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# CONSOLIDATED REPORT

OF THE BOARD OF ADMINISTRATORS  
FOR THE FINANCIAL YEAR 2020

## “VRANCART”

### GROUP OF COMPANIES



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## 1. ANALYSIS OF THE ACTIVITY

### 1.1.1. General information

Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branch Rom Paper S.R.L. (“Branch 1”), based in Brasov locality, 30 Cristianului Road, Brasov county, Vrancart Recycling S.R.L. (“Branch 2”), based in in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and Ecorep Group S.A. (“Branch 3”), based in in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The Group operates in the field of non-hazardous waste collection and recycling, in the paper and corrugated cardboard industry.

#### General evaluation elements of the Group:

a) gross book result	RON 18.639 thousand
b) turnover	RON 349.657 thousand
c) export	RON 59.958 thousand
d) operating costs	RON 322.789 thousand
e) % of the market held (internal estimates)	
	In 2020
	Tissue paper - 14%
	Paperboards - 16%
	Corrugated cardboard - 15%
f) liquidity as at the year-end	RON 5.558 thousand

### VRANCART S.A.

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

Company name	„VRANCART”
Type of company	Joint-stock trade company
Address	17 Ecaterina Teodoroiu Street, Adjud, Vrancea county, 625100
Telephone/ Fax no.	0237.640.800 / 0237.641.720
Trade Registry registration no.	J39/239/1991
VAT number	1454846
Tax Identification Number	RO1454846
Share capital	RON 103.168.355
Nominal value of shares	RON 0,10/share
Number of shares	1.031.683.547

The company has its registered office in Adjud and working points opened in the following localities: Bucharest, Calimanesti, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mures, și Braila.

The main object of activity of the Vrancart (NACE code 1721) is represented by the manufacturing and trading of the following products:



- single-faced corrugated cardboard, double-faced corrugated cardboard, double-double faced corrugated cardboard, corrugated cardboard with micro-flutes;
- corrugated cardboard packaging;
- paperboards in various assortments;
- tissue papers in various assortments.

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

Besides the production activities resulting in the products mentioned above, VRANCART also performs activities to support its main activities (supporting activities): the production of utilities (industrial water, treated water for thermal boilers, process steam, waste water clarifying), mechanical and electrical maintenance, transports (within the company and to customers) and others.

In 2020, the average number of employees of the Group was 1.293 (2019: 1.316).

The company's shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

As at December 31<sup>st</sup>, 2020, the Company is owned 75% by SIF Banat – Crisana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

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

In the context of the situation generated by the COVID-19 virus, the Company made its own assessment regarding the effects that it may have on the activity carried out, analysing the uncertainties and risks that the Company is exposed to in the following period. The major areas that were analysed and on which measures were taken in order to reduce the impact on the Company's activity were: employees, analysis of the demand for products and services, contracts to be met, supply, financial commitments, the effect of announced or expected fiscal measures; valuation of future earnings.

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

## **ROM PAPER SRL**

**Rom Paper S.R.L.** (“Branch 1”) 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.

On January 20<sup>th</sup>, 2017, the Company completed the purchase of the majority stake (70%) in Rom Paper S.R.L. As at December 31<sup>st</sup>, 2020, the Group held 100% of the company's shares, following the purchase in June 2017 of 15%, respectively in June 2018 of the last tranche of 15% of the shares in Rom Paper S.R.L.





As at December 31<sup>st</sup>, 2020, the Branch had a number of 172 employees (December 31<sup>st</sup>, 2019: 136 employees).

#### **VRANCART RECYCLING S.R.L.**

Vrancart Recycling S.R.L. (“Branch 2”) was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste.

The company is at the beginning of its activity and had a number of 9 employees as at December 31<sup>st</sup>, 2020.

#### **ECOREP GROUP S.A.**

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

The company is at the beginning of its activity and it is currently pending authorisation by the Ministry of Environment. The number of employees as at December 31<sup>st</sup>, 2020 is 8 employees.

#### **1.1.2. Evaluation of the Group’s technical level**

The Group’s base production activities are organised by three different lines of business managed based on their own budgets, component parts of the Group’s general budget, that manufacture products for three different markets, namely:

- the paperboards market;
- the corrugated cardboard and corrugated cardboard packaging market;
- the tissue paper market.

The evolution of production on these markets in the past 3 years is presented in the table below:

<b>Lines of business</b>	<b>M.U.</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Paperboards	to	75.592	88.941	91.061
Corrugated cardboard and packaging	to	60.292	62.563	64.885
Tissue paper	to	27.758	25.658	23.683

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

<b>Lines of business</b>	<b>M.U.</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Paperboards	%	12%	11%	13%
Corrugated cardboard and packaging	%	66%	65%	52%



Tissue paper	%	15%	18%	32%
Other activities	%	7%	6%	3%

The investments made in 2020, by groups of fixed assets, were as follows:

Investments made	Value (RON)
Buildings and building improvements	4.803.344
Technological equipment	21.749.571
Work apparatus and installations	597.344
Means of transport and other fixed assets	2.395.287
Intangible assets	411.248
<b>TOTAL</b>	<b>29.956.794</b>

### 1.1.3. Evaluation of the technical and material supply activity

The main raw material of the Group's paper manufacturing plants is represented by waste paper. It is purchased by means of the Company's own collection centres or directly from generators.

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

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

### 1.1.4. Evaluation of the sales activity

The evolution of deliveries of the Group's products by each market segment in the past 3 years is presented in the table below:

Lines of business	M.U.	2020	2019	2018
Paperboards	to	22.538	19.137	26.206
Corrugated cardboard and packaging	to	60.363	62.759	64.466
Tissue paper	to	27.157	30.175	25.989

### The state of competition

On each market segment, there are several manufacturers of products similar to those produced by the Group.



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

Producer	Annual production capacity (to/year)
Ambro Suceava (Rossmann Group)	150.000
DS Smith, Zărnești	250.000
Vrancart Adjud	100.000
Romwelle (“CCH”), Turnu Severin	70.000
<b>Total</b>	<b>570.000</b>

All the mills use corrugated cardboard waste (waste paper) as raw material for the production of paper, except for Romwelle that also uses cellulose as raw material, and the products obtained are relatively similar in terms of their characteristics and quality.

Most of the paper producers also have corrugated cardboard and corrugated cardboard packaging production plants, so that most of their own paperboards production is intended for their own consumption.

#### Market share evolution for Paperboards

Producers	2020	2019	2018
Vrancart	16%	17%	18%
Other producers	84%	83%	82%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: VRANCART estimates

**B. On the corrugated cardboard and corrugated cardboard packaging market**, in 2020 there were 9 competitors, out of which 5 have two mills each (Vrancart, Dunapack, DS Smith, Rossmann and Rondocarton).

The corrugated cardboard market is a **regional market** due to the high shipping costs for long distances. It is a **highly competitive** market, and in Romania **the orientation of consumers is towards products with low prices and average quality**.

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

#### Market share evolution for Corrugated cardboard and corrugated cardboard packaging

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

Source: VRANCART estimates



### Corrugated cardboard producers in Romania in 2020

No.	Producer's name	Production capacity (to/year)
1	Rondocarton (2 mills)	160.000
2	Rossmann (2 mills)	120.000
3	Vrancart (2 mills)	120.000
4	Dunapack (2 mills)	120.000
5	DS Smith Group (2 mills)	80.000
6	VPK Salonta	60.000
8	Thimm Sura Mica	60.000
9	Europa Expres Iași	30.000
<b>TOTAL</b>		<b>750.000</b>

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

In 2020, internal production of tissue paper increased by approx. 12% from the previous year, reaching 191 thousand tons/year.

Unlike its competitors, Vrancart produces tissue paper only from waste paper, being the largest producer on the market and low amounts are also produced by Comceh Călărași.

In 2019, one of the major producers, Petrocart Piatra Neamț, went insolvent and shut down its tissue paper production.

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

Also, during the next period, new production capacities will appear. MG TEC Industry Dej will build with a state aid a new mill of large consumption tissue paper products, where it will invest over EUR 80 million, in two new production lines. The equipment will be put into operation in 2022 (Source: <https://www.tissueworldmagazine.com>).

Producers	2020	2019	2018
Vrancart Adjud	14%	11%	10%
Other producers	86%	89%	90%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: VRANCART estimates

#### 1.1.5. Evaluation of the aspects related to the Group's employees/personnel

a) Specification of the number and level of training of the trade company's employees, as well as of the degree of unionization of the labour force;



The average number of employees in 2020 was 1293 employees, out of which:

- 171 higher education graduates
- 543 high school graduates
- 359 vocational schools graduates
- 220 middle school graduates

Out of the total number of employees, 217 are trade union members (there is only one trade union within the Group, at the parent-company).

The labour force fluctuation index in 2020 was 27% (the number of employees that left the Company/ average number of personnel x 100).

b) Description of the relationships between the managers and the employees, as well as of any conflicting elements characterizing these relationships.

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

#### **1.1.6. Evaluation of the aspects related to the issuer's main activity onto the environment**

Summarized description of the impact of the issuer's main activities onto the environment as well as of any existing or foreseen litigations in relation to the violation of the environmental protection laws.

**VRANCART S.A.** has implemented an integrated quality-environment-health management and labour security system which was re-certified in September 2018 according to ISO 9001/2015; ISO 14001/2015 and in 2020 according to ISO 45001/2018, by Lloyd's Register England, Bucharest Agency.

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

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

#### **1.1.7. Evaluation of the research and development activity**

The company is involved as a partner in various research and development projects. Thus, in 2019, "Gheorghe Asachi" Technical University in Iasi submitted a project for financing with the programme: PN-III-CERC-CO-PED-2016 with the name „Novel materials with optical properties for anti-counterfeiting paper" (OptiPaper). The project objective is to manufacture paper for money production, so as not to allow its counterfeiting and it will be carried out over a period of 2 years.



The project was approved in November 2020 and the project implementation period is 2020 – 2022. The project value amounts to RON 600.000 and it is financed from the state budget.

### 1.1.8. Evaluation of the Company's activity on risk management

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

- credit risk;
- liquidity risk;
- market risk;
- currency exchange risk.

Information is further presented on the Group's exposure to each of the abovementioned risks, the Group'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 Group's policies for risk management are defined so as to provide the identification and analysis of the risks that the Group 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 Group's activities. The Group, 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.

Credit risk is the risk that the Group 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 Group's trade receivables.

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

<b>Book value</b>	<b>December 31<sup>st</sup>, 2020</b>	<b>December 31<sup>st</sup>, 2019</b>
Trade receivables and other receivables	73.054.234	72.711.693
Cash and cash equivalents	5.558.078	2.485.165
<b>Total</b>	<b>78.612.312</b>	<b>75.196.858</b>

The Group covers the credit risk through the preparation and implementation of relevant credit policies (e.g. each new customer is analysed on an individual basis from the trustworthiness point of view before being given the standard payment and delivery conditions of the Group; sales limits are established for each separate customer), the customers failing to meet the conditions established by the Group may make transactions with it only after making an advance payment.

**Liquidity risk** – The Group makes sure that it has sufficient cash to cover the operating expenses. The following table shows the residual contractual maturities of the financial liabilities as at the end of the reporting period, including the estimated payments of interest:

<b>December 31<sup>st</sup>, 2020</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>more than 5 years</b>
Loans	110.476.697	116.000.531	60.466.896	51.837.028	3.696.608
Financial leasing	14.581.978	14.703.385	6.149.713	8.553.672	-



Trade liabilities and other liabilities	52.216.112	52.216.112	51.116.435	1.099.676	-
<b>Total</b>	<b>177.274.787</b>	<b>182.920.028</b>	<b>117.733.044</b>	<b>61.490.376</b>	<b>3.696.608</b>

December 31 <sup>st</sup> , 2019	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	121.496.708	127.571.544	69.657.239	54.496.021	3.418.284
Financial leasing	12.473.867	12.719.608	4.138.113	8.581.495	-
Trade liabilities and other liabilities	48.309.967	48.309.967	48.002.067	307.900	-
<b>Total</b>	<b>182.280.542</b>	<b>188.601.119</b>	<b>121.797.420</b>	<b>63.385.416</b>	<b>3.418.284</b>

The financial liabilities presented do not include loans from bond issues as the Company cannot foresee when it could exert their reimbursement options, namely their conversion options.

The Group's approach to managing liquidity consists of making sure, as far as possible, that it always has sufficient funds to pay its liabilities that reached their maturity dates, both under normal conditions and under stress conditions, without incurring unacceptable losses or endangering the Group's reputation.

#### 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 Group's revenues or the amount of the financial instruments it holds. The objective of managing this risk is to manage and control the exposures related to market risk within acceptable limits and at the same time to optimize the return on investment.

#### Currency exchange risk

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

December 31 <sup>st</sup> , 2020	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	73.054.234	65.360.464	7.667.427	26.343	-
Cash and cash equivalents	5.558.078	4.729.797	788.188	22.069	18.024
<b>Financial assets</b>	<b>78.612.312</b>	<b>70.090.261</b>	<b>8.455.615</b>	<b>48.412</b>	<b>18.024</b>
Loans	110.476.696	103.720.578	6.756.119	-	-
Debts under leasing contracts	14.581.978	606.232	13.975.746	-	-
Trade liabilities and other liabilities	52.216.112	38.866.657	13.349.455	-	-
<b>Financial liabilities</b>	<b>177.274.788</b>	<b>143.193.467</b>	<b>34.081.320</b>	<b>-</b>	<b>-</b>
<b>Total net financial assets /(liabilities)</b>	<b>(98.662.476)</b>	<b>(73.103.206)</b>	<b>(25.625.705)</b>	<b>48.412</b>	<b>18.024</b>



<b>December 31<sup>st</sup>, 2019</b>	<b>TOTAL</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>
Trade receivables and other receivables	72.711.693	68.337.995	4.373.635	64	-
Cash and cash equivalents	2.485.165	2.210.914	165.421	100.465	8.365
<b>Financial assets</b>	<b>75.196.858</b>	<b>70.548.908</b>	<b>4.539.056</b>	<b>100.529</b>	<b>8.365</b>
Loans	159.438.808	154.977.089	4.461.719	-	-
Debts under leasing contracts	12.473.867	1.267.936	11.205.931	-	-
Trade liabilities and other liabilities	48.309.967	36.753.353	11.396.254	137.671	22.689
<b>Financial liabilities</b>	<b>220.222.643</b>	<b>192.998.377</b>	<b>27.063.904</b>	<b>137.671</b>	<b>22.689</b>
<b>Total net financial assets /(liabilities)</b>	<b>(145.025.785)</b>	<b>(122.449.469)</b>	<b>(22.524.848)</b>	<b>(37.142)</b>	<b>(14.324)</b>

### Sensitivity analysis

An increase by 10 percentage points of RON as at December 31<sup>st</sup> compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31<sup>st</sup>, 2020: RON -2.555.927; (December 31<sup>st</sup>, 2019: RON -2.257.631). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

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

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;
- monitoring the cash inflows and outflows (on a daily basis), assessing the effects onto debtors, of access to financing and of the business environment in Romania and in the European area.

### 1.1.9. Prospects for the Group's business

In 2021, the Company will continue its development process through the implementation of large investments that will lead to the optimization and increase of the production capacity, as well as to the diversification of its product portfolio. Although their performance will require great investment efforts and disturbances of the production flow (for the replacement/ upgrade of equipment), the Company expects its results will be at the same level as in the previous year.

## 2. THE GROUP'S TANGIBLE ASSETS

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

The following production capacities operate within the Group:

- a) *The corrugated cardboard production machine*, with an existing production capacity of 80.000 tons/ year;
- b) *The paperboards production machine*, with a production capacity of 100.000 tons/ year, under the condition of operation with 100% waste paper as raw material;
- c) *The tissue paper machine*, with a production capacity of 25.500 tons/ year;



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

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The last re-evaluation of the patrimony was made as at December 31<sup>st</sup>, 2019.

Tangible assets re-evaluations are made with sufficient regularity, so that their book value does not differ to a significant extent from the value that would have been determined using the fair value as at the balance sheet date.

## 2.2. Description and analysis of the degree of wear of the Group's properties

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

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

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

The technical condition of the production installations is maintained through the performance of predictive and current maintenance works.

The degree of wear in the records as at December 31<sup>st</sup>, 2020 is as follows:

*(all the amounts are stated in RON thousand)*

Degree of wear	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	86.829	20.876	24%
Equipment and other fixed assets	391.132	194.416	50%

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

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 182.045 thousand as at December 31<sup>st</sup>, 2020 (December 31<sup>st</sup>, 2019: RON 152.008 thousand). The net book value of the assets purchased through financial leasing is RON 102 thousand as at December 31<sup>st</sup>, 2020 (December 31<sup>st</sup>, 2019: RON 1.399 thousand).



### 3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP

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

The shares of “VRANCART” SA are listed at the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

The shareholding structure as at December 31<sup>st</sup>, 2020 is as follows:

- SIF Banat-Crișana	- 75,06 %
- Paval Holding	- 17,10 %
- Legal entities	- 3,02 %
- Natural persons	- 4,82 %

#### 3.2. Description of the Group’s policy on dividends

The Group’s policy on dividends is established by the Ordinary General Meeting of the Shareholders.

In the past three years, only the parent-company distributed dividends.

Through the Decision no. 4 dated April 28<sup>th</sup>, 2019, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31<sup>st</sup>, 2019, amounting to RON 11.967.530, respectively a gross amount of a dividend of RON 0,0116/share.

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

\* These amounts represent tax facilities that the Company benefited of from the exemption of the tax related to reinvested profit (art. 22 of the applicable Tax Code).

\*\* The distribution of the Group’s profit falls under the competence of the Ordinary General Meeting of the Shareholders and it will be established during the General Meeting of the Shareholders to be held in April 2021.

#### 3.3. Description of any activities of the Group to redeem its shares

From its establishing, the Group has not purchased or held at any time its own shares.

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

On January 19<sup>th</sup>, 2017, the company completed the acquisition of the shares of **Rom Paper SRL (Branch 1)**, an acquisition that was approved by the Ordinary General Meeting of the Shareholders. The acquisition contract provided the acquisition in three annual tranches of 70% (completed), 15% (completed) and 15% (completed in 2018). Following the acquisition, Vrancart holds 100% of the shares as at December 31<sup>st</sup>, 2020.

**Vrancart Recycling SRL (Branch 2)** was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. Vrancart holds 100% of the share capital of the branch as at December 31<sup>st</sup>, 2020.

**Ecorep Group SA (Branch 3)** was established in November 2020 and it is a Romanian privately-owned company. Vrancart holds 99,6% of the shares as at December 31<sup>st</sup>, 2020.



### 3.5. If the Group issued any bonds and/or other debt securities, presentation of the modality in which it pays its obligations to the holders of such securities

In 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1<sup>st</sup>, 2017, the Financial Supervisory Authority approved the bond issuance prospectus in the amount of RON 38.250.000, with the interest Robor 3m + 2%, with the maturity term in 7 years. On March 13<sup>th</sup>, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds. The bonds are listed at the Bucharest Stock Exchange.

## 4. THE GROUP'S MANAGEMENT

### 4.1. The Group's Administrators

a) Presentation of the list of administrators of the trade company and of the following information for each administrator (surname, name, age, qualification, professional experience, position and the accumulated service) as at December 31<sup>st</sup>, 2020:

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

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

b) any agreement, understanding or family relationship between the administrator in question and another person due to which that person was appointed as administrator.

Not applicable.

c) the administrator's participation in the trade company's capital:

The administrators' participation in the Company's capital as at December 31<sup>st</sup>, 2020:

1. Ciucioi Ionel-Marian - 0 shares
2. Drăgoi Bogdan Alexandru - 0 shares
3. Mihailov Sergiu - 0 shares
4. Fercu Adrian - 0 shares
5. El Lakis Rachid - 0 shares

d) the list of persons affiliated to the Group



The parties are considered affiliated if one of the parties has the possibility to control either directly or indirectly or to influence to a significant extent the other party through ownership or based on some contractual rights, family relationships or relationships of any other kind, as defined by IAS 24 “Submission of information on affiliated parties”.

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

#### 4.2. The Group’s executive management

a) The Group’s executive management as at December 31<sup>st</sup>, 2019 was provided by Mr. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators of Vrancart S.A. and also chairman of the Board of Administrators of the branch Rom Paper S.R.L.

b) any agreement, understanding or family relationship between the person in question and another person due to which that person was appointed as a member of the executive management:

- Not applicable.

c) The participation of the company’s managing members in the share capital:

- None of the Group’s managing members hold any shares.

#### 4.3. Potential disputes or administrative procedures

For all the persons presented under items 4.1. and 4.2., specification of the potential disputes or administrative procedures they were involved in, in the past 5 years, related to their activity within the issuing group, as well as those related to the capacity of that person to fulfil its tasks within the issuing group.

- Not applicable.

### 5. INTERNAL CONTROL AND RISK MANAGEMENT

Internal control monitors and checks regularly the application of the new legal provisions relevant for the Group’s business, verifies the compliance with the Group’s internal regulations that were established through internal decisions and regulations, the completion of the existing regulations or the inclusion of new regulations specific to the Group’s economic activity, the establishing or improvement of the Group’s internal procedures.

The general objectives of internal audit for 2020 were focused in particular on risk management, as well as on the assessment of the general system of controls implemented for transactions and/or flows.

The consolidated financial statements of the Vrancart Group for the financial year ended on December 31<sup>st</sup>, 2020 were audited by the external auditor BDO Audit SRL.

The audit opinion states that the financial statements provide a fair view, in all significant aspects, of the financial position, as well as of the comprehensive income and of the cash flows for the financial year ended on December 31<sup>st</sup>, 2020 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.



## 6. SOCIAL RESPONSIBILITY

„VRANCART” S.A. constantly carries out activities related to the Company’s social responsibility and each year it supports either directly or through foundations/ specialised associations the unprivileged categories of people from the local community where it carries out its activity.

Also, the issuer is directly involved in supporting the young talents in sports, arts and music and sponsors some activities. It also sponsors other social activities within the local community that it belongs to.

## 7. NON-FINANCIAL STATEMENT

“VRANCART” S.A. will draft a separate report on information related to the consolidated non-financial statement and the aspects related to diversity, in accordance with the provisions of chapter 7 of Order no. 2844/2016. The separate report concluded for 2019 will be made available to the public on the Company’s website [www.vrancart.ro](http://www.vrancart.ro), until June 30<sup>th</sup>, 2021.

## 8. THE FINANCIAL AND ACCOUNTING STATEMENTS

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

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

Indicator’s name	M.U.	December 31 <sup>st</sup> , 2020	December 31 <sup>st</sup> , 2019	December 31 <sup>st</sup> , 2018
Overall liquidity	ratio	1.06	1.05	1.15
Immediate liquidity	ratio	0.64	0.59	0.69
Stock turnover	rot./year	7	6	7
Debt recovery	days	74	72	70
Reimbursement of trade liabilities	days	41	37	39
Operating profitability	%	7%	9%	7%
Gross profit ratio	%	5%	7%	5%



## 8.1. Consolidated statement of financial position in the past 3 years

(RON)	December 31 <sup>st</sup> , 2020	December 31 <sup>st</sup> , 2019	December 31 <sup>st</sup> , 2018
<b>ASSETS</b>			
Tangible assets	315.908.406	316.748.381	284.802.972
Intangible assets	6.788.609	7.717.493	8.052.663
Financial assets	41.094	35.293	34.756
Goodwill	8.526.391	8.526.391	8.526.391
<b>Total non-current assets</b>	<b>331.264.500</b>	<b>333.027.558</b>	<b>301.416.782</b>
Inventories	53.013.513	59.649.487	48.922.412
Trade receivables	71.841.836	72.238.293	68.673.849
Prepaid expenses	870.819	869.447	880.606
Cash and cash equivalents	5.558.078	2.485.165	2.435.896
Receivables related to current profit tax	-	339.999	102.001
Other receivables	1.212.397	473.401	765.937
<b>Total current assets</b>	<b>132.496.643</b>	<b>136.055.792</b>	<b>121.780.701</b>
<b>TOTAL ASSETS</b>	<b>463.761.143</b>	<b>469.083.350</b>	<b>423.197.483</b>
<b>EQUITY</b>			
Share capital	103.168.355	103.168.355	103.168.355
Reserves	114.957.240	110.269.220	86.396.421
Retained earnings	9.652.131	9.694.356	12.949.042
Non-controlling interests	281	-	-
<b>Total equity</b>	<b>227.778.007</b>	<b>223.131.931</b>	<b>202.513.818</b>
<b>LIABILITIES</b>			
Long-term loans	43.766.905	46.168.826	51.903.848
Long-term liabilities under leasing contracts	10.570.722	8.438.653	530.236
Long-term loans from bond issues	37.627.000	37.942.100	37.887.400
Deferred income	12.851.179	15.569.283	18.304.694
Long-term debts to employees	453.855	331.832	372.440
Debts related to deferred profit tax	5.503.412	6.718.435	5.143.692
Other long-term liabilities	645.822	348.508	362.600
<b>Total long-term liabilities</b>	<b>111.418.895</b>	<b>115.517.637</b>	<b>114.504.910</b>
Short-term trade liabilities	39.683.654	37.564.636	38.611.249
Short-term loans	66.709.792	75.327.882	52.593.856
Short-term liabilities under leasing contracts	4.011.256	4.035.213	608.178
Deferred income	2.726.759	2.735.415	2.740.289
Debts to employees	5.411.426	5.011.438	5.545.486
Debts related to current profit tax	966.800	-	7.928
Other liabilities	5.054.554	5.759.197	6.071.769
<b>Total current liabilities</b>	<b>124.564.241</b>	<b>130.433.782</b>	<b>106.178.755</b>
<b>TOTAL LIABILITIES</b>	<b>235.983.136</b>	<b>245.951.419</b>	<b>220.683.665</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>463.761.143</b>	<b>469.083.350</b>	<b>423.197.483</b>



## 8.2. Consolidated statement of comprehensive income in the past 3 years

(RON)	2020	2019	2018
Income from turnover	349.656.944	362.000.902	355.414.633
Other income	5.402.360	3.938.285	3.698.375
Variation of finished products inventories and production in progress	(7.569.998)	15.219.705	4.027.368
Expenses related to raw materials and consumables	(161.404.382)	(183.234.053)	(180.295.883)
Expenses related to commodities	(12.929.903)	(26.232.934)	(19.669.707)
Third party expenses	(27.931.900)	(27.879.290)	(25.258.111)
Personnel-related expenses	(71.963.147)	(72.400.901)	(67.863.714)
Expenses related to amortisation and impairment of tangible assets	(34.834.216)	(26.693.232)	(25.675.940)
Other expenses	(13.725.893)	(10.176.578)	(20.909.263)
<b>Operating result</b>	<b>24.699.865</b>	<b>31.541.904</b>	<b>23.467.758</b>
Financial income	925	1.709	1.115.264
Financial expenses	(6.062.153)	(7.098.653)	(6.803.610)
<b>Profit (loss) before taxation</b>	<b>18.638.637</b>	<b>24.444.960</b>	<b>17.779.412</b>
Profit tax expense	(2.025.331)	(1.234.759)	(960.844)
<b>Profit (loss) for the year</b>	<b>16.613.306</b>	<b>23.210.201</b>	<b>16.818.568</b>
<b>Other comprehensive income items</b>			
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	-	10.630.609	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>16.613.306</b>	<b>33.840.810</b>	<b>16.818.568</b>



### 8.3. Consolidated statement of cash flows in the past 3 years

(RON)	2020	2019	2018
<b>Cash flows from operating activities</b>			
Amounts collected from customers	400.037.149	413.662.850	404.327.883
Payments to suppliers	(230.364.017)	(273.627.372)	(270.709.827)
Payments to employees	(46.401.229)	(45.592.583)	(43.440.660)
Payments to the state budget	(55.125.576)	(57.340.504)	(50.716.673)
Profit tax paid	(2.171.302)	(1.590.547)	(1.731.783)
<b>Net cash flows from operating activities</b>	<b>65.975.025</b>	<b>35.511.844</b>	<b>37.728.940</b>
<b>Cash flows from investment activities</b>			
Payments for the purchase of tangible and intangible assets	(39.342.622)	(34.561.091)	(46.669.941)
Payments for the purchase of financial assets	-	-	(5.074.273)
Letters of credit for the purchase of tangible assets	-	-	(530.871)
Collections from the sale of tangible assets	10.282.717	186.315	1.518.567
Interests collected	400	268	33.481
<b>Net cash flows from investment activities</b>	<b>(29.059.505)</b>	<b>(34.374.508)</b>	<b>(50.723.037)</b>
<b>Cash flows from financing activities</b>			
Collections from loans	18.582.699	35.078.786	50.202.137
Cash contribution for shares	300	-	-
Payments for leasing	(5.068.315)	(3.437.670)	(938.433)
Interests paid and loans reimbursed	(35.695.646)	(23.125.321)	(25.893.772)
Dividends paid	(11.661.645)	(9.603.862)	(11.159.080)
<b>Net cash flows from financing activities</b>	<b>(33.842.607)</b>	<b>(1.088.067)</b>	<b>12.210.852</b>
<b>Net increase/ (Reduction) of cash and cash equivalents</b>	<b>3.072.913</b>	<b>49.269</b>	<b>(783.245)</b>
<b>Cash and cash equivalents at the financial year beginning</b>	<b>2.485.165</b>	<b>2.435.896</b>	<b>3.219.141</b>
<b>Cash and cash equivalents at the financial year end</b>	<b>5.558.078</b>	<b>2.485.165</b>	<b>2.435.896</b>



## 9. MAJOR EVENTS TO REPORT AFTER THE FINANCIAL YEAR END

Not applicable.

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

### SIGNATURES

The report will be signed by the authorised representative of the Board of Administrators, by the manager/ the executive manager and by the financial manager of the Company.

**Ciucioi Ionel-Marian**

Chairman of the Board of Administrators

**Arsene Vasilica-Monica**

Financial Manager

