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**THE CONSOLIDATED REPORT
OF THE ADMINISTRATORS**
FOR THE FINANCIAL YEAR 2018

THE „VRANCART” GROUP OF COMPANIES

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1. ANALYSIS OF THE ACTIVITY

1.1.1. General information

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:

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

The merger through absorption between Vrancart SA as absorbing company and its branch Giant Prodimpex SRL as absorbed company took place on September 1st, 2018.

The Group operates in the paper and corrugated cardboard industry.

General evaluation elements of the Group:

a) gross book result	RON 17.779 thousand
b) turnover	RON 355.415 thousand
c) export	RON 59.900 thousand
d) operating costs	RON 339.673 thousand
e) % of the market held	

2018	Tissue paper	- 10%
	Paperboards	- 18%
	Corrugated cardboard	- 16%

f) liquidity as at the year-end	RON 2.435 thousand
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VRANCART SA

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

General presentation

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
Registered with the Trade Registry under 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, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mures, Calimanesti (Valcea) and 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 with B, C, B+C, E+C flutes, corrugated cardboard with micro-flutes;
- corrugated cardboard packaging (boxes) of various sizes, die-cut and printed;
- paperboards in various assortments;
- tissue papers in various assortments;
- paper strips for the manufacturing of paper core tubes;
- paper core tubes.

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 maintenance, electric and automation activities, predictive maintenance of the technological machines, quality control, transports (to the company's working points and to customers) and others.

In 2018, the average number of employees of the Group was of 1.262 (2017: 1.247).

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

As at December 31st, 2018, the Company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

GIANT PRODIMPEX SRL

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

Giant Prodimpex SRL ("the 1st Branch") was established in 1994 and it is a Romanian privately-owned company. The constant investments in technology, production areas and not least, investments for personnel, turned Giant in a short period into one of the most important cardboard processors in Romania.

Identification data of the company purchased

Name – Giant Prodimpex SRL

Registered office –Ungheni Locality, Ungheni City, No. 161/J, Mureș County

Registered with the Trade Registry under no. J26/1305/1994

Tax Identification Number – 6564319

Field of activity –manufacturing of corrugated cardboard packaging

The average number of employees of the Branch as at September 1st, 2018 was of 43 employees (December 31st, 2017: 41 employees). The merger through absorption between Vrancart SA as absorbing company and Giant Prodimpex SRL as absorbed company took place on September 1st, 2018.

ROM PAPER SRL

On January 19th, 2017, the company completed the process related to the purchase of the shares of Rom Paper S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders. Following the purchase, Vrancart holds 85% of the shares as at September 30th, 2017. The acquisition contract provides the purchase in three annual stages, of 70% (completed), 15% (completed) and 15% (completed in 2018).

Rom Paper S.R.L. (“the 2nd Branch”) was established in 2002 and it is a Romanian privately-owned company. 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. The product range provided by the company was constantly diversified and evolved, being adapted to customers’ needs.

Identification data of the company acquired

Name – Rom Paper S.R.L.

Registered office – Cristian locality, DN73B, Brasov county

Registered with the Trade Registry under no.: J28/548/2002

Tax Identification Number – 14619270

Field of activity – production of corrugated cardboard packaging

The average number of employees of the Branch as at December 31st, 2018 was 129 (December 31st, 2017: 134 employees).

1.1.2. Evaluation of the Group’s technical level

The Group’s base production activities are organised by three different business lines 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:

Market	M.U.	2018	2017	2016
Paperboards	to	91.061	85.642	79.760
Corrugated cardboard and packaging	to	64.885	59.393	50.393
Tissue paper	to	23.683	27.317	19.289

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

Product category	M.U.	2018	2017	2016
Paperboards	%	13%	17%	21%
Corrugated cardboard and packaging	%	52%	46%	54%

Tissue paper	%	32%	36%	21%
Other activities	%	3%	1%	4%

Out of the total paperboards production, 71% in 2018 (64% in 2017 and 65% in 2016) is used for our own corrugated cardboard production, and the remaining quantity is intended for sale to other corrugated cardboard manufacturers.

The investments made in 2018, by groups of fixed assets, were as follows:

Investments made	Amount (RON)
Land and land improvements	3.289.174
Buildings and building improvements	16.886.830
Technological equipment	25.344.924
Work apparatus and installations	250.613
Means of transport and other fixed assets	1.877.115
Intangible assets	85.751
TOTAL	47.734.307

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.

From the analysis of the production costs, it can be seen that the share of expenses related to the purchase of waste paper in 2018 was of approx. 40%, which required giving a particular attention to this sector of activity.

In 2018 we purchased 133.869 to of waste paper, out of which class II (cardboard): 111.903 to, class III (white printed paper): 21.707 to and "tetrapack" pre-consumer paper: 259 to. Out of the total amount of waste paper purchased, 82.883 tons was purchased through our own waste paper collection centres, 1,5% less than the previous year.

The evolution of waste paper collection through our own collection centres and at the company's headquarters, in the past 3 years, is presented below:

Waste paper purchases	M.U.	2018	2017	2016
Purchase through the collection centres	to	82.883	84.102	75.609
	% out of the total amount purchased	62%	65%	61%
Direct purchase (in Adjud)	to	50.986	44.436	47.956
	% out of the total amount purchased	38%	35%	39%
Total purchase	to	133.869	128.538	123.565
	%	100%	100%	100%

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:

Market segment	M.U.	2018	2017	2016
Paperboards	to	26.206	30.839	28.990
Corrugated cardboard and packaging	to	64.466	59.135	50.067
Tissue papers	to	25.989	27.147	19.097

The state of competition

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

On the paperboards market in Romania, there were four competitors in 2018. The production capacities of the paper production plants and the main characteristics defining them, by producers, are as follows:

Producer	Annual production capacity (to/year)	The maximum working speed of the machine (m/min)	Machine working width (mm)
Ambro Suceava – Rossmann Group	150.000	600	5000
Ecopaper Zărnești	250.000	600	5500
Vrancart Adjud	100.000	400	4600
Romwelle	70.000	300	4200
Total	570.000	-	-

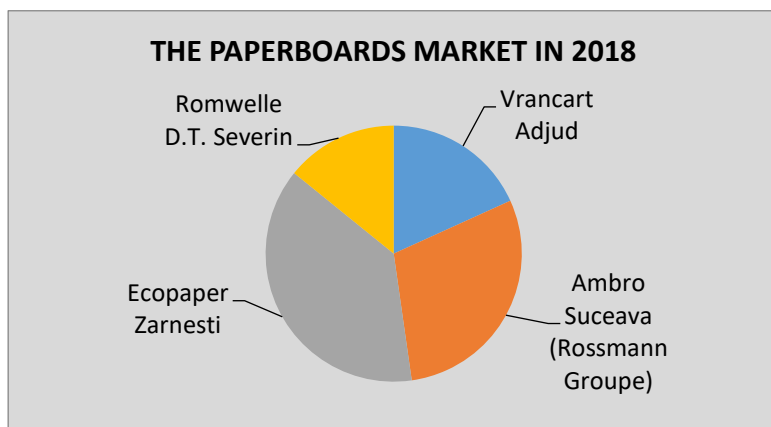
All the mills use corrugated cardboard waste (waste paper) as raw material for the production of paper, except for Romwelle that also uses cellulose as raw material, and the products obtained are similar from the point of view of their characteristics and quality and only their name differs from one manufacturer to another.

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	2018	2017	2016
Ambro Suceava (Rossmann Group)	30%	36%	42%
Ecopaper Zărnești	38%	33%	28%
Vrancart	18%	24%	27%
Romwelle D.T.Severin	14%	7%	3%
Total	100%	100%	100%

Source: ROMPAP, Informative bulletins



On the corrugated cardboard and corrugated cardboard packaging market, in 2018 there were 10 competitors, out of which 3 have two mills each (Vrancart, 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 total production capacity of the 12 corrugated cardboard mills that reported data to ARFCO (the Romanian Association of Corrugated Cardboard Producers) amounts to 710 thousand tons per year. The consumption in 2018 was of 387 thousand tons, that is 551% of the total production capacity. In 2018, corrugated cardboard packaging consumption recorded a 1% increase from the previous year and there is still an increasing trend in this segment.

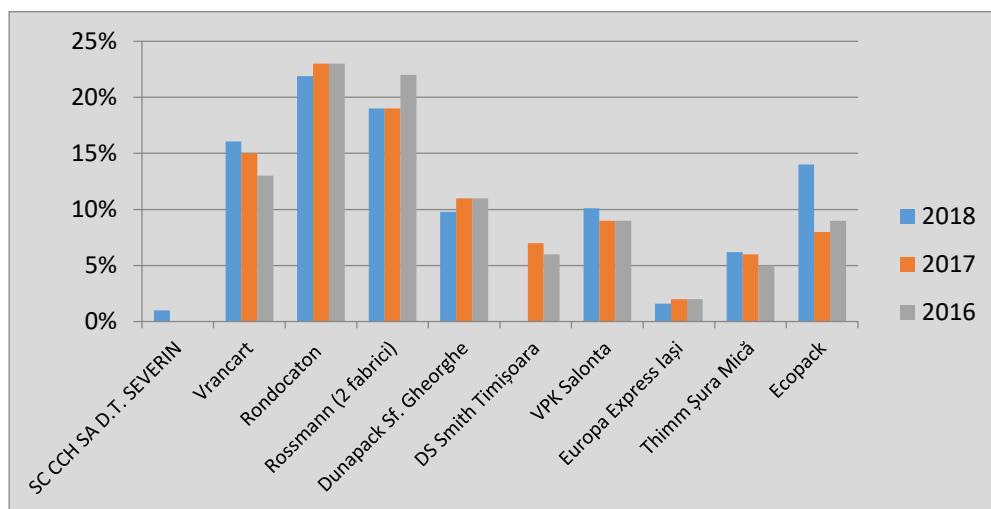
Corrugated cardboard producers in 2018 in Romania

No.	Producer's name	Amount in 2018 (to)	Production capacity (to/year)	Degree of coverage of the capacity (%)	Boxes out of the total delivered amount (to)	Share of boxes in the total amount (%)
1	Rondocarton (2 Mills)	84.796	160.000	55%	69.494	25%
2	Rossmann (2 Mills)	73.669	120.000	62%	68.797	25%
3	Vrancart (2 Mills)	62.231	85.000	67%	14.993	6%
4	Dunapack Sf Gheorghe	37.903	80.000	52%	23.524	8%
5	DS Smith Group	56.833	140.000	41%	53.262	19%
6	VPK Salonta	39.181	60.000	59%	23.352	8%
7	Thimm Sura Mica	23.980	25.000	88%	19.863	7%
8	Europa Expres Iași	6.218	40.000	17%	6.218	2%
9	CCH SA D.T. Severin	2.597				
TOTAL		386.558	710.000	55%	279.503	100%

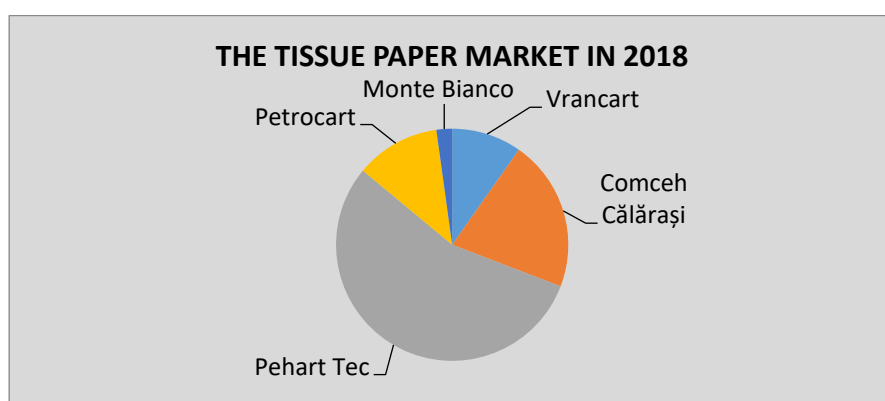
Market share evolution for Corrugated cardboard and corrugated cardboard packaging

Producers	2018	2017	2016
Rondocarton (Cluj+Târgoviște)	22%	23%	23%
Rossmann Groupe (Romcarton Bucharest + Ambro Suceava)	19%	19%	22%
Vrancart Adjud	16%	15%	13%
Dunapack Sf. Gheorghe	10%	11%	11%
Ecopack Ghimbav	14%	8%	9%
VPK Packaging	10%	9%	9%
DS Smith	0%	7%	6%
Thimm Packaging	6%	6%	5%
Europa Express	2%	2%	2%
CCH SA D.T. Severin	1%	0%	0%
Total	100%	100%	100%

Source: ROMPAP, Informative bulletins



On the tissue paper market, with a market share of 10% in 2018 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.

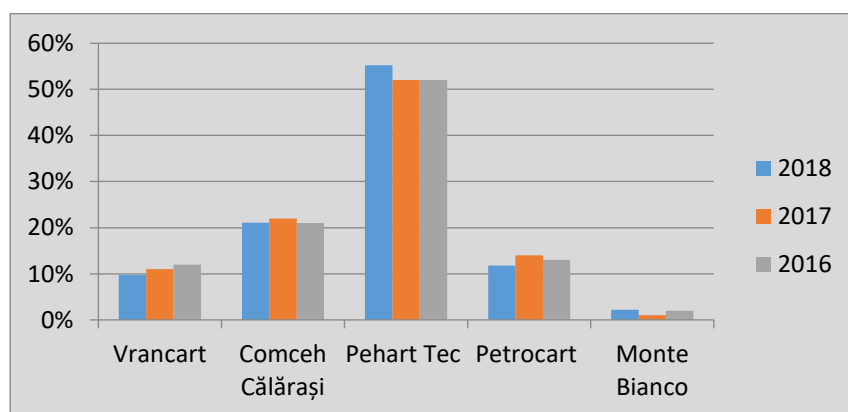


„VRANCART” recorded a reduction of its market share in 2018 compared to 2017, while internal production remained relatively constant at approx. 170 thousand tons/year.

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 and Petrocart Piatra Neamț. Customers’ preference of cellulose-based products is visible, compared to products made from recycled paper.

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.

Producers	2018	2017	2016
Pehart Tec Petrești	55%	50%	52%
Comceh Călărași	21%	21%	21%
Petrocart Piatra Neamț	12%	13%	13%
Vrancart Adjud	10%	15%	12%
Montebianco Targoviște	2%	1%	2%
Total	100%	100%	100%



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 2018 was 1262 employees, out of which:

- 190 higher education graduates
- 519 high school graduates
- 378 vocational school graduates
- 175 middle school graduates

Out of the total number of employees, 307 are trade union members (there is only one union within the Group, at the parent-company’s headquarters).

The labour force fluctuation index during 2018 was 21% (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 impact of 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 Group 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 OHSAS 18001/2007, by Lloyd's Register England, Bucharest Agency.

1.1.7. Evaluation of the research and development activity

The research project with the subject "**Recycled fibre-based food packaging obtained through bio-refining (BIOAMB)**" was finalised in 2018. This project was developed within a partnership between the Technical University in Iași (UTI), as coordinator, and Vrancart S.A. as the business operator benefiting from the transfer of knowledge.

The research contract was performed during the period between September 30th, 2016 – September 30th, 2018 and the Project Manager was Phd. Eng. Univ. Prof. Dan Gavrilescu (from UTI) and the project responsible was Phd. Eng. Roxana Vlase (from Vrancart S.A.).

During the 3rd stage of the project, that took place in 2018, the following aspects were studied:

- The increase of the safety degree of corrugated cardboard packaging used for food;
- The obtaining of corrugated cardboard packaging for foodstuffs;
- The certification of corrugated cardboard packaging for foodstuffs.

The research project results were disseminated in the "Pulp and paper" magazine, vol. 65-67 and in the book published under the name: "**Corrugated cardboard packaging for foodstuffs – Good practice manual**". The authors of this book are the project coordinators: Phd. Univ. Prof. Dan Gavrilescu and Phd. Eng. Roxana Vlase.

Following the project completion, Vrancart S.A. received a Scientific and technical report which comprises information on all the researches carried out and their results. The main result of Vrancart's participation in this project was represented by the obtaining of some knowledge which contributed to an increase of the quality of the paper produced by the Paperboards production Division and to the starting of an internal project aiming to find solutions for the production of packaging paper on the current tissue paper machine of Vrancart S.A.

1.1.8. Evaluation of the Group's activity on risk management

The Group is exposed to the following risks related to the use of financial instruments:

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

Hereinafter, information is provided 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 risk management policies are defined so as to provide the identification and analysis of the risks that the Group is facing, to establish the appropriate limits and controls, as well as to monitor the risks and to meet the limits established. The risk management policies and systems are periodically revised to reflect the changes occurred in the market conditions and the Group's activities. Through its management and training standards and procedures, the Group aims to develop 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 following its partners' failure to meet their contractual obligations. The maximum exposure to credit risk was:

Book value	December 31st, 2018	December 31st, 2017
Trade receivables and other receivables	69.439.786	66.433.285
Cash and cash equivalents	2.435.896	3.219.141
Restricted cash	-	4.130
Total	71.875.682	69.956.556

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:

December 31st, 2018	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	105.636.117	109.722.589	49.391.174	57.021.003	3.310.412
Trade liabilities and other liabilities	50.599.032	50.599.032	50.236.432	362.600	-
Total	156.235.149	160.321.621	99.627.606	57.383.603	3.310.412

December 31st, 2017	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	76.757.403	78.598.435	38.615.082	39.983.354	-
Trade liabilities and other liabilities	54.054.100	54.054.100	53.036.900	1.017.200	-
Total	130.811.503	132.652.535	91.651.982	41.000.552	-

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 31st, 2018	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	69.439.786	62.975.416	5.760.818	703.554	-
Cash and cash equivalents	2.435.896	2.370.593	23.089	24.600	17.613
Financial assets	71.875.682	65.346.007	5.783.908	728.154	17.613
Loans	143.523.517	142.894.069	629.448	-	-
Trade liabilities and other liabilities	50.599.032	40.032.947	10.318.797	238.201	9.087
Financial liabilities	194.122.550	182.927.016	10.948.246	238.201	9.087
Total net financial assets/(liabilities)	(122.246.868)	(117.581.009)	(5.164.338)	489.953	8.527

December 31st, 2017	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	66.433.285	50.725.205	15.629.864	78.216	-
Restricted cash	4.130	4.130	-	-	-
Cash and cash equivalents	3.219.140	2.474.219	79.813	662.720	2.389
Financial assets	69.656.556	53.203.554	15.709.677	740.936	2.389
Loans	113.990.203	104.679.342	9.325.942	-	-
Trade liabilities and other liabilities	52.985.205	42.090.969	9.085.435	29.304	5.096
Financial liabilities	166.975.409	146.770.311	18.411.377	29.304	5.096
Total net financial assets/(liabilities)	(83.126.796)	(81.168.420)	(2.701.701)	711.632	(2.707)

Sensitivity analysis

An increase by 10 percentage points of RON as at December 31st 2018 compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2018: - RON 466.586 (December 31st, 2017: - RON 199.277). 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 2019, 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 equipments), the Company expects its results will be at the same level as in the previous year, and during the period between 2019 and 2022 there will be a major increase of turnover and of the accounting profit.

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 90.000 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 31st, 2017.

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 31st, 2018 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	88.504	21.385	24%
Equipment and other fixed assets	321.184	150.797	47%

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 loans granted by banks. The net book value of these pledged or mortgaged assets is RON 133.667 thousand as at December 31st, 2018 (December 31st, 2017: RON 147.253 thousand). The net book value of the assets purchased through financial leasing is RON 1.248 thousand as at December 31st, 2018 (December 31st, 2017: RON 1.525 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 15th, 2005.

The shareholding structure as at December 31st, 2018 is as follows:

- SIF Banat-Crişana - 75,06 %
- Legal entities - 20,08 %
- Natural persons - 4,86 %

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 of April 27th, 2018, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit for the financial year ended on December 31st, 2017, in the amount of RON 11.348.519, respectively a gross amount of a dividend of RON 0,011/share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other purposes
2016	20.200.394	1.128.560	14.030.896	4.502.179	-	538.759
2017	22.328.453	1.277.195	11.348.519	9.333.273	-	369.466
2018	17.772.017	951.043	**	7.662.059	-	**

* 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 will be established during the meeting to be held in April 2019.

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 July 17th, 2015, the company completed the process related to the purchase of the shares of Giant Prodimpex Târgu Mureş, approved through the Decision no. 7 of April 30th, 2015 of the Ordinary General Meeting of the Shareholders. Following the purchase, Vrancart holds 100% of the shares of Giant Prodimpex S.R.L.

On January 19th, 2017, the the process related to the purchase of the shares of Rom Paper S.R.L. was finalised, being approved by the Ordinary General Meeting of the Shareholders. Following the purchase Vrancart holds 85% as at December 31st, 2017. The acquisition contract provides the purchase in three annual steps, of 70% (completed), 15% (completed) and 15% (completed in 2018).

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

During the period between January 1st – December 31st, 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/February 1st, 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 13th, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds.

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):

1. Ciucioi Ionel-Marian – aged 41, economist, Chairman of the Board of Administrators and General Manager for 5 years
2. Bîlteanu Dragoş George – aged 41, economist, member of the Board of Administrators of „Vrancart” for 6 years
3. Drăgoi Bogdan Alexandru – aged 39, economist, member of the Board of Administrators of „Vrancart” for 3 years
4. Lakis El Najib – aged 55, economist, member of the Board of Administrators of „Vrancart” for 5 years
5. Mihailov Sergiu, aged 39, economist, member of the Board of Administrators of „Vrancart” for 1 year

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 1a December 31st, 2018:

1. Ciucioi Ionel-Marian – 0 shares
2. Bîlteanu Dragoş George - 0 shares
3. Lakis El Najib – 0 shares
4. Drăgoi Bogdan Alexandru – 0 shares
5. Mihailov Sergiu – 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-Crişana, 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 31st, 2018 was provided by Ec. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators of Vrancart S.A. and also, as the administrator of the branch Giant Prodimpex S.R.L. until the merger date, as well as member 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 2018 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 31st, 2018 were audited by the external auditor KPMG 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 31st, 2018 and it is in compliance with the International Financial Reporting Standards adopted by the European Union.

6. SOCIAL RESPONSIBILITY

The Vrancart Group constantly carries out activities related to the its 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 2018 will be made available to the public on the Company's website www.vrancart.ro, until June 30th, 2019.

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 19th, 2002 on the application of the International Accounting Standards.

8.1. Consolidated statement of financial position for the past 3 years

<i>(RON)</i>	December 31 st , 2018	December 31 st , 2017	December 31 st , 2016
ASSETS			
Tangible assets	284.802.972	263.138.155	184.159.320
Intangible assets	8.052.663	9.230.006	1.364.307
Financial assets	34.756	-	845
Goodwill	8.526.391	8.526.391	3.380.811
Receivables related to deferred profit tax	-	-	427.686
Total non-current assets	301.416.782	280.894.552	189.332.969
Inventories	48.922.412	42.945.100	27.979.866
Trade receivables	68.673.849	66.016.628	39.692.123
Prepaid expenses	880.606	730.972	760.687
Restricted cash	-	4.130	8.899.753
Cash and cash equivalents	2.435.896	3.219.141	24.932.865
Receivables related to current profit tax	102.001	1.002.646	
Other receivables	765.937	416.657	400.809
Total current assets	121.780.701	114.335.274	102.666.103
TOTAL ASSETS	423.197.483	395.229.826	291.999.072
EQUITY			
Share capital	103.168.355	103.168.355	103.168.355
Reserves	86.396.421	75.445.583	46.411.085
Retained earnings	12.949.042	18.129.505	16.856.244
Total equity	202.513.818	196.743.443	166.435.684
LIABILITIES			
Long-term loans	52.434.084	39.202.465	34.619.168
Long-term loans from bond issues	37.887.400	37.232.800	-
Deferred income	18.304.694	20.793.786	20.936.397
Long-term provisions	372.440	376.015	291.803
Debts related to deferred profit tax	5.143.692	5.987.434	-
Other long-term liabilities	362.600	1.017.200	-
Total long-term liabilities	114.504.910	104.609.700	55.847.368
Short-term trade liabilities	38.611.249	38.793.148	17.838.095
Short-term loans	53.202.034	37.554.938	41.762.760
Deferred income	2.740.289	3.212.452	3.038.904
Short-term provisions	-	72.393	-
Debts related to current profit tax	7.928	51.695	515.975
Other short-term liabilities	11.617.255	14.192.057	6.560.285
Total current liabilities	106.178.755	93.876.683	69.716.020
TOTAL LIABILITIES	220.683.665	198.486.383	125.563.388
TOTAL EQUITY AND LIABILITIES	423.197.483	395.229.826	291.999.072

8.2. Consolidated statement of comprehensive income for the past 3 years

<i>(RON)</i>	2018	2017	2016
Income from turnover	355.414.633	324.981.015	232.281.259
Other income	3.698.375	3.413.470	3.792.801
Variation of finished products inventories and production in progress	4.027.368	319.306	3.412.447
Expenses related to raw materials and consumables	(180.295.883)	(172.309.913)	(124.538.127)
Expenses related to commodities	(19.669.707)	(10.352.008)	(3.891.729)
Third party expenses	(25.258.111)	(25.227.578)	(18.282.006)
Personnel-related expenses	(67.863.714)	(59.866.434)	(41.137.727)
Expenses related to amortisation and impairment of tangible assets	(25.675.940)	(23.658.531)	(18.442.224)
Other expenses	(20.909.263)	(7.198.461)	(8.967.110)
Operating result	23.467.758	30.100.866	24.227.583
Financial income	1.115.264	1.035.689	(72.137)
Financial expenses	(6.803.610)	(3.072.728)	(1.431.746)
Profit (loss) before taxation	17.779.412	28.063.827	22.723.699
Profit tax expense	(960.844)	(2.624.873)	(2.238.669)
Profit (loss) for the year	16.818.568	25.438.954	20.485.031
Other comprehensive income items			
Increases in the reserve from revaluation of tangible assets, net of deferred tax	-	18.963.480	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	(306.235)	(666.280)	(369.798)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16.512.333	43.736.154	20.115.233

8.3. Consolidated statement of cash flows for the past 3 years

<i>(RON)</i>	2018	2017	2016
Cash flows from operating activities			
Collections from customers	404.327.883	368.881.379	273.533.184
Payments to suppliers	(270.709.827)	(252.220.327)	(176.365.437)
Payments to employees	(43.440.660)	(44.647.130)	(33.120.018)
Payments to the state budget	(50.716.673)	(35.356.586)	(28.130.020)
Profit tax paid	(1.731.783)	(3.380.501)	(3.061.838)
Net cash flows from operating activities	37.728.940	33.276.835	32.855.871
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(47.608.374)	(54.038.622)	(38.776.718)
Payments for the purchase of financial assets	(5.074.273)	(23.792.455)	-
Escrow account	-	8.899.753	(8.899.753)
Letters of credit for the purchase of tangible assets	(530.871)	-	10.786.408
Collections from the sale of tangible assets	1.518.567	105.302	283.700
Interests collected	33.481	1.221	3.701
Net cash flows from investment activities	(51.661.470)	(68.824.801)	(36.602.662)
Cash flows from financing activities			
Collections from loans	50.202.137	94.690.407	47.198.334
Capital increase	-	-	16.796.783
Interests paid and loans reimbursed	(25.893.772)	(67.069.966)	(23.320.240)
Dividends paid	(11.159.080)	(13.786.199)	(13.533.159)
Net cash flows from financing activities	13.149.285	13.834.242	27.141.718
	(783.245)	(21.713.724)	23.394.927
Net increase/(reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	3.219.141	24.932.865	1.537.938
Cash and cash equivalents at the financial year end	2.435.896	3.219.141	24.932.865

9. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END

There are no events to report subsequently to the balance sheet date.

The consolidated report of the administrators was approved by the Board of Administrators of VRANCART SA during the meeting held on March 14th, 2019.

SIGNATURES

The report was 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