account if the Company manages these investments and makes purchase or sales decisions based on fair value in accordance with the investment and risk management strategy described in the Company's documentation. The attributable trading costs are recognised in the profit and loss account when incurred. The financial instruments at fair value in the profit and loss account are evaluated at fair value and the subsequent changes that consider any income from dividends is recognised in the profit and loss account.

If the Company has the intention and the capacity to keep the debt instruments until the maturity date, then these financial assets can be classified as investments held until the maturity date. The financial assets held until the maturity date are initially recognised at fair value plus the directly attributable trading costs. Subsequently to the initial recognition, the financial assets held until the maturity are evaluated at amortised cost using the actual interest method, less the value of impairment losses.

The financial assets held until the maturity date include debt instruments.

Derivative financial instruments

Derivative financial instruments included in contracts are separated from the contracts and separately accounted for if the contract in question is not a financial asset and certain criteria are met.

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

Derivative financial instruments are initially recorded at fair value. Subsequently to their initial recognition, these are measured at fair value and the changes in this value are recognised in the profit and loss account.

Receivables

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

Receivables include trade receivables and other receivables.

Cash and cash equivalents

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

Financial assets held for sale

Financial assets available for sale are the non-derivative financial assets that are designated as available for sale. The financial assets available for sale are initially recognised at fair value plus any directly attributable trading costs.

Subsequently to the initial recognition, these are evaluated at cost less any impairment losses.

Share capital – ordinary shares

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

Financial liabilities

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(d) Tangible assets

(i) Recognition and evaluation

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

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

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

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

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

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

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

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

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(ii) Subsequent expenses

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

(iii) Amortisation

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

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

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

Land is not subject to amortisation.

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

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

(iv) The sale/ cassation of tangible assets

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

(e) Intangible assets

(i) Recognition and evaluation

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

(ii) Research and development

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(iii) Subsequent expenses

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

(iv) Amortisation of intangible assets

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

- Software applications 3 years

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

(f) Financial assets

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

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

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

(g) Inventories

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

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(h) Impairment of assets

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

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

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

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

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

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

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

Impairment adjustments for trade receivables

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

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

Impairment adjustments for inventories

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

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

(i) Dividends to be distributed

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

(j) Re-evaluation reserves

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

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

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

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

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

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

(k) Legal reserves

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(l) Affiliated parties

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

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

(m) Employee benefits

(i) Short term benefits

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

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

(ii) Determined contribution plans

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

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

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

(iii) Long-term benefits of employees

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

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

(n) Provisions

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(o) Revenues

(i) The sale of goods

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

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

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

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

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

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

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

(ii) The provision of services

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

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

(p) Financial revenues and expenses

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

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

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

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

(q) Profit tax

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

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

(i) Current tax

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

For the financial year ended on December 31st, 2019, the profit tax rate was 16% (December 31st, 2018: 16%).

(ii) Deferred tax

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

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

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

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

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

(iii) Fiscal exposures

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

(r) Earnings per share

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

(s) Government subsidies

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

(t) Contingent assets and liabilities

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

(u) Subsequent events

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

(v) Comparative statements

The financial statements drawn up as at December 31st, 2019 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.

(w) New standards and interpretations, valid as at December 31st, 2019

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

- Standard IFRS 16 Leasing (IFRS 16) and
- The interpretation of IFRIC 23 Uncertainties concerning fiscal treatments related to profit tax (IFRIC 23)

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

3. Significant accounting policies (continued)

IFRS 16 Leasing

IFRS 16 replaced IAS 17 Leasing and the related interpretations. The standard eliminated the current accountancy model for lessees and instead requires companies to bring most of the leasing agreements into the balance sheet within a single model, eliminating the distinction between operating and financial leasing.

In accordance with IFRS 16, a contract is or contains a lease if it transmits the right to control the use of an asset identified for a period of time, in return for a mandatory payment. For this type of contracts, the new model requires a lessee to recognize an asset with the right of use and a lease liability. The asset with the right of use is depreciated and debt accrues interest. This will result in a higher payment model at the beginning of the lease term for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions from the scope for users that include:

- lease agreements with a lease period of 12 months or less and which do not include acquisition options, and
- lease agreements where the underlying asset has a low value ("low-value" leasing transactions).

The Company has reviewed all rental contracts for the rental of machinery (containers and presscontainers), storage facilities held for waste paper collection and logistic warehouses for finished product delivery. The contracts are considered to have a rental period of more than 12 months, although they usually include clauses allowing them to be terminated within less than 12 months by either party. The Company considers that a possible termination of the lease contract is unlikely.

Transition Method and Practical Exceptions used

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

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

- (a) it applied a single discount rate to a rental portfolio with reasonably similar characteristics;
- (b) it excluded the initial direct costs from the valuation of the right-of-use assets as at the date of the initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the starting date;
- (c) it relied on previous assessments of whether the lease contracts are onerous, compared to preparing an impairment review in accordance with IAS 36 as at the date of the initial application; and
- (d) it applied the exemption of not recognizing the rights of use of assets and liabilities for leases with less than 12 months of lease remaining on the date of the initial application.

As a user, the Company has previously categorised leasing as operational or financial leasing based on its assessment whether the lease contract has substantially transferred all the risks and benefits of the right of ownership. In accordance with IFRS 16, the Company recognizes the lease assets and liabilities for the majority of the leases.

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***3. Significant accounting policies (continued)**

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

On the adoption of IFRS 16, the Company recognized the rights to use the assets and liabilities for leases as follows:

Categorised according to IAS 17	Rights of use	Leasing liabilities
Operating leasing	The assets from rights of use are measured at an amount equal to the debt related to the lease, adjusted with the value of any amounts paid in advance or preliminary.	<p>Measured at the current value of the remaining lease payments, updated using the Company's incremental loan rate as at January 1st, 2019.</p> <p>The company's incremental loan rate is the rate at which a loan could be obtained from an independent lender, under comparable terms and conditions.</p> <p>The average rate applied was 1% p.a.</p>
Financial leasing	Measured based on the accounting values for the assets and liabilities related to the lease immediately before the initial application date (the accounting values carried forward, unadjusted).	

Following the application of the provisions of IFRS 16 during the current financial year, the Company recognized in assets rights of use of RON 14.473.528 (out of which as at January 1st, 2019: 8.087.591), at the same time as the increase of the total debts with the same value. No determinations were made for the periods prior to the financial year ended on December 31st, 2019. More details are presented in Note 14 Leasing Debts.

IFRIC 23

IFRIC 23 provides guidance on accounting for current and deferred liabilities and taxes and assets in circumstances where there is an uncertainty about the tax treatment of income tax. The interpretation provides the following:

- It must be determined whether uncertain tax treatments should be considered separately, or together as a group, depending on which approach provides better forecasts on the resolution;
- It must determine whether the tax authorities are likely to accept the uncertain tax treatment; and
- If it is not likely that the uncertain tax treatment will be accepted, the fiscal uncertainty will be measured according to the most probable amount or the expected value, according to any method which predicts better the resolution of the uncertainty. The assessment should be based on the assumption that each of the tax authorities will examine the amounts they are entitled to examine and have complete knowledge of all information related to the conduct of such examinations.

Following the application of the provisions of IFRIC 23, there was no impact on the corporate income tax liabilities.

(y) New standards and interpretations, which are not applicable as at December 31st, 2019

There are a series of standards, changes to standards and interpretations issued by the IASB that are effective in the future accounting periods that the Company has decided not to adopt in advance. The most important of these are the following, which are all applicable for the period beginning on January 1st, 2020:

- The revised conceptual framework for financial reporting
- IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in estimates and accounting errors (modification - Definition of materiality)
- IFRS 3 Business combinations (amendment - Business definition)

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

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

4. Fair value determination

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

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

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

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

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

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

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

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

Vrancart S.A.

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

5. Tangible assets

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

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***5. Tangible assets (continued)**

	Land and land improvements	Buildings and special constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2018	12.183.565	43.220.089	178.220.965	13.959.241	247.583.860
Purchases	202.662	-	-	52.931.739	53.134.401
Transfers following the merger	951.243	1.545.514	1.922.033	10.000	4.428.790
Transfers from assets in progress	-	12.067.674	26.987.346	(39.122.190)	(67.170)
Transfers to intangible assets	-	-	-	(85.751)	(85.751)
Outflows	(269.217)	(696.894)	(7.919.925)	-	(8.886.035)
As at December 31st, 2018	13.068.253	56.136.383	199.210.420	27.693.039	296.108.096
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2018	-	-	22.910.385	-	22.910.385
Amortisation expense	222.850	1.700.509	20.503.640	-	22.426.999
Outflows	-	(13.244)	(796.600)	-	(809.844)
Revaluations	-	-	-	-	-
As at December 31st, 2018	222.850	1.687.266	42.617.425	-	44.527.541
<i>Net book value</i>					
As at December 31st, 2018	12.845.403	54.449.117	156.592.995	27.693.039	251.580.555

Tangible assets include the advances paid for tangible assets corresponding to investment projects for the production divisions, whose balance as at December 31st, 2018 was RON 2.302.289.

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***5. Tangible assets (continued)**

The main purchases of tangible assets in 2019 were as follows: constructions and warehouses for corrugated cardboard production, as well as equipment and production lines for the paperboards, corrugated cardboard and tissue paper production lines.

The unamortised value of fixed assets which are no longer part of the patrimony following the sale and/or cassation as at December 31st, 2019 was RON 152.967 (see note 22) (December 31st, 2018: RON 8.111.140).

The net book value of the fixed assets purchased through the government subsidies received until December 31st, 2019 was RON 54.799.693 lei (see note 17) (December 31st, 2018: RON 62.066.462).

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

A part of the Company's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to 125.030 thousand RON as at December 31st, 2019 (December 31st, 2018: 111.417 thousand RON). The net book value of the assets purchased through financial leasing is 1.399 thousand RON as at December 31st, 2019 (December 31st, 2018: 1.219 thousand RON).

If the land, constructions and production lines had not been revaluated, their value as at December 31st, 2019 would have been as follows:

	Cost	Cumulated amortisation	Net book value
Land and land improvements	14.282.351	1.905.537	12.376.814
Constructions and special buildings	60.804.696	17.213.815	43.590.881
Production lines	262.084.573	123.022.799	139.061.774
Total	337.171.620	142.142.151	195.029.469

6. Financial assets

	December 31st, 2019	December 31st, 2018
Rom Paper SRL	28.866.728	28.866.728
Total	28.866.728	28.866.728

On July 17th, 2015, we completed the process related to the purchase of Giant Prodimpex S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders on April 29th/30th, 2015, through the Decision no. 7. Following the purchase, Vrancart owns 100% of the shares of Giant Prodimpex S.R.L. Giant Prodimpex S.R.L. ("the Branch") was established in 1994 and it is a Romanian privately-owned company, whose object of activity is represented by the production of corrugated cardboard packaging.

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,

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***6. Financial assets (continued)**

namely the first day of the month following the month when the General Meeting of the Shareholders approved the merger, according to the Merger prospectus.

Main categories of assets and liabilities taken over following the merger

	<u>Amount (RON)</u>
Intangible assets (trademarks, commercial relations)	619.165
Goodwill	3.380.811
Non-current assets (see note 5)	4.428.790
Current assets	499.166
Trade receivables and other receivables	228.529
Cash	1.503.847
Other values	292.646
Other reserves	1.134.213
Trade liabilities and other liabilities	436.643
Net merger premium	655.881

On January 20th, 2017, we completed the process related to the purchase of the majority stake of Rom Paper S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders.

Rom Paper S.R.L. (“the Branch”) was established in 2002 and it is a Romanian privately-owned company, which produces napkins, folded paper towels, tissue paper, professional rolls, facial tissues and boxed tissues.

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 purchase contract provided for the first stage the sale of 70% of the shares of Rom Paper S.R.L. and options for acquiring shares as follows: 15% of the shares in 2017 (call 1 option) and 15% of the shares in 2018 (call 2 option). Vrancart SA exerted its purchase options and as at December 31st, 2018, it holds 100% of the shares in Rom Paper SRL.

During the period when the option rights could be exerted by both parties, the distribution of dividends by Rom Paper S.R.L. was forbidden. The price at which the seller’s options, respectively the buyer’s options, were exerted was based on an EBITDA multiplier corresponding to the latest financial year ended previously to the periods during which the options could be exerted.

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

7. Inventories

	<u>December 31st, 2019</u>	<u>December 31st, 2018</u>
Raw materials and consumables	23.948.795	24.353.689
Finished products and goods	6.392.794	6.490.314
Production in progress	22.968.839	8.985.529
Advances paid for inventories	40.158	936.509
Adjustments for the impairment of inventories	(553.334)	(553.334)
Total	52.797.252	40.212.707

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***8. Trade receivables**

	December 31st, 2019	December 31st, 2018
Clients	71.065.730	66.145.293
Suppliers - debtors for goods/ services	246	67.608
Other receivables	317.029	87.087
Adjustments for the impairment of receivables – customers	(6.117.575)	(6.415.503)
Total	65.265.430	59.884.485

Adjustments for impairment of receivables – clients	December 31st, 2019	December 31st, 2018
Balance at the beginning of the period	6.415.503	5.463.446
New adjustments during the period	492.772	1.208.463
Adjustments cancelled during the period	(790.700)	(256.406)
Balance as at the end of the period	6.117.575	6.415.503

9. Cash and cash equivalents

	December 31st, 2019	December 31st, 2018
Current accounts at banks and other values	2.135.596	2.032.166
Petty cash	13.606	32.206
Total cash and cash equivalents	2.149.202	2.064.372

10. Other receivables

	December 31st, 2019	December 31st, 2018
Other personnel-related receivables	150.465	162.909
Sundry debtors	627.995	365.115
Adjustments for impairment of other receivables	(434.540)	(434.540)
Total	343.920	93.484

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***11. Share capital****Company's shareholding structure**

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

December 31st, 2018	Number of shares	Amount (RON)	(%)
SIF Banat Crişana	774.416.054	77.441.606	75.06%
Other shareholders	257.267.493	25.726.749	24.94%
Total	1.031.683.547	103.168.355	100%

During the period between January 1st, 2019 – December 31st, 2019, there were no changes in the share capital, and the shareholding structure remained the same.

Dividends

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

Other reserves

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2019, the Company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve established in 2019 related to reinvested profit is RON 11.678.280 (in 2018: RON 7.662.059), the balance of this reserve as at December 31st, 2019 being RON 42.061.488 (December 31st, 2018: RON 30.383.208).

According to the legal requirements, the Company establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31st, 2019 was RON 10.102.154 (December 31st, 2018: RON 8.877.254). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

Reserves from the revaluation of tangible assets

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***12. Trade liabilities****Short-term trade liabilities**

	December 31st, 2019	December 31st, 2018
Trade liabilities	25.676.439	27.268.556
Advances received	499.615	469.281
Total	26.176.054	27.737.837

13. Other liabilities

	December 31st, 2019	December 31st, 2018
Debts to the state budget	3.609.166	4.304.826
Dividends to be paid	874.602	714.069
Amounts payable to employees	4.645.092	4.813.137
Sundry creditors	629.683	365.848
Other short-term liabilities	9.758.543	10.197.880
Options related to the bonds issued (Note 14)	307.900	362.600
Other long-term liabilities	307.900	362.600

14. Liabilities under leasing contracts

	December 31st, 2019	December 31st, 2018
Long-term liabilities from leasing	8.438.653	530.236
Short-term liabilities from leasing	4.035.213	608.178
Total liabilities from leasing	12.473.866	1.138.414

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

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***14. Liabilities under leasing contracts (continued)**

	Buildings and special constructions	Equipment and other fixed assets	Total
Rights of use			
As at January 1st, 2019	6.896.334	3.161.008	10.057.342
Inflows	5.480.101	905.836	6.385.937
Amortisations	(2.102.095)	(1.291.118)	(3.393.213)
Net amounts as at December 31st, 2019	10.274.339	2.775.726	13.050.066

15. Loans

	December 31st, 2019	December 31st, 2018
Bank loans	46.168.826	50.965.421
Loans from bond issues	37.942.100	37.887.400
Total long-term loans	84.110.926	88.852.821
Bank loans	59.132.674	39.231.962
Total short-term loans	59.132.674	39.231.962

The Company has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans may lead to the declaring of early maturity and to other sanctions. All the financial and non-financial conditions related to the existing loan agreements as at December 31st, 2019 were complied with and there is no risk of early reimbursement.

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2019 – RON equivalent	Principal in balance as at December 31 st , 2018 – RON equivalent
1	31.07.2019	RON EUR	Variable	overdraft	30.07.2020	20.760.032	9.446.128
2	15.03.2019	RON EUR	Variable	overdraft	15.03.2020	7.804.545	6.270.594
3	09.05.2018	RON	Variable	long-term	20.04.2025	10.105.200	12.000.000
4	29.11.2017	RON	Variable	long-term	29.11.2024	22.245.902	16.668.561
5	14.09.2018	RON	Variable	long-term	14.09.2022	3.025.000	4.125.000
6	27.07.2016	RON	Variable	long-term	27.07.2023	9.084.252	11.619.391
7	08.07.2019	RON	Variable	overdraft	08.07.2020	6.071.328	6.254.620
8	09.08.2016	RON	Variable	long-term	31.07.2020	656.250	1.781.250
9	30.08.2016	RON	Variable	long-term	31.08.2021	5.690.624	9.104.999
10	18.12.2019	RON	Variable	overdraft	18.12.2020	4.721.425	-
11	23.05.2016	RON	Variable	long-term	30.04.2021	1.497.222	2.620.138

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)*

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2019 – RON equivalent	Principal in balance as at December 31 st , 2018 – RON equivalent
12	26.03.2015	RON	Variable	long-term	31.12.2020	2.076.920	4.153.844
13	03.01.2017	RON	Variable	long-term	29.11.2023	4.901.429	6.152.857
14	26.09.2019	RON	Variable	long-term	20.09.2026	3.511.806	-
15	03.01.2019	RON	Variable	long-term	02.01.2024	759.915	-
16	29.10.2019	EUR	Fixed	long-term	20.11.2024	2.389.650	
	Total					105.301.500	90.197.383

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

To guarantee its loans, the Company established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising out of current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2019, tangible assets are mortgaged in favour of banks (see Note 5).

Bonds

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

The bonds were issued in two stages:

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

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

As at December 31st, 2019, SIF Banat-Crişana holds 96,4% of the bonds.

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

February 13th, 2020 was the second term for exerting the right of conversion of bonds into shares. As the Company did not receive any notifications on the exerting of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***16. Provisions**

	December 31st, 2019	December 31st, 2018
Balance as at the beginning of the period	372.440	376.015
Provisions established during the period	-	-
Provisions used during the period	-	(3.575)
Balance as at the end of the period	372.440	372.440

Provisions are established for:

- Disputes: RON 40.608 as at December 31st, 2019 (December 31st, 2018: RON 40.608)
- Benefits paid to employees: RON 331.832 as at December 31st, 2019 (December 31st, 2018: RON 331.832).

Provisions are estimated according to the likelihood that some economic resources need to be consumed in the future to extinguish this liability.

17. Debts or receivables related to deferred tax

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

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

<i>December 31st, 2018</i>	Datorii	Active	Net
Tangible assets	31.032.442	-	31.032.442
Provisions and impairment adjustments (inventories, customers)	-	10.697.527	(10.697.527)
	31.032.442	10.697.527	20.334.915
Net temporary differences - 16% share			20.334.915
Liabilities related to deferred profit tax			3.253.586

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***17. Deferred income**

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

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

	December 31st, 2019	December 31st, 2018
The Ministry of Economy and Research II	7.369.079	8.619.050
The Environmental Fund Administration	2.898.994	3.064.920
Innovation Norway 1	1.812.112	2.626.537
Innovation Norway 2	3.456.997	3.738.015
Non-reimbursable financial allowance for small enterprises	14.777	21.796
The European Bank for Reconstruction and Development	120.810	138.363
Total	15.672.769	18.208.681

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

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

19. Income from turnover

	2019	2018
Income from the sale of finished products	281.347.497	282.704.315
Income from the sale of goods	9.066.535	6.220.334
Income from services provided	12.120.699	7.975.064
Income from royalties, locations under management and rents	49.237	38.254
Income from various activities	86	14.758
Trade discounts granted	(1.795.278)	(1.657.331)
Total	300.788.776	295.295.394

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***19. Income from turnover (continued)**

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

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

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

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

20. Other income

	2019	2018
Income from investment subsidies	2.535.913	2.721.233
Income from compensations, fines and penalties	943.529	72.211
Other operating income	(10.142)	680.076
Total	3.469.300	3.473.520

21. Expenses related to raw materials and consumables

	2019	2018
Expenses related to raw materials	78.841.298	84.176.810
Expenses related to consumables and auxiliary materials	32.357.086	31.438.976
Expenses related to fuels	23.206.318	20.693.321
Expenses related to water and electricity	24.157.123	18.556.253
Expenses related to spare parts	1.956.588	1.879.673
Total	160.518.413	156.745.033

22. Third party expenses

	2019	2018
Expenses related to maintenance and repairs	3.750.085	3.019.522
Expenses related to the shipment of goods	13.873.635	12.233.778
Other third party expenses	4.237.396	4.199.902
Total	21.861.116	19.453.202

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***23. Other expenses**

	2019	2018
Expenses related to commissions and fees	612.569	505.030
Operating expenses related to provisions	-	(3.575)
Expenses related to royalties, locations under management and rents	234.066	2.040.153
Expenses related to bank services and similar	460.197	460.162
Expenses related to insurance premiums	1.303.369	964.716
Other taxes, duties and similar payments	2.820.823	2.706.712
Expenses related to donations made	308.436	611.239
Expenses related to travels, secondments and transfers	329.782	430.867
Postage and telecommunication fees	262.595	209.128
Expenses related to entertainment, advertising and publicity	208.008	229.533
Expenses related to compensations, fines and penalties	24.357	20.706
Value adjustments on stocks	-	182.112
Value adjustments on receivables	426.679	1.096.464
Net loss from the sale of tangible assets	71.896	7.393.298
Other operating expenses	1.341.215	989.170
Total	8.403.992	17.835.715

The net loss from the sale of tangible assets as at December 31st, 2018 consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

24. Personnel-related expenses

	2019	2018
Salary expenses	58.572.295	54.112.428
Expenses related to insurance and social protection	1.337.314	1.217.474
Luncheon vouchers granted	3.488.832	3.059.581
Total	63.398.441	58.389.483

In 2019, the average number of employees of the Company was of 1180 (2018: 1133).

25. Financial income and expenses

	2019	2018
Interest income	1.661	33.935
Currency exchange gains	-	196.043
Other financial income	-	1.754.954
Total income	1.661	1.984.932
Interest expenses	6.029.725	4.706.748
Currency exchange losses	359.091	-
Other financial expenses	1.550	1.200.818
Total expenses	6.390.366	5.907.566

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***26. Profit tax expense**

	2019	2018
Expenses related to current profit tax	1.586.249	1.601.220
Expenses related to deferred profit tax	(262.492)	(297.743)
Total	1.323.757	1.303.477

	2019	2018
Loss/Profit before taxation	24.216.613	19.075.494
Tax in accordance with the statutory taxation rate of 16% (2018: 16%)	3.874.658	3.052.079
Effect onto the profit tax of:		
The legal reserve	(195.984)	(152.167)
The non-deductible expenses	3.902.899	3.891.219
The fiscal amortisation	(3.546.737)	(3.472.888)
The exemptions for sponsorships	(395.193)	(426.571)
The recording of temporary differences	(262.492)	(297.743)
Reinvested profit – tax credit	(2.053.395)	(1.290.452)
Profit tax	1.323.757	1.303.477

27. Earnings per share

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

	2019	2018
Profit attributable to ordinary shareholders	22.892.856	17.772.017
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Base earnings per share	0,022	0,017

The diluted earnings per share is equal to the base earnings per share, as the Company has not issued any potential ordinary shares.

28. Affiliated parties

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

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

The list of people that were part of the Board of Directors as at December 31st, 2019:

Ciucioi Ionel-Marian	General Manager and Chairman of the Board of Directors
Bîlteanu Dragoş-George	Member of the Board of Directors
Drăgoi Bogdan Alexandru	Member of the Board of Directors
Mihailov Sergiu	Member of the Board of Directors

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***28. Affiliated parties (continued)****Transactions with the key management personnel:**

	2019	2018
Remuneration of the members of the Board of Directors	1.320.000	1.320.000

Transactions with affiliated parties:

Affiliated party		Transactions* 2019	Transactions* 2018	Balance in 2019	Balance in 2018
Rom Paper/ filiala	Supplier	363.889	2.400.778	41.598	3.230
Rom Paper/ filiala	Customer	17.057.585	10.603.245	10.952.701	7.025.550
Biofarm S.A.	Customer	60.706	74.628	25.296	-
Biofarm S.A.	Supplier	4.660	6.152	201	1.794
Administrare Imobiliare S.A.	Supplier	12.535	14.960	-	1.510
Industrial Energy	Supplier	23.582.456	18.131.741	1.759.599	1.709.694
Industrial Energy	Supplier -debtor	(840.336)	840.336	-	840.336
SIF Banat Crisana SA	Supplier	208	1.005	-	-
Bucur SA	Supplier	230	149	-	-
Ci-Co SA	Supplier	5.429	9.613	250	835
Napomar SA	Customer	946	730	-	-
Somplast SA	Supplier	60	-	-	-
Sifi Cj Logistic SA	Supplier	97.054	90.172	2.317	3.024
Uniteh SA	Supplier	43.032	102.189	-	3.175
Semtest Craiova SA	Supplier	76.908	72.254	8.846	7.314

*Note: The amounts do not include VAT.

Other operations:

Affiliated party		Transactions in 2019	Transactions in 2018	Balance in 2019	Balance in 2018
SIF Banat Crişana SA	Payment of dividends distributed during the year	7.356.953	8.518.577	-	-
ARIO Bistriţa	Debtor	-	-	300.000	300.000

29. Commitments

Not applicable.

30. Contingent assets and liabilitiesThe Company did not have any contingent assets or liabilities as at December 31st, 2019 (December 31st, 2018: zero).

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

31. Events subsequent to the balance sheet date

(a) 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.

(b) Impact assessment “Covid19”

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 the activity and for limiting the negative effects generated by the pandemic crisis COVID-19.

32. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk
- currency exchange risk

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

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***32. Financial risk management (continued)****(a) Credit risk**

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

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

Book value	December 31st, 2019	December 31st, 2018
Trade receivables and other receivables	65.609.350	59.977.969
Cash and cash equivalents	2.149.202	2.064.372
Total	67.758.552	62.042.341

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

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

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

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

Impairment losses

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

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

December 31st, 2018	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	54.716.819	349.048
Outstanding receivables between 31 and 60 days	3.469.067	24.154
Outstanding receivables between 61 and 90 days	860.808	13.987
Outstanding receivables between 91 and 180 days	338.282	100.904
Outstanding receivables between 181 and 360 days	882.897	805.500
Outstanding receivables for more than 360 days	6.560.140	5.556.451
Total	66.828.013	6.850.044

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***32. Financial risk management (continued)****(b) Liquidity risk**

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

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

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

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

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

December 31st, 2018	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	Over 5 years
Bank loans	91.335.797	99.930.990	43.410.926	58.888.865	631.199
Trade liabilities and other liabilities	38.306.245	38.306.245	37.943.645	362.600	-
Total	129.642.042	138.237.235	81.354.571	56.251.465	631.199

(c) Market risk

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

Interest rate risk***(i) Risk exposure profile***

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

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***32. Financial risk management (continued)**

Instruments with variable rate	December 31st, 2019	December 31st, 2018
Bank loans	105.301.500	90.197.383
Loans from bond issues	38.250.000	38.250.000
Debts related to leasing agreements	12.473.866	1.138.415
Total	156.025.366	129.585.798

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

A 1% increase of the interest rates during the current period would have led to a profit or loss reduction by RON 1.560.254 (RON 1.292.232 as at December 31st, 2018). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

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

Fair values

Fair value is the price that would be received following the sale of an asset or the price that would be paid to transfer a liability through a normal transaction between the market participants as at the evaluation date. Financial instruments that are not accounted for at fair value in the statement of financial position include trade receivables and other receivables, cash and cash equivalents, loans, trade liabilities and other liabilities. The book values of the abovementioned financial instruments are approximates of their fair values.

(d) Currency exchange risk

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

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

December 31st, 2019	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	65.609.349	61.261.913	4.347.372	64	-
Cash and cash equivalents	2.149.202	1.875.874	165.213	100.465	7.650
Financial assets	67.758.551	63.137.787	4.512.585	100.529	7.650
Loans	143.243.600	138.781.881	4.461.719	-	-
Liabilities under leasing contracts	12.473.866	1.267.935	11.205.931	-	-
Trade liabilities and other liabilities	36.242.497	26.809.608	9.272.529	137.671	22.689
Financial liabilities	191.959.963	166.859.424	24.940.179	137.671	22.689
Total net financial assets /(liabilities)	(124.201.412)	(103.721.637)	(20.427.594)	(37.142)	(15.039)

Notes to the individual financial statements*for the financial year ended on December 31st, 2019**(all the amounts are expressed in RON, unless otherwise stated)***32. Financial risk management (continued)**

December 31 st , 2018	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	59.977.969	53.611.529	5.662.886	703.554	-
Cash and cash equivalents	2.064.372	2.002.560	19.829	24.600	17.382
Financial assets	62.042.341	55.614.089	5.682.716	728.154	17.382
Loans	129.223.197	128.593.749	629.448	-	-
Trade liabilities and other liabilities	38.306.245	28.197.232	9.861.725	238.201	9.087
Financial liabilities	167.529.442	156.790.981	10.491.174	238.201	9.087
Total net financial assets /(liabilities)	(105.487.101)	(101.176.892)	(4.808.458)	489.953	8.296

Sensitivity analysis

An increase by 10 percentage points of RON currency as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2019: + 2.047.978; (December 31st, 2018: + RON 431.021). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A decrease by 10 percentage points of RON currency as at December 31st, 2019 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

(e) Risk related to taxation

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

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

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

32. Financial risk management (continued)

(f) Transfer price

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

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

(g) Business environment

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

The global credit and liquidity crisis that started in mid 2007 caused, among others, a reduced level and the difficult accession of capital market funds, a reduced level of the liquidity in the entire banking sector in Romania and high values of instalments of inter-bank loans. The significant losses incurred on the international financial market could affect the Company’s ability to obtain new loans and to refinance its existing loans under the terms and conditions corresponding to previous transaction.

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

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

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

The management cannot estimate credibly the effects of any future decrease in financial market liquidity, of the depreciation of financial assets influenced by the low level of liquidity of loan market, of the increase in currency volatility of the currency and of the stock markets onto the Company’s financial statements.

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

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

Notes to the individual financial statements

for the financial year ended on December 31st, 2019

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

32. Financial risk management (continued)

(h) Capital adequacy

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

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