

Translation for information purposes only

VRANCART S.A.

**Interim consolidated financial statements
(simplified, not audited)
as at September 30th, 2020**

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

Contents

Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Notes to the interim consolidated financial statements	5-7

Vrancart S.A.

Consolidated statement of financial position

as at September 30th, 2020

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

	September 30 th , 2020	December 31 st , 2019
ASSETS		
Tangible assets	303.331.503	318.233.960
Intangible assets	6.943.835	7.717.493
Financial assets	42.654	35.293
Goodwill	8.526.391	8.526.391
Total non-current assets	318.844.383	334.513.137
Inventories	49.617.443	59.833.767
Trade receivables	72.301.970	72.238.293
Prepaid expenses	877.842	869.447
Cash and cash equivalents	3.564.611	2.485.165
Receivables related to current profit tax	147.424	339.999
Other receivables	2.017.116	473.401
Total current assets	128.526.406	136.240.072
TOTAL ASSETS	447.370.789	470.753.209
EQUITY		
Share capital	103.168.355	103.168.355
Reserves	107.822.784	111.517.107
Retained earnings	9.756.795	10.211.840
Total equity	220.747.934	224.897.302
LIABILITIES		
Long-term loans	43.920.177	46.168.826
Long-term loans from bond issues	37.942.100	37.942.100
Long-term leasing debts	8.438.653	8.438.653
Deferred income	13.825.097	15.569.283
Long-term provisions	354.654	372.440
Debts related to deferred profit tax	5.376.609	6.956.128
Other long-term liabilities	307.900	307.900
Total long-term liabilities	110.165.190	115.755.330
Short-term trade liabilities	34.854.722	37.564.636
Short-term loans	52.248.639	75.327.882
Short-term leasing debts	3.718.728	4.035.213
Deferred income	2.434.507	2.735.415
Debts related to current profit tax	1.095.597	-
Other liabilities	22.105.472	10.437.431
Total current liabilities	116.457.665	130.100.577
TOTAL LIABILITIES	226.622.855	245.855.907
TOTAL EQUITY AND LIABILITIES	447.370.789	470.753.209

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Vrancart S.A.

Consolidated statement of comprehensive income

as at September 30th, 2020

	September 30 th , 2020	September 30 th , 2019
Income from turnover	255.003.271	272.295.667
Other income	1.859.264	2.931.124
Variation in finished product inventories and production in progress	(3.701.190)	10.036.006
Expenses related to raw materials and consumables	(117.424.297)	(137.192.612)
Expenses related to commodities	(10.933.823)	(19.367.236)
Third party expenses	(20.183.773)	(20.553.563)
Personnel-related expenses	(50.645.478)	(53.945.233)
Expenses related to amortisation and impairment of assets	(25.602.594)	(20.084.275)
Other expenses	(13.642.795)	(11.606.955)
Operating result	14.728.585	22.512.923
Financial income	830	31.178
Financial expenses	(4.647.685)	(5.207.320)
Profit before taxation	10.081.730	17.336.781
Profit tax income/(expense)	(230.326)	(923.992)
Profit for the year	9.851.404	16.412.789
Other comprehensive income items		
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9.851.404	16.412.789

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Notes to the interim consolidated financial statements*as at September 30th, 2020***The entity reporting**

The Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17th Ecaterina Teodoroiu Street, Vrancea County, and its branches Rom Paper S.R.L. („the 1st Branch”), based in Brasov, 30th Cristianului Road, Brasov County and Vrancart Recycling S.R.L. („the 2nd Branch”), based in Adjud, 17th Ecaterina Teodoroiu Street, Vrancea County.

The interim consolidated financial statements of the Group for the first nine months of 2020 are formed of the financial statements of Vrancart S.A. and of its Branches, together forming the Group.

Branch	Field of activity	Shareholding as at September 30th, 2020	Shareholding as at December 31st, 2019
Rom Paper S.R.L.	Production of napkins and tissue paper products	100%	100%
Vrancart Recycling S.R.L.	Treatment and disposal of non-hazardous waste	100 %	-

The group operates in the field of collection and recycling of non-hazardous waste, in the paper, tissue paper and corrugated board industry.

VRANCART S.A.

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

The company is based in Adjud, 17th Ecaterina Teodoroiu Street, Vrancea County, working points in Bucharest, Calimanesti, Ungheni and collecting working points in: Bucharest, Iasi, Focsani, Ploiesti, Botosani, Sibiu, Constanta, Arad, Brasov, Pitesti, Timisoara, Bacau, Cluj, Craiova, Baia Mare, Targu Mures and Braila.

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

- corrugated cardboard
- packaging and other corrugated cardboard
- 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. The Group posts its consolidated financial statements on the website www.vrancart.ro.

As at September 30th, 2020, the Company is owned 75% by SIF Banat – Crişana S.A., 17 % by Paval Holding S.R.L. and 8% by other shareholders.

ROM PAPER S.R.L.

Rom Paper S.R.L. (the 1st Branch”) was founded in 2002 and is a private company with Romanian capital, which produces tablecloths, folded towels, toilet paper, professional rolls, cosmetic towels and boxed towels. The products are sold in 7 countries, both in Romania and abroad, through chain stores (hypermarkets, supermarkets, cash and carry), but also through distributors.

On January 20th, 2017, the Company acquired the majority stake (70%) of shares of Rom Paper S.R.L.

As of September 30th, 2020, the Group owns 100% of the shares of Rom Paper S.R.L., as a result of the acquisition in 2017 and 2018 of the remaining 30% (15% + 15%) of the shares of Rom Paper S.R.L.

VRANCART RECYCLING S.R.L.

Vrancart Recycling SRL (“the 2nd Branch”) was founded in 2020, in August, and is a private company with Romanian capital, with sole associate. The main activity of this Branch is the treatment and disposal of non-hazardous waste. The company has just started its activity and has a number of 6 employees as of September 30th, 2020.

Accounting principles, policies and methods

The simplified interim consolidated financial statements for the first nine months ended on September 30th, 2020 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim consolidated financial statements do not include all the information and elements presented in the annual report and shall be read together with the Company’s annual financial statements, drawn up as at December 31st, 2019.

The accounting policies and the evaluation methods used for the preparation of the simplified interim consolidated financial statements are in accordance with those used for the preparation of the Company’s annual financial statements for the year ended on December 31st, 2019.

Combinations of entities are accounted through the acquisition method on the date when the Group obtains control over the acquired entity. Control requires exposure or rights onto the variable results of the entity in which investments were made, as well as the ability to influence those results by exerting authority over the entity in question.

Branches are entities controlled by the Group. The financial statements of the branches are included in the consolidated financial statements from the date when control starts being exerted until the date of its cessation.

The interim consolidated financial statements for the first nine months of 2020 have not been revised by an external financial auditor, as this is not a legal requirement.

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 recorded in foreign

Vrancart S.A.

Notes to the interim consolidated financial statements

as at September 30th, 2020

currencies on the date of preparation of the accounting statements are converted into the functional currency at the exchange rate on that day.

The losses or gains from their discounting and from the conversion using the exchange rate as at the end of the period for reporting 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 as follows:

Currency	September 30 th , 2020	December 31 st , 2019	Variation
Euro (EUR)	4,8698	4,7793	+1,9%
American dollars (USD)	4,1617	4,2608	-2,3%

Other notes

The Group recorded as at September 30th, 2020 a positive cash balance of RON 3.564.611 and does not have any outstanding liabilities to the public budgets or to its private partners.

The management considers that the Group will be able to continue its business in the foreseeable future and therefore, the application of the business continuity principle in the preparation of the financial statements is justified.

Subsequent events

On October 22nd, 2020, dividends in the amount of 11,661,645 lei were paid to shareholders, according to legal regulations, based on the Decision on the distribution of dividends, approved by the Ordinary General Meeting of Shareholders in April 2020.

Management's statement

According to our best information available, we confirm that the simplified interim consolidated financial statements as at September 30th, 2020 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of the Group's position and financial performances, as provided by the applicable accounting standards, and that the information presented in this report provides a fair and accurate view of the main events that took place during the first nine months of the financial year and of their impact onto the simplified interim consolidated financial statements.

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager