

**VRANCART S.A.**

625100 Adjud-Vrancea, România, Str. Ecaterina Teodoroiu 17  
RO 1454846, J39/239/1991  
Capital social subscris și vărsat 103.168.354,70 RON  
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## Individual quarterly report for the 1<sup>st</sup> quarter of 2018 according to the CNVM Regulation no. 1/2006

<b>Date of report:</b>	May 15 <sup>th</sup> , 2018
<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>	RON 103.168.354,70
<b>The regulated market onto which the securities issued are traded:</b>	The Bucharest Stock Exchange

### A. Overview as at March 31<sup>st</sup>, 2018

- The major events that occurred during the 1<sup>st</sup> quarter of 2018 and their impact onto the individual financial position
- Overview of the individual financial position and of the company's performances achieved during the reporting period

The company VRANCART S.A. applies the accounting regulation 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.

As at March 31<sup>st</sup>, 2018 and during the period between January 1<sup>st</sup> – March 31<sup>st</sup>, 2018, the evolution of the main financial indicators was as follows:

- The amount of equity as at March 31<sup>st</sup>, 2018 was RON 195.600.223, up by 1,5% from the amount of equity as at the year beginning, due to the profit achieved during the 1<sup>st</sup> quarter.
- The amount of the Company's current assets increased by 3% during the analysed period, due to the inventory increase by 5% during the 1<sup>st</sup> quarter. The amount of the current assets as at March 31<sup>st</sup>, 2018 was RON 93.382.228.
- The total liabilities recorded as at March 31<sup>st</sup>, 2018 amounted to RON 169.552.378, up by 0,7% from the amount recorded as at January 1<sup>st</sup>, 2018 due to the contracting of new loans to finance the investments and due to the use of credit lines for the current activity.
- The operating income for the period amounted to RON 71.143.192, up by 20% from the

same period of the previous year, due to the turnover increase by 20% during the same period analysed.

- The operating expenses for the period amounted to RON 67.080.941, up by 29% from the same period of the previous year. A significant increase by 41% was recorded by the expenses related to materials and raw materials, due particularly to the increase of the waste paper price by 45% during the 1<sup>st</sup> quarter of 2018 compared to the 1<sup>st</sup> quarter of 2017.
- Given these conditions, the operating profit for the period amounted to RON 4.062.251, down by 43% from the operating profit achieved during the same period of the previous year. The net profit for the 1<sup>st</sup> quarter of 2018 amounted to RON 3.025.662.

The accounting report drafted as at March 31<sup>st</sup>, 2018 was not audited by the financial auditor, as this is not a legal or statutory requirement.

#### B. Economic and financial indicators as at March 31<sup>st</sup>, 2018

Indicator's name	Calculation modality	M.U.	Result
<b>Current liquidity indicator</b>	Current assets/Current liabilities	ratio	1,30
<b>Indebtedness degree indicator</b>	Borrowed capital /Equity <sup>x</sup> 100	%	57,65*
	Borrowed capital/Employed capital <sup>x</sup> 100	%	36,57*
<b>Debts-customers turnover</b>	Average customers balance/Turnover <sup>x</sup> 90	days	64,53
<b>Non-current assets turnover</b>	Turnover/Non-current assets	ratio	0,26

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

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

**ARSENE Vasilica-Monica**  
Financial Manager

*Translation for information purposes only*

**VRANCART S.A.**

**Interim individual financial statements  
(simplified, not audited)  
as at March 31<sup>st</sup>, 2018**

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

**VRANCART S.A.****Individual statement of financial position***as at March 31<sup>st</sup>, 2018**(all the amounts are expressed in RON, unless otherwise stated)*

	March 31 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2017
<b>ASSETS</b>		
Tangible assets	236.437.282	234.894.331
Intangible assets	123.995	184.069
Financial assets	35.209.097	35.209.097
<b>Total non-current assets</b>	<b>271.770.373</b>	<b>270.287.497</b>
Inventories	38.228.371	36.348.609
Trade receivables	51.248.843	50.541.065
Prepaid expenses	860.350	664.619
Cash and cash equivalents	1.876.140	1.901.568
Receivables related to current profit tax	1.002.646	1.002.646
Other receivables	165.877	140.508
<b>Total current assets</b>	<b>93.382.228</b>	<b>90.599.015</b>
<b>TOTAL ASSETS</b>	<b>365.152.601</b>	<b>360.886.512</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	74.618.851	74.618.850
Retained earnings	17.813.017	14.787.355
<b>Total equity</b>	<b>195.600.223</b>	<b>192.574.560</b>
<b>LIABILITIES</b>		
Long-term loans	38.629.753	36.158.067
Long-term loans from bond issues	37.232.800	37.232.800
Deferred income	17.127.106	17.878.001
Long-term provisions	376.015	376.015
Debts related to deferred profit tax	3.498.946	3.397.797
Other long-term liabilities	1.017.200	1.017.200
<b>Total long-term liabilities</b>	<b>97.881.820</b>	<b>96.059.880</b>
Short-term trade liabilities	21.241.121	24.564.192
Short-term loans	35.888.229	31.485.882
Deferred income	3.020.642	3.026.330
Other liabilities	11.520.566	13.175.668
<b>Total current liabilities</b>	<b>71.670.558</b>	<b>72.252.072</b>
<b>TOTAL LIABILITIES</b>	<b>169.552.378</b>	<b>168.311.952</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>365.152.601</b>	<b>360.886.512</b>

**Notes to the statement of financial position as at March 31<sup>st</sup>, 2018**

The amount of equity as at March 31<sup>st</sup>, 2018 was RON 195.600.223, up by 1,5% from their amount as at the year beginning, due to the profit achieved during the 1<sup>st</sup> quarter.

The Company's current assets increased by 3% during the analysed period, due to the inventory increase by 5% during the 1<sup>st</sup> quarter. The amount of the current assets as at March 31<sup>st</sup>, 2018 was RON 93.382.228.

The liabilities recorded as at March 31<sup>st</sup>, 2018 amounted to RON 169.552.378, up by 0,7% from the amount recorded as at January 1<sup>st</sup>, 2018, due to the contracting of new loans to finance investments and to the use of credit lines for the current activity.

## Individual statement of comprehensive income

as at March 31<sup>st</sup>, 2018

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

	March 31 <sup>st</sup> , 2018	March 31 <sup>st</sup> , 2017
Income from turnover	70.758.023	59.150.756
Other income	772.414	752.925
Variation of finished products inventories and production in progress	(387.246)	(680.988)
Expenses related to raw materials and consumables	(40.204.094)	(28.582.293)
Expenses related to goods	(1.306.682)	(731.950)
Third party expenses	(4.785.029)	(4.104.751)
Personnel-related expenses	(13.039.723)	(11.853.059)
Expenses related to amortisation and impairment of assets	(5.467.797)	(4.782.494)
Other expenses	(2.277.616)	(2.061.859)
<b>Operating income</b>	<b>4.062.251</b>	<b>7.106.287</b>
Financial income	415	1.187
Financial expenses	(935.853)	(405.092)
<b>Profit before taxation</b>	<b>3.126.812</b>	<b>6.702.382</b>
Profit tax expenses	(101.150)	(662.643)
<b>Net profit</b>	<b>3.025.662</b>	<b>6.039.739</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	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3.025.662</b>	<b>6.039.739</b>

### Note to the statement of comprehensive income for the 1<sup>st</sup> quarter of 2018, compared to the 1<sup>st</sup> quarter of 2017

The operating income for the period amounted to RON 71.143.192, up by 20% from the same period of the previous year, due to the turnover increase by 20% during the same period analysed.

The operating expenses for the period amounted to RON 67.080.941, up by 29% from the same period of the previous year. A significant increase by 41% was recorded by expenses related to materials and raw materials, mainly due to the increase of waste paper prices by 45% during the 1<sup>st</sup> quarter of 2018 compared to the 1<sup>st</sup> quarter of 2017.

Given these conditions, the operating profit for the period amounted to RON 4.062.251, down by 43% from the operating profit recorded during the same period of the previous year. The net profit for the 1<sup>st</sup>

quarter of 2018 amounted to RON 3.025.662.

**Economic and financial indicators as at March 31<sup>st</sup>, 2018 (in accordance with the CNVM Regulation no. 1/2006)**

<b>Indicator's name</b>	<b>Calculation modality</b>	<b>M.U.</b>	<b>March 31<sup>st</sup>, 2018</b>
<b>Current liquidity indicator</b>	Current assets/Current liabilities	ratio	1,30
<b>Indebtedness degree indicator</b>	Borrowed capital/Equity x 100	%	57,65*
	Borrowed capital/Employed capital x 100	%	36,57*
<b>Debts- customers turnover</b>	Average customers balance/Turnover x 90	days	64,53
<b>Non-current assets turnover</b>	Turnover/Non-current assets	ratio	0,26

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

VRANCART S.A.

## Summarised statement of changes in equity (not audited)

as at March 31<sup>st</sup>, 2018

(all the amounts are expressed in RON, 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 25	Total equity
<b>Balance as at January 1<sup>st</sup>, 2018</b>	<b>103.168.355</b>	-	<b>43.879.020</b>	<b>30.739.831</b>	<b>14.787.355</b>	-	<b>192.574.561</b>
<b>Total comprehensive income for the period</b>							
Net profit/loss for the period	-	-	-	-	3.025.662	-	<b>3.025.662</b>
<b>Other comprehensive income items</b>							
Distribution from retained earnings	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	-	-	-	-	-
Transfer of the revaluation reserve to retained earnings following the sale of tangible assets	-	-	-	-	-	-	-
<b>Total other comprehensive income items</b>	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>3.025.662</b>	-	<b>3.025.662</b>
<b>Balance as at March 31<sup>st</sup>, 2018</b>	<b>103.168.355</b>	-	<b>43.879.020</b>	<b>30.739.831</b>	<b>17.813.017</b>	-	<b>195.600.223</b>

**VRANCART S.A.**

## **Summarised statement of changes in equity (not audited)**

*as at March 31<sup>st</sup>, 2018*

*(all the amounts are expressed in RON, 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, Bacau, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Craiova, Targu Mures, Baia Mare, Calimanesti 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 to the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005 and the company posts its financial statements on the website [www.vrancart.ro](http://www.vrancart.ro).

As at March 31<sup>st</sup>, 2018, the Company is held in a percentage of 75% by SIF Banat - Crișana S.A. and in a percentage of 25% by other shareholders.

The records 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 three months ended on March 31<sup>st</sup>, 2018 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim individual 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 individual financial statements, drawn up as at December 31<sup>st</sup>, 2017.

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>, 2017.

The simplified interim individual financial statements for the 1<sup>st</sup> quarter of 2018 have not been audited and revised by an external auditor.

### **Transactions in foreign currencies**

The operations expressed in foreign currencies are recorded in RON at the official exchange rate on the date of discounting of the transactions. The monetary assets and liabilities recorded in foreign 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>March 31<sup>st</sup>, 2018</b>	<b>December 31<sup>st</sup>, 2017</b>	<b>Variation</b>
Euro (EUR)	4.6576	4.6597	-0,05%
American dollars (USD)	3.7779	3.8915	-2,92%

### **Other notes**

The company had a negative cash flow of – RON 4.284.326 during the first quarter of 2018, due to the payments for investments made during this period and it 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 drafting the financial statements is justified.

### **Subsequent events**

On **April 27<sup>th</sup>, 2018**, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31<sup>st</sup>, 2017 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2018, along with the investments plan for the period between 2018 – 2019.

Through the decision no. 4/April 27<sup>th</sup>, 2018, the Ordinary General Meeting of the Shareholders approved the distribution from the net profit of the financial year 2017 of the amount of RON 11.348.519 for **dividends** (namely dividends with a gross amount of RON 0,011/share), the payment date being set for October 26<sup>th</sup>, 2018.

Through the decision no. 1/April 27<sup>th</sup>, 2018, the Extraordinary General Meeting of the Shareholders approved in principle the proposal on the merger through absorption between Vrancart S.A. as absorbing company and Giant Prodimex S.R.L. as absorbed company.

### **Management's statement**

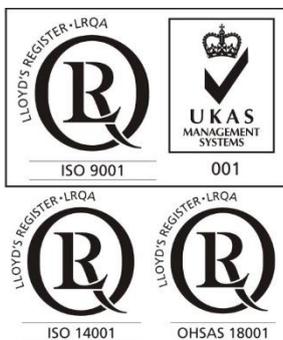
According to our best information available, we confirm that the simplified interim individual financial statements for the period ended on March 31<sup>st</sup>, 2018, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of the Company's assets, liabilities, financial position and of its income and expenses, as provided by the applicable accounting standards, and that the statement of its operating performances and the information presented in this report provide 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**

Chairman of the Board of Administrators

**ARSENE Vasilica-Monica**

Financial Manager



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## **Consolidated quarterly report for the 1<sup>st</sup> quarter of 2018 according to the CNVM Regulation no. 1/2006**

Date of report:	May 15 <sup>th</sup> , 2018
Name of the issuing entity:	VRANCART – Group of companies
Registered office:	Adjud, 17 Ecaterina Teodoroiu Street Vrancea county
Tel./fax no.:	0237-640.800; 0237-641.720
Tax Identification Number:	1454846
Trade Registry registration no.:	J39/239/1991
Subscribed and paid-in share capital:	RON 103.168.354,70
The regulated market onto which the securities issued are traded:	The Bucharest Stock Exchange

### **A. Overview as at March 31<sup>st</sup>, 2018**

- The major events that occurred during the 1<sup>st</sup> quarter of 2018 and their impact onto the consolidated financial position
- Overview of the consolidated financial position and of the company's performances achieved during the reporting period

The company VRANCART S.A. applies the accounting regulation 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.

As at March 31<sup>st</sup>, 2018 and during the period between January 1<sup>st</sup> – March 31<sup>st</sup>, 2018, the evolution of the main financial indicators was as follows

- The amount of equity as at March 31<sup>st</sup>, 2018 was RON 201.903.891, up by 3% from the amount of equity recorded as at the year beginning, due to the profit achieved during the 1<sup>st</sup> quarter.
- The Company's current assets increased by 4% during the analysed period, due to the inventory increase by 9% during the 1<sup>st</sup> quarter. The amount of the current assets as at

March 31<sup>st</sup>, 2018 was RON 118.297.197.

- The total liabilities recorded as at March 31<sup>st</sup>, 2018 amounted to RON 197.889.239, down by 0,3% from the amount recorded as at January 1<sup>st</sup>, 2018, due to the reimbursement of the trade liabilities and of other liabilities.
- The operating income for the period amounted to RON 89.965.052, up by 23% from the same period of the previous year due to the turnover increase by 22% during the same analysed period.
- The operating expenses for the period amounted to RON 85.278.422, up by 32% from the same period of the previous year. A significant increase by 31% was recorded by the expenses related to materials and raw materials, due particularly to the increase of the waste paper price by 40% during the 1<sup>st</sup> quarter of 2018 compared to the 1<sup>st</sup> quarter of 2017 and also due to the increase of prices of other raw materials (cellulose-based semi-finished paper).
- Given these conditions, the operating profit for the period amounted to RON 4.686.630, down by 43% from the operating profit recorded during the same period of the previous year. The net profit for the 1<sup>st</sup> quarter of 2018 amounted to RON 5.070.662, which is 27% lower than the level recorded during the same period of 2017, but the results will improve during the following period, due to the normalization of the waste paper prices.

**Note: As the process related to the purchase of the shares of Branch 2 (Rom Paper S.R.L.) was completed on January 20<sup>th</sup>, 2017, in the comparative statement of income and expenses as at March 31<sup>st</sup>, 2017, the financial data for January 2017 for this branch is not included.**

The consolidated accounting report drafted as at March 31<sup>st</sup>, 2018 was not audited by the financial auditor, as this is not a legal or statutory requirement.

#### **B. Economic and financial indicators at Group level, as at March 31<sup>st</sup>, 2018**

<b>Indicator's name</b>	<b>Calculation modality</b>	<b>M.U.</b>	<b>Result</b>
<b>Current liquidity indicator</b>	Current assets/Current liabilities	ratio	1,28
<b>Indebtedness degree indicator</b>	Borrowed capital /Equity x 100	%	59,55*
	Borrowed capital/Employed capital x 100	%	37,32*
<b>Debts-customers turnover</b>	Average customers balance/Turnover x 90	days	67,59
<b>Non-current assets turnover</b>	Turnover/Non-current assets	ratio	0,31

\* Borrowed capital includes credit lines, short and long-term bank loans, long-term trade loans, liabilities under short and long-term financial leasing agreements

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

**ARSENE Vasilica-Monica**  
Financial Manager

**VRANCART S.A.**

**Interim consolidated financial statements  
(simplified, not audited)  
as at March 31<sup>st</sup>, 2018**

drawn up in accordance with  
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	March 31 <sup>st</sup> , 2018	December 31 <sup>st</sup> , 2017
<b>ASSETS</b>		
Tangible assets	264.108.494	263.138.155
Intangible assets	8.872.433	9.230.006
Goodwill	8.515.006	8.526.391
<b>Total non-current assets</b>	<b>281.495.933</b>	<b>280.894.552</b>
Inventories	46.694.943	42.945.100
Trade receivables	66.486.788	66.016.628
Prepaid expenses	949.953	730.972
Restricted cash	-	4.130
Cash and cash equivalents	2.864.571	3.219.141
Receivables related to current profit tax	1.124.958	1.002.646
Other receivables	175.984	416.657
<b>Total current assets</b>	<b>118.297.197</b>	<b>114.335.274</b>
<b>TOTAL ASSETS</b>	<b>399.793.130</b>	<b>395.229.826</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	77.898.232	75.445.583
Retained earnings	20.837.304	18.129.505
<b>Total equity</b>	<b>201.903.891</b>	<b>196.743.443</b>
<b>LIABILITIES</b>		
Long-term loans	41.142.446	39.202.465
Long-term loans from bond issues	37.232.800	37.232.800
Deferred income	19.972.109	20.793.786
Long-term provisions	376.015	376.015
Debts related to deferred profit tax	6.055.112	5.987.434
Other long-term liabilities	1.017.200	1.017.200
<b>Total long-term liabilities</b>	<b>105.795.682</b>	<b>104.609.700</b>
Short-term trade liabilities	35.412.118	38.793.148
Short-term loans	41.859.041	37.554.938
Deferred income	3.202.835	3.212.452
Short-term provisions	-	72.393
Debts related to current profit tax	53.929	51.695
Other liabilities	11.565.634	14.192.057
<b>Total current liabilities</b>	<b>92.093.557</b>	<b>93.876.683</b>
<b>TOTAL LIABILITIES</b>	<b>197.889.239</b>	<b>198.486.383</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>399.793.130</b>	<b>395.229.826</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

**VRANCART S.A.****Notes to the interim consolidated financial statements (*not audited*)  
as at March 31<sup>st</sup>, 2018**

	<b>March 31<sup>st</sup>, 2018</b>	<b>March 31<sup>st</sup>, 2017</b>
Income from turnover	88.531.078	72.819.012
Other income	1.387.869	824.622
Variation of finished products inventories and production in progress	46.105	(603.771)
Expenses related to raw materials and consumables	(48.266.723)	(36.839.971)
Expenses related to goods	(4.705.362)	(2.004.946)
Third party expenses	(6.469.555)	(5.090.117)
Personnel-related expenses	(15.512.344)	(13.224.017)
Expenses related to amortisation and impairment of assets	(7.283.615)	(5.105.342)
Other expenses	(3.040.823)	(2.520.461)
<b>Operating result</b>	<b>4.686.630</b>	<b>8.255.010</b>
Financial income	1.199.266	(11.948)
Financial expenses	(1.266.893)	(441.682)
<b>Profit before taxation</b>	<b>4.619.003</b>	<b>7.801.380</b>
Profit tax income (expense)	451.659	(816.984)
<b>Profit for the year</b>	<b>5.070.662</b>	<b>6.984.396</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	(197.315)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>4.873.347</b>	<b>6.984.396</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

*Note: As the process related to the acquisition of the shares of Branch 2 (Rom Paper S.R.L.) was completed on January 20<sup>th</sup>, 2017, in the comparative statement as at March 31<sup>st</sup>, 2017, the financial data for January 2017 was not included for this branch.*

## **VRANCART S.A.**

### **Notes to the interim consolidated financial statements (*not audited*) as at March 31<sup>st</sup>, 2018**

#### **The entity reporting**

Vrancart Group (“the Group”) includes the company Vrancart S.A., based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branches

1. Giant Prodimpex S.R.L., based in Ungheni locality, Str. Principală No. 161/J, Mureş county
2. Rom Paper S.R.L., based in Cristian locality, DN73B, Brasov county.

The Group’s interim consolidated financial statements for the first three months of 2018 are formed of the financial statements of Vrancart S.A. and of its branches, altogether forming the Group.

<b>Branch</b>	<b>Field of activity</b>	<b>Shareholding as at March 31<sup>st</sup>, 2018</b>	<b>Shareholding as at December 31<sup>st</sup>, 2017</b>
Giant Prodimpex S.R.L.	Production of corrugated cardboard packaging	<b>100%</b>	<b>100%</b>
Rom Paper S.R.L.	Production of napkins and tissue paper products	<b>85%</b>	<b>85%</b>

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

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

Vrancart S.A. (“the Company”) is a joint-stock trade company operating in Romania in accordance with 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 for waste paper collection opened in the following localities: Bucharest, Iaşi, Focşani, Bacău, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Cluj, Baia Mare, Târgu Mureş, Craiova, Braila and Calimanesti.

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

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

The company’s shares are listed to the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 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>, 2018, the Company is held in a percentage of 75% by SIF Banat - Crişana S.A. and in a percentage of 25% by other shareholders.

## **VRANCART S.A.**

### **Notes to the interim consolidated financial statements (*not audited*) as at March 31<sup>st</sup>, 2018**

#### ***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 held 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 S.R.L. (“Branch 1”) 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.

#### *Identification data of the acquired company*

Name – Giant Prodimpex S.R.L.

Registered office – Ungheni locality, No. 161/J, Mureş county

Trade Registry registration number – J26/1305/1994

Tax Identification Number – 6564319

Object of activity – manufacturing of corrugated cardboard packaging

#### ***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. (“Branch 2”) 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 provides the sale of 70% of the shares of Rom Paper S.R.L. in the first stage.

The Group has 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 fails to exert its option to acquire the remaining shares, the sellers of Rom Paper S.R.L. have 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 can be exerted by both parties, it is forbidden the granting of dividends by Rom Paper S.R.L. The price at which the Seller’s options, respectively the Buyer’s options will be exerted, is based on an EBITDA multiplier corresponding to the latest financial year ended previously to the periods during which the options can be exerted.

As at March 31<sup>st</sup>, 2018, the Group holds 85% of the shares of Rom Paper S.R.L., following the exertion of the call 1 option for the acquisition of 15% of the shares of Rom Paper S.R.L. in 2017.

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

The simplified interim consolidated financial statements for the first three months ended on March 31<sup>st</sup>, 2018 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>, 2017.

**VRANCART S.A.**

**Notes to the interim consolidated financial statements (*not audited*)  
as at March 31<sup>st</sup>, 2018**

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>, 2017.

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 exerted until the date of its cessation.

The interim consolidated financial statements for the first three months of 2018 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 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>Foreign currency</b>	<b>March 31<sup>st</sup>, 2018</b>	<b>December 31<sup>st</sup>, 2017</b>	<b>Variation</b>
Euro (EUR)	4.6576	4.6597	-0,05%
American dollars (USD)	3.7779	3.8915	-2,92%

**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>, 2018, the Group recorded a positive cash balance of RON 2.864.571 and it does not have any outstanding debts to the public budgets or to its private partners.

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

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.

**VRANCART S.A.**

**Notes to the interim consolidated financial statements (*not audited*)  
as at March 31<sup>st</sup>, 2018**

**Subsequent events**

On **April 27<sup>th</sup>, 2018**, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31<sup>st</sup>, 2017 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2018, along with the investments plan for the period between 2018 – 2019.

Through the decision no. 4/April 27<sup>th</sup>, 2018, the Ordinary General Meeting of the Shareholders approved for the Parent-company the distribution from the net profit of the financial year 2017 of the amount of RON 11.348.519 for **dividends** (namely dividends with a gross amount of RON 0,011/share), the payment date being set for October 26<sup>th</sup>, 2018.

Through the decision no. 1/April 27<sup>th</sup>, 2018, the Extraordinary General Meeting of the Shareholders approved in principle the proposal on the merger through absorption between Vrancart S.A. as absorbing company and Giant Prodimpex S.R.L. as absorbed company.

**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>, 2018 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