

*Translation for information purposes only*

**VRANCART S.A.**

**Interim consolidated financial statements  
(simplified, not audited)  
as at March 31<sup>st</sup>, 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

**VRANCART S.A.****Consolidated statement of financial position (not audited)***as at March 31<sup>st</sup>, 2020**(all the amounts are expressed in RON, unless otherwise stated)*

	March 31 <sup>st</sup> , 2020	December 31 <sup>st</sup> , 2019
<b>ASSETS</b>		
Tangible assets	313.505.549	318.233.960
Intangible assets	7.496.446	7.717.493
Financial assets	35.079	35.293
Goodwill	8.526.391	8.526.391
<b>Total non-current assets</b>	<b>329.563.465</b>	<b>334.513.137</b>
Inventories	53.970.772	59.833.767
Trade receivables	81.635.291	72.238.293
Prepaid expenses	1.255.478	869.447
Cash and cash equivalents	2.024.806	2.485.165
Receivables related to current profit tax	19.756	339.999
Other receivables	216.801	473.401
<b>Total current assets</b>	<b>139.122.904</b>	<b>136.240.072</b>
<b>TOTAL ASSETS</b>	<b>468.686.369</b>	<b>470.753.209</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	112.115.847	111.517.107
Retained earnings	12.216.694	10.211.840
<b>Total equity</b>	<b>227.500.896</b>	<b>224.897.302</b>
<b>LIABILITIES</b>		
Long-term loans	50.906.643	46.168.826
Long-term leasing debts	7.271.500	8.438.653
Long-term loans from bond issues	37.942.100	37.942.100
Deferred income	14.902.092	15.569.283
Long-term provisions	372.440	372.440
Debts related to deferred profit tax	6.941.288	6.956.128
Other long-term liabilities	307.900	307.900
<b>Total long-term liabilities</b>	<b>118.643.963</b>	<b>115.755.330</b>
Short-term trade liabilities	39.670.711	37.564.636
Short-term loans	60.926.883	75.327.882
Short-term leasing debts	3.886.123	4.035.213
Deferred income	2.720.868	2.735.415
Debts related to current profit tax	403.521	-
Other liabilities	14.933.404	10.437.431
<b>Total current liabilities</b>	<b>122.541.510</b>	<b>130.100.577</b>
<b>TOTAL LIABILITIES</b>	<b>241.185.473</b>	<b>245.855.907</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>468.686.369</b>	<b>470.753.209</b>

**CIUCIOI Ionel-Marian**  
General Manager**ARSENE Vasilica-Monica**  
Financial Manager

**Notes to the consolidated statement of financial position as at March 31<sup>st</sup>, 2020**

The amount of equity as at March 31<sup>st</sup>, 2020 was RON 227.500.896, up by 1,2% from the amount recorded as at the beginning of the year, due to the profit achieved during the 1<sup>st</sup> quarter.

The amount of the Company's current assets increased by 2,1% during the analysed period, due to the increase of trade receivables by 13% during the 1<sup>st</sup> quarter. The amount of current assets as at March 31<sup>st</sup>, 2020 is RON 139.122.904.

The total liabilities recorded as at March 31<sup>st</sup>, 2020 amount to RON 241.185.473, down by 2% from the amount recorded as at January 1<sup>st</sup>, 2020, due to the repayment of loans for financing investments and credit lines for the current activity. The increase of the item "Other debts" was mainly due to the registration of VAT payable in the amount of RON 4.6 million. It was paid by the date of presentation of these financial statements.

## Consolidated statement of comprehensive income (not audited)

as at March 31<sup>st</sup>, 2020

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

	March 31 <sup>st</sup> , 2020	March 31 <sup>st</sup> , 2019
Income from turnover	92.955.207	90.048.960
Other income	730.846	801.985
Variation of finished product inventories and production in progress	(2.975.281)	3.908.732
Expenses related to raw materials and consumables	(42.166.057)	(47.850.329)
Expenses related to commodities	(6.626.160)	(5.409.210)
Third party expenses	(7.428.743)	(7.000.962)
Personnel-related expenses	(17.530.780)	(17.498.088)
Expenses related to amortisation and impairment of assets	(8.577.197)	(6.551.920)
Other expenses	(3.685.786)	(3.223.842)
<b>Operating result</b>	<b>4.696.049</b>	<b>7.225.326</b>
Financial income	405	2.663
Financial expenses	(1.749.133)	(1.813.229)
<b>Profit before taxation</b>	<b>2.947.321</b>	<b>5.414.760</b>
Profit tax income (expense)	158.903	(91.316)
<b>Profit for the year</b>	<b>3.106.224</b>	<b>5.323.444</b>
<b>Other comprehensive income items</b>		
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	-	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	(96.050)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3.010.174</b>	<b>5.323.444</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

## Notes to the statement of comprehensive income for the 1<sup>st</sup> quarter of 2020, compared to the 1<sup>st</sup> quarter of 2019

The operating income for the period amounted to RON 90.710.772, down by 4,3% from the same period of the previous year, due to the effect generated by the variation of the stocks of finished products and the production in execution, as a result of the use of the stocks from the previous periods.

The operating expenses for the period amounted to RON 86.014.723, down by 1,7% from the same period of the previous year. A significant increase is registered by the depreciation expenses and the depreciation of fixed assets, as a result of the registration of the depreciation of the new production capacities related to the corrugated cardboard line

The operating profit for the period amounted to RON 4.696.049, down by 35% from the amount recorded during the same period of the previous year. The net profit of the 1<sup>st</sup> quarter of 2020 amounted to RON 3.106.224.

Compared to the same period last year, the decrease is due to:

- o Temporary closure of the working point in Calimanesti, Valcea for expansion and modernization (a new production hall was built and the cardboard machine was changed).
- o Decrease in orders for corrugated packaging following the onset of the health crisis and the measures imposed by the state of emergency (starting with March 16<sup>th</sup>, 2020).
- o Decreased demand for cardboard paper due to overproduction on the European market.

### Economic and financial indicators at Group level, as at March 31<sup>st</sup>, 2020 (in accordance with Appendix no. 13 to the Financial Supervisory Authority Regulation no. 5/2018)

Indicator's name	Calculation modality	M.U.	Result
<b>Current liquidity indicator</b>	Current assets/Current liabilities	ratio	1,14
<b>Indebtedness degree indicator</b>	Borrowed capital/ Equity x 100	%	70,74*
	Borrowed capital/Employed capital x 100	%	41,43*
<b>Debts-customers turnover</b>	Average customer balance/Turnover x 90	days	79,04
<b>Non-current assets turnover</b>	Turnover/Non-current assets	ratio	0,28

\* Borrowed capital includes credit lines, short and long-term bank loans, long-term trade loans, liabilities under short and long-term financial leasing agreements, as well as loans from bond issues.

Vrancart S.A.

## Notes to the interim consolidated financial statements

(simplified, not audited)

### The entity reporting

Vrancart Group (“the Group”) includes the company Vrancart S.A., based in Adjud, 17<sup>th</sup> Ecaterina Teodoroiu Street, Vrancea county and its branch Rom Paper S.R.L. (“the Branch”), based in Cristian locality, 46<sup>th</sup> Ghimbavului Street, Brasov county.

The Group’s interim consolidated financial statements for the first three months of 2020 are formed of the financial statements of Vrancart S.A. and of its Branch, together forming the Group.

<b>Branch</b>	<b>Field of activity</b>	<b>Shareholding as at March 31<sup>st</sup>, 2020</b>	<b>Shareholding as at December 31<sup>st</sup>, 2019</b>
Rom Paper S.R.L.	Production of napkins and tissue paper products	<b>100%</b>	<b>100%</b>

The Group performs its activity in the paperboards, tissue paper and corrugated cardboard industry.

#### **VRANCART S.A.**

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

The company is based in Adjud, 17<sup>th</sup> Ecaterina Teodoroiu Street, Vrancea county.

The company has working points for waste paper collection opened in the following localities: București, Calimanesti, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mures and Braila.

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 at the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005. The Group posts its consolidated financial statements on the website [www.vrancart.ro](http://www.vrancart.ro).

As at March 31<sup>st</sup>, 2020, the Company is held in a percentage of 75% by SIF Banat - Crișana S.A. and in a percentage of 25% by other shareholders.

Vrancart S.A.

## Notes to the interim consolidated financial statements

*(simplified, not audited)*

---

### **ROM PAPER S.R.L.**

On January 20<sup>th</sup>, 2017, the company completed the process related to the acquisition of the majority stake of Rom Paper S.R.L., 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 that produces napkins, folded towels, tissue paper, professional rolls, facial tissues and boxed tissues. The products manufactured are traded in 7 countries, on the Romanian territory and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry), and also by means of distributors.

The acquisition agreement provided the sale of 70% of the shares of Rom Paper S.R.L. in the first stage.

The Group had the option to acquire the remaining shares as follows: 15% of the shares in April 2017 (call 1 option) and 15% of the shares in April 2018 (call 2 option).

If the Company failed to exert its option to acquire the remaining shares, the sellers of Rom Paper S.R.L. had the option to sell these to the Company as follows: 15% of the shares in 2017 (put 1 option) and 15% of the shares in 2018 (put 2 option).

During the period when the option rights could be exerted by both parties, it was forbidden the granting of dividends by Rom Paper S.R.L. 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.

As at March 31<sup>st</sup>, 2019, the Group held 100% of the shares of Rom Paper S.R.L., following the exertion of the call 2 option for the acquisition of 15% of the shares of Rom Paper S.R.L. in 2018.

## **Accounting principles, policies and methods**

The simplified interim consolidated financial statements for the first three months ended on March 31<sup>st</sup>, 2020 were drafted in accordance with IAS 34 Interim Financial Statements.

The simplified interim consolidated financial statements do not include all the information and elements included in the annual report and must be read with the Company’s annual financial statements, drawn up as at December 31<sup>st</sup>, 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 31<sup>st</sup>, 2019.

Combinations of entities are accounted through the purchase 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 invested in, 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 three months of 2020 have not been revised by an external financial auditor, as this is not a legal requirement.

### **Transactions in foreign currency**

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 currencies

Vrancart S.A.

## Notes to the interim consolidated financial statements

(simplified, not audited)

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 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	March 31 <sup>st</sup> , 2020	December 31 <sup>st</sup> , 2019	Variation
Euro (EUR)	4,8254	4,7793	+0,96%
American dollar (USD)	4,3983	4,2608	+3,23%

### Other notes

The Company's management has established its medium and long-term strategy and the estimates provide sales increases and cost reductions following the effective use of resources, leading to an increase of the operating profit.

As at March 31<sup>st</sup>, 2020, the Group recorded a positive cash balance of RON 2.024.806 and it does not have any outstanding debts to the public budgets or to its private partners.

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

### Subsequent events

On **April 28<sup>th</sup>, 2020**, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31<sup>st</sup>, 2019 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2020, along with the investments plan for the period 2020.

Through the decision no. 4/April 28<sup>th</sup>, 2020, the Ordinary General Meeting of the Shareholders approved the distribution of **dividends** from the net profit of the financial year 2019 in the amount of RON 11.967.530 (namely dividends with a gross amount of RON 0,0116 /share), the payment date being set for October 23<sup>rd</sup>, 2020.

On March 16, 2020, a state of emergency was declared in Romania as a result of the health crisis generated by Covid19. Similar measures have been put in place in the European Union and most countries around the world.

These measures to limit the movement of goods and persons have affected and continue to affect the economic activity both at European and local level and implicitly the activity of Vrancart SA.

The company constantly monitors the situation and has taken the necessary measures regarding the protection of employees but also in order to continue the activity. Some business segments have been temporarily restricted, and some staff work from home or are in technical unemployment.

At this moment, the total impact of this crisis is not known / cannot be reasonably estimated, but the executive management is confident that the company has the necessary resources to overcome this situation well, and to continue its activity on the basis of efficiency and profitability.



Vrancart S.A.

## **Notes to the interim consolidated financial statements**

*(simplified, not audited)*

---

### **Management's statement**

According to our best information available, we confirm that the simplified interim consolidated financial statements as at March 31<sup>st</sup>, 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 three months of the financial year and of their impact onto the simplified interim financial statements.

**CIUCIOI Ionel-Marian**

General Manager

**ARSENE Vasilica-Monica**

Financial Manager