

**VRANCART S.A.**  
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RO 1454846, J39/239/1991  
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*Translation for information purposes only*

## **Individual half-yearly report for the 1<sup>st</sup> half of 2017 according to the CNVM Regulation no. 1/2006**

Date of report	<b>August 14<sup>th</sup>, 2017</b>
Name of the issuing entity	<b>VRANCART S.A.</b>
Registered office	<b>Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county</b>
Tel./fax no.:	<b>0237-640.800; 0237-641.720</b>
Tax Identification Number	<b>1454846</b>
Trade Registry registration no.	<b>J39/239/1991</b>
Subscribed and paid-in share capital	<b>103.168.355 lei</b>
The regulated market onto which the securities issued are traded	<b>The Bucharest Stock Exchange</b>

### **1. The economic and financial situation of VRANCART S.A.**

The results achieved by VRANCART S.A. (hereinafter referred to as “the Company”) in the first half of 2017 confirm the company’s ability to generate profit and its financial soundness.

In this period, the net profit recorded was 11.456.631 lei, at the level of the profit estimated in the Revenues and Expenditures Budget.

The interim (simplified, non-audited) individual financial statements as at June 30<sup>th</sup>, 2017 are enclosed hereto, according to 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.

The interim individual financial statements for the 1<sup>st</sup> half of 2017 have not been revised by an independent external auditor, as this is not a legal or statutory requirement.

## 1.1. Balance sheet items

<i>(all items are expressed in lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>	<b>%</b>
Non-current assets	214.413.329	188.685.292	+14%
Current assets, out of which:	98.835.365	101.773.706	-3%
- <i>Trade receivables</i>	44.768.933	39.695.711	+13%
<b>Total assets</b>	<b>313.248.694</b>	<b>290.458.998</b>	<b>+8%</b>
<b>Total liabilities, out of which:</b>	<b>149.681.867</b>	<b>124.318.743</b>	<b>+20%</b>
- <i>Current liabilities</i>	54.677.595	68.503.442	-20%
<b>Equity, out of which:</b>	<b>163.566.827</b>	<b>166.140.255</b>	<b>-2%</b>
- <i>Reserves</i>	46.533.520	46.537.915	
- <i>Retained earnings</i>	13.864.952	16.433.985	-16%

As at June 30<sup>th</sup>, 2017 and during the period between January 1<sup>st</sup> – June 30<sup>th</sup>, 2017, the evolution of the main financial indicators was as follows:

- the Company's non-current assets increased by 14% following the investments made during the first half of 2017.
- The Company's current assets had decreased by 3% as at June 30<sup>th</sup>, 2017 from the year beginning following the reduction of available cash resources. As at December 31<sup>st</sup>, 2016, these included an escrow account of 9 million lei that was used in the meantime for the acquisition of 70% of the shares of ROM PAPER S.R.L.
- The trade receivables increased during the first six months of 2017 from the year beginning by 13% (5 million lei), following the increase of delivered production.
- The total liabilities as at June 30<sup>th</sup>, 2017 amount to 149.681.867 lei, up by 20% from the value recorded as at January 1<sup>st</sup>, 2017, due to the increase in current liabilities by 14 million lei, by recognising in these the dividends to be paid by the end of 2017.
- The equity amount as at June 30<sup>th</sup>, 2017 is 163.566.827 lei, down by 2% from their value at the year beginning. The reduction in retained earnings as at June 30<sup>th</sup>, 2017 is due to the distribution of dividends to be paid from the profit for 2016 approved during the General Meeting of the Shareholders held in April 2017.

## 1.2. Profit and loss account

<i>(all items are expressed in lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>June 30<sup>th</sup>, 2016</b>	<b>%</b>
Operating revenues, out of which:	120.263.421	117.360.619	+2%
<i>Income from turnover</i>	<i>119.307.225</i>	<i>111.257.183</i>	+7%
Operating expenses	(106.481.195)	(104.156.150)	+2%
<b>Operating profit</b>	<b>13.782.226</b>	<b>13.204.469</b>	<b>+4%</b>
Financial revenues	(75.160)	2.051	
Financial expenses	(936.332)	(875.062)	+7%
<b>Total revenues</b>	<b>120.188.261</b>	<b>117.362.670</b>	<b>+2%</b>
<b>Total expenses</b>	<b>(107.417.526)</b>	<b>(105.031.212)</b>	<b>+2%</b>
<b>Gross profit</b>	<b>12.770.735</b>	<b>12.331.458</b>	<b>+4%</b>
<b>Net profit</b>	<b>11.456.631</b>	<b>11.356.651</b>	<b>+1%</b>

During the first half of 2017 compared to the same period of the previous year, the main indicators of the Profit and loss account are as follows:

- The total revenues during the analysed period amounted to 120.188.261 lei, up by 2% from the same period of the previous year, mainly due to the turnover increase by 7% during the same analysed period.
- The total expenses for the period amounted to 107.417.526 lei, up by 2% from the same period of the previous year, due to the increase of operating expenses at the same pace.
- The net profit for the period amounted to 11.456.631 lei, up by only 1% from the same period of the previous year, however, at the level of the estimates in the Revenues and Expenditures Budget for 2017.

### 1.3. Cash flows

(all items are expressed in lei, unless otherwise stated)

	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
<i>Cash flows from the operating activity</i>		
Collections from the operating activity	134.895.321	130.231.592
Payments from the operating activity	(115.665.325)	(114.952.344)
<b>Net cash flows from operating activities</b>	<b>19.229.996</b>	<b>15.279.248</b>
<i>Cash flows from the investment activity</i>		
Collections from the investment activity	8.913.659	83.526
Payments from the investment activity	(40.335.205)	(24.716.492)
<b>Net cash flows from investment activities</b>	<b>(31.421.546)</b>	<b>(24.632.966)</b>
<i>Cash flows from the financing activity</i>		
Collections from the financing activity	66.851.268	20.507.452
Payments from the financing activity	(55.704.552)	(11.538.441)
<b>Net cash flows from financing activities</b>	<b>11.146.716</b>	<b>8.969.011</b>
<b>Balance at the beginning of the period</b>	<b>24.287.793</b>	<b>1.320.375</b>
<b>Balance at the end of the period</b>	<b>23.242.958</b>	<b>935.669</b>

The balance of cash and cash equivalents recorded as at June 30<sup>th</sup>, 2017 is positive, respectively of 23.242.958 lei. The cash balance increase from the same period of the previous year is mainly due to the cash contribution resulting from the bond issuance during the 1<sup>st</sup> half of 2017. This cash contribution will be used as a financing source for the investments provided in the Investments plan for the period between 2017 and 2019.

## 2. Analysis of the activity of VRANCART S.A.

### 2.1. Presentation and analysis of the trends, elements, events or uncertainty factors that affect or might affect the trade company's liquidity, compared to the same period of the previous year

The Company's management considers that the results achieved as at June 30<sup>th</sup>, 2017 are in accordance with its expectations and correlated with the company's development strategy. The control mechanisms and actions implemented provide the maintenance of the company's financial balance.

### 2.2. Presentation and analysis of the effects of all the current or anticipated capital expenditures onto the trade company's financial situation (stating the purpose and financing sources of these expenditures) compared to the same period of the previous year

The investment expenses made by the Company during the first six months of 2017 amounted to 16.879.382 lei, compared to 26.640.993 lei during the 1<sup>st</sup> half of the previous year. The main investments concerned modernisations of the paperboards machine, corrugated cardboard

converting equipment, modernisations of the tissue paper machine and endowments for the waste paper collection centres.

The Company will continue to implement the investment projects for the period between 2017 – 2019, approved by the General Meeting of the Shareholders held in April 2017, both from the company's own financing sources and from attracted sources (bank loans and loans from bond issues).

The Company believes that the investments made will have favourable effects onto the Company's financial situation within a relatively short period.

The economic and financial indicators as at June 30<sup>th</sup>, 2017 were as follows:

Indicator name	MU	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
<b>Overall liquidity</b>	ratio	1,81	0,98
<b>Immediate liquidity</b>	ratio	1,37	0,63
<b>Stock turnover</b>	rot/year	10	9
<b>Debt recovery</b>	days	66	69
<b>Reimbursement of trade liabilities</b>	days	25	26
<b>Operation profitability</b>	%	11,3	11,5
<b>Gross profit ratio</b>	%	10,5	11,1

The overall and immediate liquidity indicators had recorded increases as at June 30<sup>th</sup>, 2017 due to the cash contribution from the bond issues during the first half of 2017.

The other indicators did not record any major changes as at June 30<sup>th</sup>, 2017 compared to the same period of the previous year.

**2.3. Presentation and analysis of the events, transactions, economic changes that affect to a significant extent the income from the main activity. Specification of the extent to which the income was affected by each of the elements identified. Comparison to the corresponding period of the previous year.**

The company VRANCART S.A. does not have any events or transactions that might affect to a significant extent the main activity to report.

**3. Changes that affect the trade company's capital and management**

**3.1. Description of the circumstances when the trade company was unable to meet its financial obligations during the analysed period**

The company VRANCART S.A. was not in any situation unable to meet its financial obligations during the analysed period. The company does not have any outstanding liabilities to the public budgets or to its private partners.

**3.2. Description of any changes related to the rights of the holders of securities issued by the trade company.**

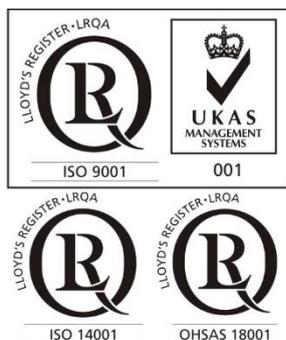
The company VRANCART S.A. does not have any changes to report in relation to the rights of the holders of securities issued.

#### **4. Major transactions**

On July 11<sup>th</sup>, 2017 the company completed the purchase of the second tranche of 15% of the shares of ROM PAPER S.R.L., based in Cristian township, Braşov county, registered with the Braşov Trade Registry Office under no. J8/548/2002, Tax Identification Number 14619270, according to the sales agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 85% of the shares of ROM PAPER S.R.L.

**CIUCIOI Ionel-Marian**  
Chairman of the Board of Administrators

**ARSENE Vasilica-Monica**  
Financial Manager



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## **Consolidated half-yearly report for the 1<sup>st</sup> half of 2017 according to the CNVM Regulation no. 1/2006**

Date of report	<b>August 14<sup>th</sup>, 2017</b>
Name of the issuing entity	<b>VRANCART S.A.</b>
Registered office	<b>Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county</b>
Tel./fax no.:	<b>0237-640.800; 0237-641.720</b>
Tax Identification Number	<b>1454846</b>
Trade Registry registration no.	<b>J39/239/1991</b>
Subscribed and paid-in share capital	<b>103.168.355 lei</b>
The regulated market onto which the securities issued are traded	<b>The Bucharest Stock Exchange</b>

### **1. The Group's economic and financial situation**

The results achieved by VRANCART S.A. Group (hereinafter referred to as "the Group") in the first half of 2017 confirm its ability to generate profit and its financial soundness.

The Group structure includes: ROM PAPER S.R.L. where VRANCART holds 70% of the shares and GIANT Prodimpex S.R.L. where VRANCART is the sole shareholder.

During this period, the net consolidated profit recorded amounted to 14.412.366 lei, within the limits of the profit forecasted in the Revenues and Expenditures Budget.

The interim (simplified, non-audited) consolidated financial statements as at June 30<sup>th</sup>, 2017 are enclosed hereto, according to 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.

The Group presents for the first time the half-yearly consolidated results, following the purchase of 70% of the shares of ROM PAPER S.R.L. from the 1<sup>st</sup> half of 2017 and comparisons to the previous periods are not relevant.

The interim consolidated financial statements for the 1<sup>st</sup> half of 2017 have not been revised by an independent external auditor, as this is not a legal or statutory requirement.

## 1.1 Consolidated balance sheet items

<i>(all items are expressed in lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>	<b>%</b>
Non-current assets	232.266.285	189.332.969	+23%
Current assets, out of which:	119.340.471	102.666.103	+16%
- <i>Trade receivables</i>	57.833.058	39.692.123	+46%
<b>Total assets</b>	<b>351.606.756</b>	<b>291.999.072</b>	<b>+20%</b>
<b>Total liabilities, out of which:</b>	<b>175.683.379</b>	<b>125.563.388</b>	<b>+40%</b>
- <i>Current liabilities</i>	74.058.867	69.716.020	+6%
<b>Equity, out of which:</b>	<b>175.923.377</b>	<b>166.435.684</b>	<b>+6%</b>
- <i>Reserves</i>	47.903.343	46.411.085	+3%
- <i>Retained earnings</i>	15.992.978	16.856.244	-5%

As at June 30<sup>th</sup>, 2017 and during the period between January 1<sup>st</sup> – June 30<sup>th</sup>, 2017, the evolution of the main financial indicators was as follows:

- The Group's non-current assets increased by 23% following the investments made in the first half of 2017 and as an effect of the consolidation.
- The Company's current assets had increased by 16% as at June 30<sup>th</sup>, 2017 compared to the year beginning following the increase of stocks and trade receivables. As at December 31<sup>st</sup>, 2016, these included an escrow account of 9 million lei that was used in the meantime to purchase 70% of the shares of ROM PAPER.
- The trade receivables increased by 46\$ (18 mil. lei) during the first six months of 2017 compared to the year beginning, following the consolidation of accounts.
- The total liabilities recorded as at June 30<sup>th</sup>, 2017 amounted to 175.683.379 lei, up by 40% from the value recorded as at January 1<sup>st</sup>, 2017 following to the increase of long-term liabilities due to the loans from bond issues and as an effect of the consolidation of branches.
- The equity as at June 30<sup>th</sup>, 2017 amounted to 175.923.377 lei, up by 6% from their value as at the year beginning. The reserves increased by 3%. The reduction of retained earnings as at June 30<sup>th</sup>, 2017 is due to the distribution of the profit for 2016 in dividends to be paid, following the decision adopted during the General Meeting of the Shareholders held in April 2017.

## 1.2. Consolidated profit and loss account

<i>(all items are expressed in lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>June 30<sup>th</sup>, 2016</b>	<b>%</b>
Operating revenues, out of which:	135.852.553	117.360.619	+16%
<i>Income from turnover</i>	<i>135.936.921</i>	<i>114.525.197</i>	<i>+19%</i>
Operating expenses	118.528.715	104.156.150	+14%
<b>Operating profit</b>	<b>17.323.838</b>	<b>13.204.469</b>	<b>+31%</b>
Financial revenues	-80.993	2.051	-
Financial expenses	954.727	875.062	+9%
<b>Total revenues</b>	<b>135.771.560</b>	<b>117.362.670</b>	<b>+16%</b>
<b>Total expenses</b>	<b>119.483.442</b>	<b>105.031.212</b>	<b>+14%</b>
<b>Gross profit</b>	<b>16.288.118</b>	<b>12.331.458</b>	<b>+32%</b>
<b>Net profit</b>	<b>14.412.366</b>	<b>11.356.651</b>	<b>+27%</b>

During the first half of 2017 compared to the same period of the previous year, the main indicators of the Profit and loss account were as follows:

- The total revenues during the analysed period amounted to 135.771.560 lei, up by 16% from the same period of the previous year, mainly due to the turnover increase by 19% during the same analysed period.
- The total expenses for the period amounted to 119.483.442 lei, up by 14% from the same period of the previous year, due to increase in operating expenses at the same pace.
- The net consolidated profit for the period amounted to 14.412.366 lei, up by 27% from the same period of the previous year.

It must be stated that the figures for the first half of 2017 are results of the Group consolidation, while the figures for the same period of the previous year are individual results achieved by the company VRANCART.

## **2. Analysis of the activity of VRANCART S.A.**

### **2.1. Presentation and analysis of the trends, elements, events or uncertainty factors that affect or might affect the trade company's liquidity, compared to the same period of the previous year**

The Company's management considers that the results achieved as at June 30<sup>th</sup>, 2017 are in accordance with its expectations and correlated with the company's development strategy. The control mechanisms and actions implemented provide the maintenance of the company's financial balance.

### **2.2. Presentation and analysis of the effects of all the current or anticipated capital expenditures onto the trade company's financial situation (stating the purpose and financing sources of these expenditures) compared to the same period of the previous year**

The investment expenses made by the Company during the first six months of 2017 amounted to 16.879.382 lei, compared to 26.640.993 lei during the 1<sup>st</sup> half of the previous year. The main investments concerned modernisations of the paperboards machine, corrugated cardboard converting equipment, modernisations of the tissue paper machine and endowments for the waste paper collection centres.

The Company will continue to implement the investment projects for the period between 2017 – 2019, approved by the General Meeting of the Shareholders held in April 2017, both from the company's own financing sources and from attracted sources (bank loans and loans from bond issues).

The Company believes that the investments made will have favourable effects onto the Company's financial situation within a relatively short period.

### **2.3. Presentation and analysis of the events, transactions, economic changes that affect to a significant extent the income from the main activity. Specification of the extent to which the income was affected by each of the elements identified. Comparison to the corresponding period of the previous year.**

VRANCART Group has no events or transactions that might affect to a significant extent the income from the main activity to report.

## **3. Changes that affect the trade company's capital and management**

### **3.1. Description of the circumstances when the trade company was unable to meet its financial obligations during the analysed period**

VRANCART Group was not in any situation unable to meet its financial obligations during the analysed period. The company does not have any outstanding liabilities to the public budgets or to its private partners.

### **3.2. Description of any changes related to the rights of the holders of securities issued by the trade company**

VRANCART Group does not have any changes to report in relation to the rights of the holders of securities issued.

### **4. Major transactions**

On July 11<sup>th</sup>, 2017 the company completed the purchase of the second tranche of 15% of the shares of ROM PAPER S.R.L., based in Cristian township, Braşov county, registered with the Braşov Trade Registry Office under no. J8/548/2002, Tax Identification Number 14619270, according to the sales agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 85% of the shares of ROM PAPER S.R.L.

**CIUCIOI Ionel-Marian**  
Chairman of the Board of Administrators

**ARSENE Vasilica-Monica**  
Financial Manager

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**VRANCART S.A.**

**Interim individual financial statements  
(simplified, not audited)  
as at June 30<sup>th</sup>, 2017**

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**

Individual statement of financial position	3
Individual statement of comprehensive income	4
Individual statement of changes in equity	5
Individual statement of cash flows	6
Notes to the interim individual financial statements	7-8

Vrancart S.A.

## Individual statement of financial position

as at June 30<sup>th</sup>, 2017

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

	June 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
<b>ASSETS</b>		
Tangible assets	187.924.927	180.855.000
Intangible assets	301.008	372.026
Financial assets	25.287.618	6.657.600
Receivables related to deferred profit tax	899.776	800.666
<b>Total non-current assets</b>	<b>214.413.329</b>	<b>188.685.292</b>
Inventories	23.875.567	27.750.242
Trade receivables	44.768.933	39.695.711
Accrued expenses	639.742	739.398
Restricted cash	-	8.899.753
Cash and cash equivalents	23.242.958	24.287.793
Other receivables	6.308.165	400.809
<b>Total current assets</b>	<b>98.835.365</b>	<b>101.773.706</b>
<b>TOTAL ASSETS</b>	<b>313.248.694</b>	<b>290.458.998</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	46.533.520	46.537.915
Retained earnings	13.864.952	16.433.985
<b>Total equity</b>	<b>163.566.827</b>	<b>166.140.255</b>
<b>LIABILITIES</b>		
Long-term loans	37.081.368	34.619.168
Long-term loans from bond issues	38.250.000	-
Deferred income	19.391.166	20.904.331
Long-term provisions	281.738	291.803
<b>Total long-term liabilities</b>	<b>95.004.272</b>	<b>55.815.302</b>
Short-term trade liabilities	16.949.293	17.089.495
Short-term loans	12.652.637	41.605.434
Deferred income	3.026.330	3.026.330
Debts related to current profit tax	674.713	494.330
Other liabilities	21.374.622	6.287.852
<b>Total current liabilities</b>	<b>54.677.595</b>	<b>68.503.441</b>
<b>TOTAL LIABILITIES</b>	<b>149.681.867</b>	<b>124.318.743</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>313.248.694</b>	<b>290.458.998</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

Vrancart S.A.

## Individual statement of comprehensive income

as at June 30<sup>th</sup>, 2017

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

	June 30 <sup>th</sup> , 2017	30 June 30 <sup>th</sup> , 2016
Income from turnover	119.307.225	111.257.183
Income from the sale of goods	2.811.457	3.268.014
Other income	1.533.280	1.503.729
Variation of inventories of finished products and production in progress	(3.388.541)	1.331.693
Expenses related to raw materials and consumables	(57.816.622)	(62.761.800)
Expenses related to commodities	(1.632.043)	(2.169.993)
Expenses related to third party services	(8.689.519)	(8.757.579)
Personnel-related expenses	(25.752.479)	(17.699.408)
Expenses related to amortisation and impairment of assets	(9.611.954)	(8.694.786)
Other expenses	(2.978.577)	(4.072.584)
<b>Operating result</b>	<b>13.782.227</b>	<b>13.204.469</b>
Financial revenues	(75.160)	2.051
Financial expenses	(936.332)	(875.062)
<b>Profit / (Loss) before taxation</b>	<b>12.770.735</b>	<b>12.331.458</b>
Profit tax income / (expense)	(1.314.104)	(974.807)
<b>Profit / (Loss) for the year</b>	<b>11.456.631</b>	<b>11.356.651</b>
<b>Other comprehensive income items</b>		
Increases of 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	(5.232)	(231.429)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>11.451.399</b>	<b>11.125.222</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

Vrancart S.A.

## Individual statement of changes in equity

as at June 30<sup>th</sup>, 2017

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

	Share capital	Share capital adjustments	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Retained earnings from the first adoption of IAS 29	Total equity
<b>Balance as at January 1<sup>st</sup>, 2017</b>	<b>103.168.355</b>	-	<b>26.408.552</b>	<b>20.129.363</b>	<b>16.433.985</b>	-	<b>166.140.255</b>
<b>Comprehensive income for the period</b>							
Net profit/ loss for the period	-	-	-	-	11.456.631	-	<b>11.456.631</b>
<b>Other comprehensive income items</b>							
Distribution from retained earnings	-	-	-	-	(14.030.896)	-	<b>(14.030.896)</b>
Other equity items changes							
Other changes							
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	837	-	-	-	<b>837</b>
Transfer of the revaluation reserve to retained earnings following the sale/ cassation of the tangible assets	-	-	(5.232)	-	5.232	-	-
<b>Total other comprehensive income items</b>	-	-	(4.395)	-	(14.025.664)	-	<b>(14.030.059)</b>
<b>Total comprehensive income for the period</b>	-	-	(4.395)	-	(2.569.033)	-	<b>(2.573.428)</b>
<b>Balance as at June 30<sup>th</sup>, 2017</b>	<b>103.168.355</b>	-	<b>26.404.157</b>	<b>20.129.363</b>	<b>13.864.952</b>	-	<b>163.566.827</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

Vrancart S.A.

## Individual statement of cash flows

as at June 30<sup>th</sup>, 2017

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

	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
<b>Cash flows from operating activities</b>		
Collections from customers	134.895.321	130.231.592
Payments to suppliers	(80.201.806)	(85.333.637)
Payments to employees	(19.697.004)	(15.063.078)
Payments to the state budget	(14.534.521)	(13.424.852)
Profit tax paid	(1.231.994)	(1.130.777)
<b>Cash flows from operating activities</b>	<b>19.229.996</b>	<b>15.279.248</b>
<b>Cash flows from investment activities</b>		
Payments for the purchase of assets	(21.705.188)	(24.716.492)
Payments for the purchase of financial assets	(18.630.018)	-
Escrow account for the purchase of financial assets	8.899.753	-
Collections from the sale of tangible assets	13.150	82.930
Interests collected	756	596
<b>Net cash flows from investment activities</b>	<b>(31.421.546)</b>	<b>(24.632.966)</b>
<b>Net cash flows from financing activities</b>		
Collections from loans	66.851.268	20.507.452
Interests paid and loans reimbursed	(55.704.552)	(11.538.441)
Dividends paid	-	-
<b>Net cash flows from financing activities</b>	<b>11.146.716</b>	<b>8.969.011</b>
<b>Net increase/ (reduction) of cash and cash equivalents</b>	<b>(1.044.835)</b>	<b>(384.707)</b>
<b>Cash and cash equivalents at the financial year beginning</b>	<b>24.287.793</b>	<b>1.320.375</b>
<b>Cash and cash equivalents at the financial year end</b>	<b>23.242.958</b>	<b>935.669</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

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**Vrancart S.A.**

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

*as at June 30<sup>th</sup>, 2017*

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

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### **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, Craiova, Târgu Mureș, Brăila and Călimănești.

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, 2<sup>nd</sup> category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

As at June 30<sup>th</sup>, 2017, 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.

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

The simplified interim individual financial statements for the first six months ended on June 30<sup>th</sup>, 2017 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim 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 31<sup>st</sup>, 2016.

The accounting policies and the evaluation methods used for the preparation of the simplified interim 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>, 2016.

The interim individual financial statements for the 1<sup>st</sup> semester of 2017 have not been revised by an external financial auditor.

### **Transactions in foreign currencies**

The operations expressed in foreign currencies are recorded in lei at the official exchange rate on the date of discounting of the transactions. The monetary assets and liabilities recorded in foreign 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 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.

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**Vrancart S.A.**

**Notes to the interim individual financial statements**

*as at June 30<sup>th</sup>, 2017*

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

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The exchange rates of the main foreign currencies were as follows:

<b>Currency</b>	<b>June 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>	<b>Variation</b>
Euro (EUR)	4,5539	4,5411	+0,28%
American dollars (USD)	3,9915	4,3033	-7,24%

**Other notes**

The Company's management has established its medium and long-term strategy, and the estimates provide increases of sales and reductions of costs due to the effective use of the resources, that will lead to an increase of the operating profit.

The Company recorded as at June 30<sup>th</sup>, 2017 a positive cash balance of 23.242.958 lei and does not have any outstanding liabilities to the public budgets or to its private partners.

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

**Subsequent events**

On July 11<sup>th</sup>, 2017 the company completed the purchase of the second tranche of 15% of the shares of ROM PAPER S.R.L., based in Cristian township, Brasov county, registered with the Braşov Trade Registry Office under no. J8/548/2002, Tax Identification Number 14619270, according to the sales agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 85% of the shares of ROM PAPER S.R.L.

**Management's statement**

According to our best information available, we confirm that the simplified interim individual financial statements as at June 30<sup>th</sup>, 2017 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of the Company'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 six 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

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*Translation for information purposes only*

**VRANCART S.A.**

**Interim consolidated financial statements  
(simplified, not audited)  
as at June 30<sup>th</sup>, 2017**

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

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## **Contents**

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

Vrancart S.A.

## Consolidated statement of financial position

as at June 30<sup>th</sup>, 2017

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

	June 30 <sup>th</sup> , 2017	December 31 <sup>st</sup> , 2016
<b>ASSETS</b>		
Tangible assets	213.854.278	184.159.320
Intangible assets	12.373.295	1.364.307
Financial assets	3.534	845
Goodwill	4.934.837	3.380.811
Receivables related to deferred profit tax	1.100.341	427.686
<b>Total non-current assets</b>	<b>232.266.285</b>	<b>189.332.969</b>
Inventories	30.322.009	27.979.866
Trade receivables	57.833.058	39.692.123
Accrued expenses	702.831	760.687
Restricted cash	-	8.899.753
Cash and cash equivalents	24.148.395	24.932.865
Other receivables	6.334.182	400.809
<b>Total current assets</b>	<b>119.340.475</b>	<b>102.666.103</b>
<b>TOTAL ASSETS</b>	<b>351.606.760</b>	<b>291.999.072</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	47.903.343	46.411.085
Retained earnings	15.992.978	16.856.244
Non-controlling interests	8.858.705	-
<b>Total equity</b>	<b>175.923.381</b>	<b>166.435.684</b>
<b>LIABILITIES</b>		
Long-term loans	39.655.077	34.619.168
Long-term loans from bond issues	38.250.000	-
Deferred income	22.018.067	20.936.397
Long-term provisions	281.738	291.803
Debts related to deferred profit tax	1.419.630	-
<b>Total long-term liabilities</b>	<b>101.624.512</b>	<b>55.847.368</b>
Short-term trade liabilities	29.299.658	17.838.095
Short-term loans	18.411.353	41.762.760
Deferred income	3.475.675	3.038.904
Debts related to current profit tax	842.387	515.975
Other liabilities	22.029.794	6.560.286
<b>Total current liabilities</b>	<b>74.058.867</b>	<b>69.716.020</b>
<b>TOTAL LIABILITIES</b>	<b>175.683.379</b>	<b>125.563.388</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>351.606.760</b>	<b>291.999.072</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

Vrancart S.A.

## Consolidated statement of comprehensive income

as at June 30<sup>th</sup>, 2017

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

	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
Income from turnover	135.936.921	114.525.197
Other income	1.574.768	1.503.729
Variation of inventories of finished products and production in progress	(1.659.136)	1.331.693
Expenses related to raw materials and consumables	(67.965.516)	(62.761.800)
Expenses related to commodities	(2.048.158)	(2.169.993)
Expenses related to third party services	(9.339.833)	(8.757.579)
Personnel-related expenses	(27.040.789)	(17.699.408)
Expenses related to amortisation and impairment of assets	(9.006.067)	(8.694.786)
Other expenses	(3.128.352)	(4.072.584)
<b>Operating result</b>	<b>17.323.838</b>	<b>13.204.469</b>
Financial revenues	(80.993)	2.051
Financial expenses	(954.727)	(875.062)
<b>Profit / (Loss) before taxation</b>	<b>16.288.118</b>	<b>12.331.458</b>
Profit tax income / (expense)	(1.875.752)	(974.807)
<b>Profit / (Loss) for the year</b>	<b>14.412.366</b>	<b>11.356.651</b>
<b>Other comprehensive income items</b>		
Increases of 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	(5.232)	(231.429)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>14.407.134</b>	<b>11.125.222</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

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**Vrancart S.A.**

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

*as at June 30<sup>th</sup>, 2017*

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

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### **The entity reporting**

The Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branches Giant Prodimpex S.R.L., based in Ungheni locality, Str. Principală No. 161/J, Mureş County and Rom Paper S.R.L., based in Cristian township, Braşov county. The interim consolidated financial statements of the Group for the 1<sup>st</sup> half of 2017 are formed of the financial statements of Vrancart S.A. and of its branches, together forming the Group.

<b>Branch</b>	<b>Field of activity</b>	<b>Shareholding as at June 30<sup>th</sup>, 2017</b>	<b>Shareholding as at December 31<sup>st</sup>, 2016</b>
Giant Prodimpex S.R.L.	Manufacturing of corrugated cardboard packaging	<b>100%</b>	<b>100%</b>
Rom Paper S.R.L.	Manufacturing of napkins and tissue paper products	<b>70%</b>	<b>0%</b>

The Group operates in the paper, tissue paper and corrugated cardboard industry.

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

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, Iaşi, Focşani, Bacău, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Cluj, Baia Mare, Craiova, Târgu Mureş, Brăila and Călimăneşti.

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, 2<sup>nd</sup> 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 June 30<sup>th</sup>, 2017, the company is owned 75% by SIF Banat – Crişana S.A. and 25% by other shareholders.

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**Vrancart S.A.**

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

*as at June 30<sup>th</sup>, 2017*

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

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### **GIANT PRODIMPEX S.R.L.**

On July 17<sup>th</sup>, 2015, the company completed the process related to the acquisition of Giant Prodimpex S.R.L., that was approved by the Ordinary General Meeting of the Shareholders on April 29<sup>th</sup>/ 30<sup>th</sup>, 2015, through the Decision no. 7. Following the acquisition, Vrancart holds 100% of the shares of Giant Prodimpex S.R.L.

Giant Prodimpex SRL (“the Branch”) was established in 1994 and it is a Romanian private company. The continuous investments in technology, production areas and not least, for personnel, shortly turned Giant into one of the most important corrugated cardboard processors in Romania.

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

On January 19<sup>th</sup>, 2017, the company completed the process related to the acquisition of the shares of ROM PAPER S.R.L., that was approved by the Ordinary General Meeting of the Shareholders. Following the acquisition, Vrancart holds 70% of the shares as at June 30<sup>th</sup>, 2017. The acquisition agreement provides the acquisition in three tranches, of 70% (completed), 15%, and 15% respectively.

Rom Paper S.R.L. (“the Branch”) was established in 2002 and it is a Romanian privately-held company. 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 range of products provided by the company has recorded a constant diversification and development and it is adapted to clients’ needs.

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

The simplified interim consolidated financial statements for the first six months ended on June 30<sup>th</sup>, 2017 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim 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 31<sup>st</sup>, 2016.

The accounting policies and the evaluation methods used for the preparation of the simplified interim 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>, 2016.

Combinations of entities are accounted through the purchase method on the date when the Group obtains control over the acquired entity. The 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 exercising authority over the entity in question.

The 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 exercised until the date of its cessation.

The interim individual financial statements for the 1<sup>st</sup> semester of 2017 have not been revised by an external financial auditor.

## **Transactions in foreign currencies**

The operations expressed in foreign currencies are recorded in lei at the official exchange rate on the date of discounting of the transactions. The monetary assets and liabilities recorded in foreign

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**Vrancart S.A.**

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

*as at June 30<sup>th</sup>, 2017*

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

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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 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:

<b>Currency</b>	<b>June 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>	<b>Variation</b>
Euro (EUR)	4,5539	4,5411	+0,28%
American dollars (USD)	3,9915	4,3033	-7,24%

### **Other notes**

The Company's management has established its medium and long-term strategy, and the estimates provide increases of sales and reductions of costs due to the effective use of the resources, that will lead to an increase of the operating profit.

The Group recorded as at June 30<sup>th</sup>, 2017 a positive cash balance of 24.148.395 lei and does not have any outstanding liabilities to the public budgets or to its private partners.

The Group pays great attention to profitability indicators, by streamlining its operational and liquidity processes and through the effective use of its resources.

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

### **Subsequent events**

On July 11<sup>th</sup>, 2017 the Group completed the purchase of the second tranche of 15% of the shares of ROM PAPER S.R.L., based in Cristian township, Brasov county, registered with the Braşov Trade Registry Office under no. J8/548/2002, Tax Identification Number 14619270, according to the sales agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 85% of the shares of ROM PAPER S.R.L.

### **Management's statement**

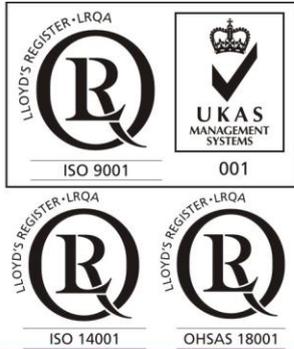
According to our best information available, we confirm that the simplified interim consolidated financial statements as at June 30<sup>th</sup>, 2017 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of the Group's 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 six 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



**VRANCART S.A.**

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## STATEMENT

The undersigned, ec. Ciucioi Ionel-Marian, as President of the Management Board and General Manager of VRANCART S.A. Adjud and ec. Arsene Vasilica-Monica, as Financial Manager of VRANCART S.A., based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, registered with Vrancea Trade Registry under no. J39/239/1991, having the Tax Identification Number 1454846, being aware of the provisions of art. 326 of the Criminal Code on false statements, hereby take it upon ourselves to declare that, according to our best knowledge, the intermediate financial statements on 30.06.2017 were drawn up in accordance with the International Financial Reporting Standards (IFRS) (the Order of the Ministry of Public Finances no. 881/2012 and the Order of the Ministry of Public Finances no. 2844/2016 with the subsequent amendments and completions) and provide a correct and fair view on the situation of assets, liabilities, financial position, the profit and loss account of VRANCART S.A. Adjud and that the report of the Management Board contains a correct analysis of the development and performances of VRANCART S.A., as well as a description of the main risks and uncertainties specific to the business conducted.

14.08.2017

ec. Ciucioi Ionel-Marian – Management Board President

ec. Arsene Vasilica-Monica – Financial Manager