



# REPORT OF THE BOARD OF ADMINISTRATORS

FOR THE FINANCIAL YEAR 2017

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

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## 1. ANALYSIS OF THE ACTIVITY OF „VRANCART” S.A.

### 1.1.1. General information

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

#### *General presentation*

<b>Trade company name</b>	„VRANCART”
<b>Type of company</b>	Joint-stock trade company
<b>Address</b>	17 Ecaterina Teodoroiu Street, Adjud, Vrancea, county, 625100
<b>Telephone / Fax no.:</b>	0237.640.800 / 0237.641.720
<b>Registered with the Trade Registry under no.:</b>	J39/239/1991
<b>Tax code</b>	1454846
<b>Tax Identification Number</b>	RO1454846
<b>Share capital</b>	103.168.355 lei
<b>The nominal value of shares</b>	0,10 lei/share
<b>Number of shares</b>	1.031.683.547

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

The main object of activity of „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.

#### **General evaluation items:**

<b>a) gross book result</b>	<b>24.938 thousand lei</b>
<b>b) turnover</b>	<b>260.003 thousand lei</b>
<b>c) export</b>	<b>45.111 thousand lei</b>
<b>d) operating costs</b>	<b>236.861 thousand lei</b>
<b>e) % of the market held</b>	

In 2017	Tissue papers	- 11%
	Paperboards	- 24%

**f) liquid funds at the year end****1.902 thousand lei****1.1.2. Evaluation of the Company's technical level**

The main production activities of „VRANCART” are organised by three different lines of business managed based on their own budgets, component parts of the general budget of the company, 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 VRANCART's production on these markets in the past 3 years is presented in the table below:

<b>Profit centre</b>	<b>M.U.</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Paperboards mill	<b>to</b>	85.642	79.760	74.437
Corrugated cardboard and packaging mill	<b>to</b>	56.635	47.883	39.894
Tissue paper mill	<b>to</b>	19.145	19.289	18.576

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

<b>Profit centre</b>	<b>M.U.</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Paperboards mill	<b>%</b>	21%	21%	27%
Corrugated cardboard and packaging mill	<b>%</b>	57%	54%	48%
Tissue paper mill	<b>%</b>	14%	21%	24%
Other activities	<b>%</b>	8%	4%	1%

Out of the total production of paperboards, 64% in 2017 (65% in 2016 and 52% in 2015) is used for our own production of corrugated cardboard, and the remaining amount is intended for sale to other corrugated cardboard manufacturers, especially outside the country.

The investments made in 2017, by groups of fixed assets were as follows:

<b>Investments made</b>	<b>Amount (Lei)</b>
Land and land improvements	931.155
Buildings and building improvements	2.528.892
Technological equipment	20.671.646
Apparatus and working installations	925.364
Means of transport and other fixed assets	6.213.383
Intangible assets	54.742
<b>TOTAL</b>	<b>31.325.182</b>

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

The main raw material of the paper mills of „VRANCART” is waste paper.

From the analysis of the paper production costs structure, it can be observed that the share of expenses related to waste paper in 2017 was of approximately 40%, which required giving a particular attention to this activity sector.

In 2017, we purchased 128.538 to of waste paper, out of which class II (cardboard): 104.671 to, class III (white printed paper): 23.682 to and pre-consumer “tetrapack” waste paper: 185 to. Out of the amount of waste paper purchased, 84.102 to was purchased through our own collection centres, 23% more than during 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 purchase	M.U.	2017	2016	2015
Purchase through the collection centres	to	84.102	75.609	61.545
	% out of the total amount purchased	65%	61%	53%
Direct purchase (in Adjud)	to	44.436	47.956	54.356
	% out of the total amount purchased	35%	39%	47%
Total purchases	to	<b>128.538</b>	<b>123.565</b>	<b>115.901</b>
	%	100%	100%	100%

### 1.1.4. Evaluation of the sales activity

The evolution of delivery of the products of „VRANCART” by each market segment in the past 3 years is presented in the table below:

Profit centre	M.U.	2017	2016	2015
Paperboards mill	to	30.839	28.990	34.333
Corrugated cardboard and packaging mill	to	56.354	47.656	39.758
Tissue paper mill	to	18.721	19.070	18.688

### The state of competition

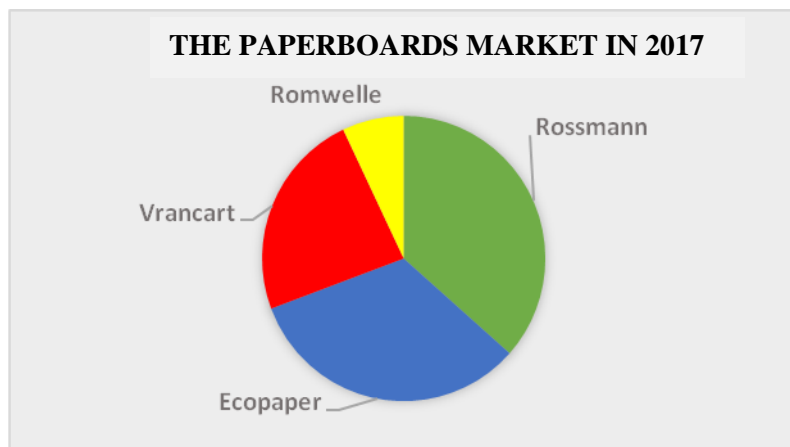
In each market segment, there are several manufacturers of products similar to those produced by „VRANCART”.

*On the paperboards market in Romania* there were four competitors in 2017. 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)	Lățimea de lucru a mașinii (mm)
Ambro Suceava – Grupul Rossmann	150.000	600	5000

Ecopaper Zărnești	250.000	600	5500
<b>Vrancart Adjud</b>	<b>100.000</b>	<b>400</b>	<b>4600</b>
Romwelle	70.000	300	4200
<b>Total</b>	<b>570.000</b>	<b>-</b>	<b>-</b>

All of the four 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.

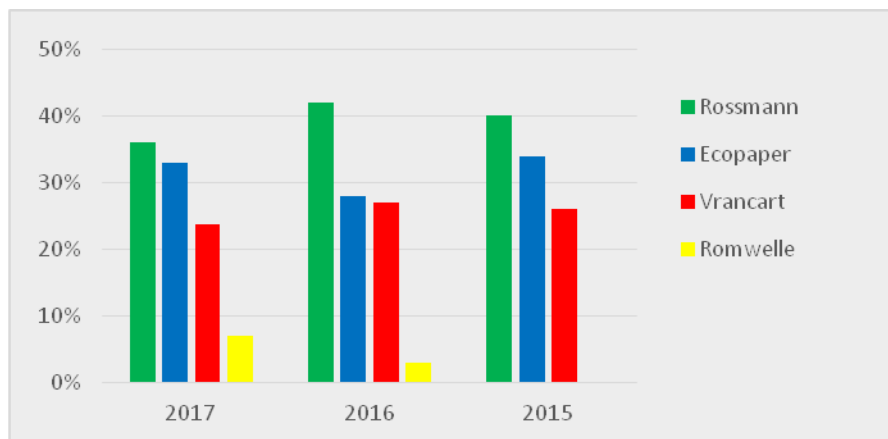


Most of the paper producers also hold corrugated cardboard and corrugated cardboard packaging mills, so that most of their own paper production is intended for their own consumption.

### Market share evolution for paperboards

Producers	2017	2016	2015
Ambro Suceava (Rossmann Groupe)	36%	42%	40%
Ecopaper Zărnești	33%	28%	34%
Vrancart Adjud	24%	27%	26%
Romwelle D.T.Severin	7%	3%	-
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ROMPAP, Informative bulletins



*On the corrugated cardboard and corrugated cardboard packaging market*, in 2017 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 2017 was of 384 thousand tons, that is 51% of the total production capacity. In 2017, corrugated cardboard packaging consumption recorded a 5% increase from the previous year and there is still an increasing trend in this segment.

#### Corrugated cardboard producers in 2017 in Romania

No.	Producer's name	Amount in 2017 (to)	Production capacity (to/year)	Degree of coverage of the capacity (%)	Boxes out of the total amount delivered (to)	Share of boxes out of the total amount (%)
1	Rondocarton (2 mills)	88.133	160.000	55%	69.911	79%
2	Rossmann (2 mills)	74.365	120.000	62%	68.602	92%
3	Vrancart (2 mills)	56.635	85.000	67%	10.397	18%
4	Dunapack Sf Gheorghe	41.895	80.000	52%	26.780	64%
5	Ecopack Ghimbav	33.176	80.000	41%	27.472	83%
6	VPK Salonta	35.398	60.000	59%	20.894	59%
7	DS Smith Timișoara	25.368	60.000	42%	25.368	100%
8	Thimm Sura Mica	21.896	25.000	88%	17.948	82%
9	Europa Expres Iași	6.845	40.000	17%	6.845	100%
<b>TOTAL</b>		<b>383.800</b>	<b>710.000</b>	<b>54%</b>	<b>274.217</b>	<b>71%</b>

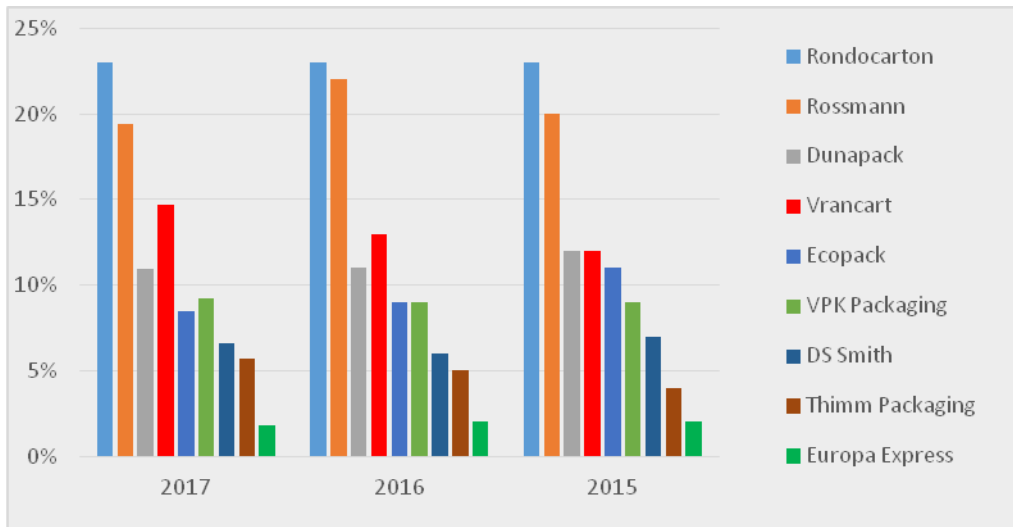
#### Share market evolution for corrugated cardboard and corrugated cardboard packaging

ProducERS	2017	2016	2015
Rondocarton (Cluj+Târgoviște)	23%	23%	23%
Rossmann Group (Romcarton Bucharest + Ambro Suceava)	19%	22%	20%
Vrancart Adjud	15%	13%	12%
Dunapack Sf. Gheorghe	11%	11%	12%
Ecopack Ghimbav	8%	9%	11%

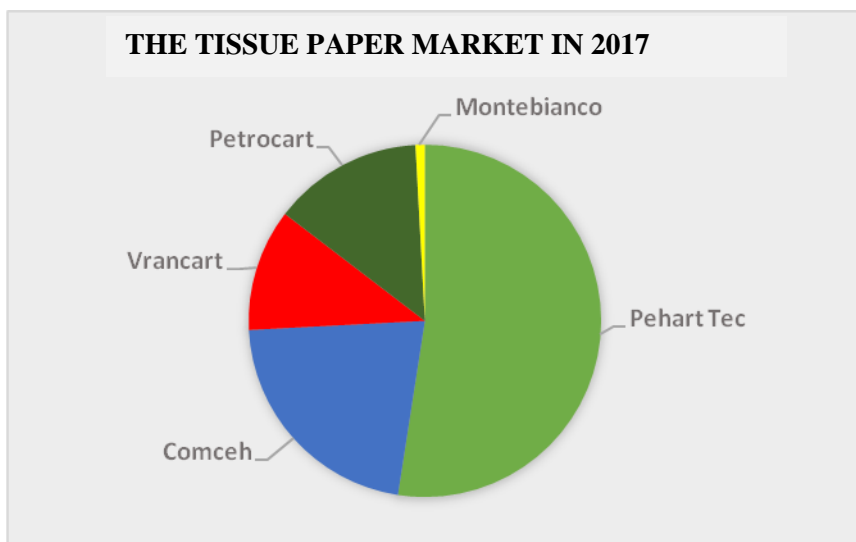


VPK Packaging	9%	9%	9%
DS Smith	7%	6%	7%
Thimm Packaging	6%	5%	4%
Europa Express	2%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ROMPAP, Informative bulletins



*On the tissue paper market*, with a market share of 11% in 2017 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.



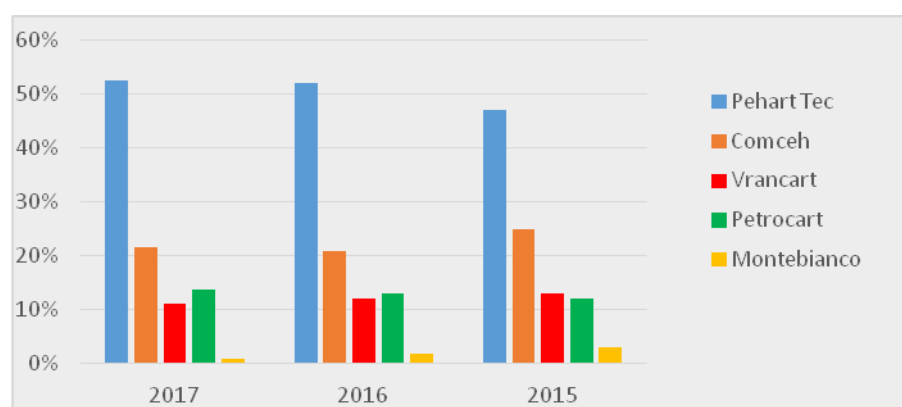
„VRANCART” recorded a reduction of its market share in 2017 compared to 2016, while internal production remained relatively constant at approx. 170 thousand tons/year. This is due mainly to the start-up in Romania of a new production capacity for the cellulose products range, at Pehart Tec

Petrești, and the reaching of the parameters by the paper machine at Petrocart, that was started-up in 2015.

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 of recycled paper.

### Market share evolution for tissue paper

Producers	2017	2016	2015
Pehart Tec Petrești	52%	52%	47%
Comceh Călărași	22%	21%	25%
Petrocart Piatra Neamț	14%	13%	12%
Vrancart Adjud	11%	12%	13%
Montebianco Targoviște	1%	2%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



### 1.1.5. Evaluation of the aspects related to the Company'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 2017 was 1072 employees, out of which:

- 167 higher education graduates
- 445 high school graduates
- 312 vocational schools graduates
- 148 middle school graduates

Out of the total number of employees, 318 are trade union members (there is only one trade union within the company).

The labour force fluctuation index during 2017 was 18% (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 S.A.** has implemented an integrated quality-environment-health management and labour security system according to ISO 9001/2008; ISO 14001/2004 and OHSAS 18001/2007, certified by Lloyd's Register England, Bucharest Agency.

The impact of the company's activity onto the environment is constantly monitored through the implementation of the Environmental Management System and implicitly through the compliance with the laws in force and the **INTEGRATED ENVIRONMENT AUTHORISATION no. 1/18.03.2015**. The activity of Vrancart S.A. was re-authorised in terms of environmental protection on 18.03.2015 and the authorisation is valid until March 18<sup>th</sup>, 2025, unless any changes occur in relation to the conditions underlying the issuance of the authorisation. In the event of any changes of these conditions (e.g. production capacity increases, investments for the modernisation of the technological flows), in accordance with the legislation in force, the reviewing of the integrated environmental authorisation is required.

Due to the increase of the papaerboards machine production capacity to 100.000 tons/year, the Integrated Environmental Authorisation will be reviewed. The documentation is in progress and it will be submitted to the Vrancea Environmental Protection Agency for reviewing.

In 2017, environmental permits were requested for the investments started and implemented throughout the year.

#### **ENVIRONMENTAL FACTOR: AIR**

The following result from the activity of VRANCART S.A.:

- hot air emissions (after the moist air from drying paper goes through absorption hoods) that are evacuated through exhaust chimneys at high altitude.
- emissions from the combustion gases from the process steam generating boiler (CTAT), from 3 process steam generators and a plant for the co-incineration of production wastes, that are evacuated through chimneys at high altitude.
- emissions resulting from the manufacturing processes – spread dust emissions due to the handling of auxiliary solid materials and the converting of tissue paper.
- noise resulting from the operation of the burning and production plants.

On 12.06.2014, the greenhouse gas emissions authorisation no. 126/05.03.2013 for the period between 2013 and 2020 was revised.

According to the requirements of the Integrated Environment Authorisation, we carried out the following:

- determinations for the ambient environment were carried out by the Vrancea Directorate of Public Health
- determinations of the noise level at the limit of the location were carried out by SC Laboratoarele Tonnie SRL Poiești (laboratory accredited according to ISO 17025).

The results proved that the values measured are below the maximum values allowed, as established by the applicable legislation in the field.

Measurements for the pollutants generated by the fixed sources were performed in 2016, according to the Integrated Environment Authorisation, with S.C. EnEco Consulting S.R.L. (a laboratory accredited according to ISO 17025); the results were below the maximum limits allowed, imposed by the abovementioned authorisation.

We believe that VRANCART's activity has an **insignificant impact onto the air environmental factor**, and the level of emissions to the air comply with the provisions of:

- the Government Decision no. 1218/2006 as completed by the Government Decision no. 1/2012 and the Government Decision no. 355/2007 for the establishing of the minimum labour health and security requirements for the provision of the workers' protection against the risks related to the presence of chemical substances;
- the Government Decision no. 493/2006 on the minimum labour health and security requirements related to the workers' exposure to the risks generated by noise;
- the Government Decision no. 1091/2006 on minimum labour health and security requirements at the work place;
- the Government Decision no. 1048/2006 on minimum health and security requirements for the use by workers of the personal protective equipment at the work place;
- Order no. 462/1993 of the Ministry of Waters, Forests and Environmental protection for the approval of the technical conditions related to environmental protection and the Methodological norms on the determination of the emissions of air pollutants produced by stationary sources;
- Law no. 104/2011 on air quality, as amended as supplemented by the Government Decision no. 336/2015 and the Government Decision no. 806/2016;
- Law no. 278/2013 on industrial emissions, as amended as supplemented by the Government Emergency Ordinance no. 101/2017.

#### **ENVIRONMENTAL FACTOR: WATER**

VRANCART S.A. holds the "**Water Management Permit no. 1/04.02.2008**", revised on **04.11.2013**, valid until 04.02.2017. In June 2017, the Water Management Permit was renewed under no. 160/17.07.2017, valid until 17.07.2022.

In 2016, the waste water evacuated from the wastewater treatment plant of VRANCART into the Siret river complied with the limits imposed by the Water Management Permit, as revised, according to the current monitoring and the determinations carried out by S.C. Laboratoarele Tonnie S.R.L. Ploiesti (a laboratory accredited according to ISO 17025).

The "Plan for the Prevention and Control of Accidental Pollution" is revised on a yearly basis according to Order no. 278/1997 of the Minister of Water, Forests and Environmental Protection - the framework methodology for the preparation of the plans for the prevention and control of accidental pollution is revised on an annual basis; this plan is submitted to the Vrancea Water Management System and to the Bacau Water Basin Administration.

#### **ENVIRONMENTAL FACTOR: SOIL**

Since one of the sources of soil pollution is represented by the faulty management of waste, within the environmental management system, clear rules were established to provide the compliance with the legal provisions on waste.

VRANCART S.A. ceased storing manufacturing wastes in its own warehouses on 31.12.2006, according to the Government Decision no. 349/2005. The post-closure monitoring is being performed according to the legislation in force.

The manufacturing wastes and the sludge from the wastewater treatment plant are stored in the temporary waste storage facility and are co-incinerated in our own plant, and the resulting process steam is used at the paperboards manufacturing plant and/ or at the tissue paper manufacturing plant.

The ash resulting from the co-incineration of our own technological wastes is not a hazardous waste. From the start-up of the waste co-incineration boiler in 2008, the resulting ash was deposited in 2 concrete pools, half underground, within the wastewater treatment plant, with a volume of 500 m<sup>3</sup> each. The 1<sup>st</sup> pool was closed in December 2014 and the 2<sup>nd</sup> pool was finally closed in 2016.

Following the closing of the 2<sup>nd</sup> pool, the solution for the final removal of the ash in the next period was to build 2 more concrete pools available within the Wastewater Treatment Section, with a total capacity of 27.682 m<sup>3</sup> (the decommissioned pool within the biological treatment plant and the emergency pool). The obligation related to the adequate arrangement and the final closing is in accordance with the provisions of Order no. 757/2004.

The decommissioned pool within the biological treatment plant was arranged in 2016 for the storage of ash.

According to the requirements on the protection of soil from the “Integrated Environmental Permit”, in November 2016, Laboratoarele Tonnie S.R.L. (a laboratory accredited according to ISO 17025) made determinations of the concentrations of pollutants. The results showed that the measured values are below the maximum limits allowed.

The Vrancea Environmental Guard, the Vrancea Environmental Protection Agency, the Siret Bacău Water Basin Administration and the Vrancea Water Management System performed controls. The findings were recorded in the control protocols – the quality indicators of wastewater did not exceed the limits imposed through the regulatory deeds, according to the information presented in the **Water environmental factor**, without any violations of the legislation in force.

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

In 2017, the main objective of the research and development activity was to find solutions for the effective use of the rejects from the paper manufacturing processes and to study various raw materials and production processes.

Thus, in 2017, we continued the project started in 2016 in partnership with the Technical University in Iași (UTI), as the coordinator, and Vrancart S.A. as the business operator benefiting from the transfer of knowledge, with the subject “**Recycled fibre-based food packaging obtained through bio-refining (BIOAMB)**”. The research contract will be performed during the period between September 30<sup>th</sup>, 2016 – September 30<sup>th</sup>, 2018 and the Project Manager is Phd. Eng. Univ. Prof. Dan Gavrilăscu (from UTI) and the project responsible is Phd. Eng. Roxana Vlăscu (from Vrancart S.A.).

### 1.1.8. Evaluation of the company’s activity on risk management

The company’s risk management policies are defined so as to provide the identification and analysis of the risks that the company 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 regularly revised to reflect the changes occurred in the market conditions and in the Company’s activities. Through its management and training standards and procedures, the company aims to develop an orderly and constructive control environment, where all the employees understand their roles and obligations.

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

- credit risk;
- liquidity risk;
- market risk.

**Credit risk** is the risk that the Company incurs a financial loss following its partners’ failure to meet their contractual obligations. The maximum exposure to credit risk was:

<b>Book value</b>	<b>December 31<sup>st</sup>, 2017    December 31<sup>st</sup>, 2016</b>	
Trade receivables and other receivables	50.681.573	40.096.520
Cash and cash equivalents	1.901.568	24.287.793
Restricted cash	-	8.899.753

<b>Total</b>	<b>52.583.141</b>	<b>73.284.066</b>
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The company 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 Company; sales limits are established for each separate customer), the customers failing to meet the conditions established by the Company may make transactions with it only after making an advance payment.

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

<b>December 31<sup>st</sup>, 2017</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>above 5 years</b>
Bank loans*	67.643.949	73.119.223	34.528.675	38.590.547	-
Trade liabilities and other liabilities	38.757.060	38.757.060	37.739.860	1.017.200	-
<b>Total</b>	<b>106.401.009</b>	<b>111.876.283</b>	<b>72.268.535</b>	<b>39.607.747</b>	<b>-</b>

<b>December 31<sup>st</sup>, 2016</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>above 5 years</b>
Bank loans*	76.224.602	78.229.544	42.719.414	35.510.130	-
Trade liabilities and other liabilities	23.871.678	23.871.678	23.871.678	-	-
<b>Total</b>	<b>100.096.280</b>	<b>102.101.222</b>	<b>66.591.092</b>	<b>35.510.130</b>	<b>-</b>

\* Out of the total amount of bank loans of 66 million lei as at December 31<sup>st</sup>, 2017 (respectively 74 million lei as at December 31<sup>st</sup>, 2016), 24% in 2017 (33% in 2016) represent credit lines that are renewed on an annual basis. The company believes that it will be able to renew these facilities during the following period as well.

VRANCART's management considers that it is taking all the measures necessary to support the sustainability and development of the Company's business, under the current conditions, through:

- the constant monitoring of liquidity;
- the performance of short-term forecasts on net liquidity;
- the monitoring of the cash flow input and output (on a daily basis), the evaluation of the effects onto the debtors, of the limited access to financing and of the economic environment in Romania and in the European area.

**Market risk.** The objective of managing this risk is to maintain the exposures related to the exchange rate, the interest rate and the price of equity instruments within acceptable limits and at the same time to optimize the return on investment.

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

In 2018, the company will continue its development process through the performing of large investments that will lead to the optimization and increase of the production capacity, as well as to the diversification of the 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.

#### **1.1.10. Operating authorisations and certifications**

During the previous years, VRANCART implemented an integrated Quality – Environment – Labour Health and Security system, certified by Lloyd’s Register England, Bucharest Branch. The ISO certification takes into account several aspects of the company’s business, from environmental protection through personnel protection and security, to the technical availability of the machines and plants involved in the production processes and proves the management’s interest for the constant improvement of the company’s environmental situation, health and security.

The certificates are valid for three years, with half-yearly supervision audits, in order to check the compliance with the requirements of the ISO standards.

The certificates for the ISO management systems are valid as follows:

- The Quality Management System in accordance with **ISO 9001/2008: 14.09.2018;**
- The Environmental Management System in accordance with **ISO 14001/2004: 14.09.2018;**
- The Labour Health and Security Management System in accordance with **OHSAS 18001/2007: 22.09.2018.**

Supervision audits were performed in 2017 in order to check the implementation and maintaining of each system. The results proved that the management systems work according to the requirements imposed by the standards chosen as the reference model.

VRANCART S.A. also holds since 2014 a FSC certification for the Chain of Custody Management System for the recovery, processing and delivery of products obtained from recycled materials, mixed and pure according to the FSC-STD-40-004/ FSC-STD-40-007 standards. The certificate was issued by TUV SUD, with a period of validity until October 14<sup>th</sup>, 2019, with annual supervision.

„VRANCART” operates in accordance with the provisions of:

- the **INTEGRATED ENVIRONMENTAL PERMIT no. 1/18.03.2015.** The activity of Vrancart S.A. was re-authorised on 18.03.2015 with validity period until 18.03.2025.
- the **WATER MANAGEMENT PERMIT no. 1/04.02.2008**, as revised on 04.11.2013, valid until 04.11.2017. It was revised in 2015 under no. 190/28.07.2015. In June 2017, the Water Management Permit was renewed under no. 160/17.07.2017, valid until 17.07.2022 and the value of the indicators remained in accordance with NTPA 001/2005.

**The general objectives** of the ISO and FSC management systems were included in the policies on quality, environment, labour health and security. Specific process objectives were established in order to reach the general objectives.

The ISO and FSC certificates and the related policies are available on the website [www.vrancart.ro](http://www.vrancart.ro).

## **2. THE COMPANY’S TANGIBLE ASSETS**

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

"Vrancart" S.A. Adjud is located in Adjud municipality, Vrancea county. The following production capacities operate within the company:

- a) *The corrugated cardboard machine*, with the exiting production capacity of 85.000 tons/year;
- b) *The paperboards machine*, with a production capacity of 100.000 tons/year, considering that the machine operates with raw materials consisting of 100% waste paper;
- c) *The tissue paper machine*, with a production capacity of 25.500 tons/year;

The land, the constructions and the equipment are highlighted at re-evaluated value and this represents the fair value as at the revaluation date less any amortisation accumulated subsequently and any accumulated impairment losses.

The fair value is based on market price quotations, adjusted, if applicable, so as to reflect the differences related to the nature, location or the conditions of that asset, except for the equipment for which the fair value was determined based on the replacement cost.

The re-evaluations are made by specialised assessors, members of ANEVAR (the National Association of Authorised Assessors in Romania). The last re-evaluation of the company's patrimony was made as at December 31<sup>st</sup>, 2017.

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

## 2.2. Description and analysis of the wearing degree of the Company's assets

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 company, 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 performing of predictive and current maintenance works.

The degree of wear in the records as at 31.12.2017 is as follows:

*(all the values are expressed in thousand lei)*

Degree of wear	Re-evaluated cost or value	Amortisation and depreciation	Wear
Buildings and special constructions	61.880	15.738	25%
Equipment and other fixed assets	292.647	127.084	43%

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

A part of the Company'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 136.295 thousand lei as at



31.12.2017 (31.12.2016: 110.991 thousand lei). The net book value of the assets purchased through financial leasing is 985 thousand lei as at 31.12.2017 (31.12.2016: 3.262 thousand lei).

### **3. THE MARKET OF THE SECURITIES ISSUED BY THE COMPANY**

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

The shares of “VRANCART” SA are listed at the Bucharest Stock Exchange, 2<sup>nd</sup> category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

The shareholding structure as at 31.12.2017 is as follows:

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

#### **3.2. Description of the Company’s policy on dividends**

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

Through the Decision no. 4 of April 26<sup>th</sup>, 2017, the Ordinary General Meeting of the Shareholders decided to distribute dividends, from the net profit for the financial year ended on December 31<sup>st</sup>, 2016, in the amount of 14.030.896 lei, respectively a gross amount of a dividend of 0,0136 lei/share.

<b>Year</b>	<b>Net profit</b>	<b>Legal reserve</b>	<b>Dividends</b>	<b>Development fund*</b>	<b>Loss coverage</b>	<b>Other destinations</b>
2015	18.192.955	1.040.991	13.819.486	2.126.210	-	1.206.268
2016	20.200.394	1.128.560	14.030.896	4.502.179	-	538.759
2017	22.328.453	1.277.195	**	9.333.273	-	**

\* 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 company’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 2018.

#### **3.3. Description of any activities of the trade company for the redemption of its own shares**

From its establishing, „VRANCART” S.A. Adjud has not purchased or held at any time its own shares.

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

On July 17<sup>th</sup>, 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 30<sup>th</sup>, 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 19<sup>th</sup>, 2017, the Ordinary General Meeting of the Shareholders approved the process related to the purchase of the shares of Rom Paper S.R.L. Following the purchase Vrancart holds 85% as at December 31<sup>st</sup>, 2017. The acquisition contract provides the purchase in three annual steps, of 70% (finalised), 15% (finalised) and 15% (in 2018).

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

During the period between January 1<sup>st</sup> – December 2017, the company „VRANCART” S.A. Adjud issued bonds convertible into shares. Through the Decision no. 156/01.02.2017, the Financial Supervisory Authority approved the bond issuance prospectus in the amount of 38.250.000 lei, with the interest Robor 3m + 2%, with the maturity term in 7 years. On March 13<sup>th</sup>, 2017, the company completed the issuance process through the subscription in a proportion of 100% of the issued bonds.

## **4. THE COMPANY’S MANAGEMENT**

### **4.1. The company’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 40, economist, Chairman of the Board of Administrators and General Manager for 4 years
2. Avrămoiu Octavian – aged 41, legal adviser, member of the Board of Administrators of „Vrancart” for 2 years
3. Bîlteanu Dragoş George - economist, member of the Board of Administrators of „Vrancart” for 5 years.
4. Drăgoi Bogdan Alexandru – aged 38, economist, member of the Board of Administrators of „Vrancart”, for 2 years
5. Lakis El Najib – aged 53, economist, member of the Board of Administrators of Vrancart for 4 years

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 la 31.12.2017:

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. Avrămoiu Octavian – 0 shares

d) the list of persons affiliated to the company

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, which is the main shareholder, together with the other companies controlled by it, are considered affiliated parties.

#### **4.2. The company's executive management**

a) The executive management of "Vrancart" S.A. Adjud as at 31.12.2017 was provided by Ec. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators.

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 managing members of VRANCART hold any shares.

#### **4.3. Potential disputes or administrative procedures**

For all the persons presented at points 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 company, as well as those related to the capacity of that person to fulfil its tasks within the issuing company.

- Not applicable.

### **5. CORPORATE GOVERNANCE**

#### **5.1. The compliance with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange**

The Board of Administrators decided on the voluntary conformation with the Code of Corporate Governance (CGC) of the Bucharest Stock Exchange, a decision that was ratified by the General Meeting of the Shareholders of August 10<sup>th</sup>, 2011 and on this occasion the Corporate Governance Regulation of „VRANCART” S.A. Adjud was approved.

„VRANCART” S.A. Adjud, as an issuer listed in the standard category of the Bucharest Stock Exchange, considers the compliance with the corporate governance principles of the Corporate Governance Code of the Bucharest Stock Exchange. The shares of “VRANCART” S.A. are listed and traded starting from 15.07.2005, at the Bucharest Stock Exchange rate, standard category, having the symbol VNC.

The activity related to keeping the shareholders' registry was and is being performed by S.C. „Depozitarul Central” S.A. in accordance with the agreement no. 7270/07.03.2017.

Still, at the company level there are documents and rules specific to corporate governance that are available in the company's "Articles of incorporation", the Organisation and Operation Regulation, internal regulations and decisions where the functions, competences and responsibilities of the Board of Administrators and of the executive management are described.

Information on the corporate governance policy of „VRANCART” is disseminated on the company’s website, respectively [www.vrancart.ro](http://www.vrancart.ro):

- The list of members of the Board of Administrators and of the members of the executive management;
- The updated articles of incorporation.

The new Code of Corporate Governance of the Bucharest Stock Exchange was adopted in September 2015; it replaces the old code and it comprises a set of principles and recommendations for the companies admitted to trading, for the purpose of creating an internationally attractive capital market, and our company acceded to this code.

Although the new code does not expressly provide any more the existence of the “Apply or Explain” statement, this mechanism is still maintained, as it is an element that strengthens the shareholders’ and stakeholders’ trust in the issuers, and clear, accurate and current information on the compliance with the rules of corporate governance of the listed companies is transmitted in the capital market through this mechanism..

The new Code of Corporate Governance of the Bucharest Stock Exchange includes 34 recommendations that must be met, structured by 4 sections, out of which, on the date of its implementation (January 4<sup>th</sup>, 2016), our company complies with 24 provisions.

In reference to the provisions that our company does not comply with, entirely and partially, the company’s management took the necessary steps in order to comply with all the recommendations, and the subsequent progresses that our company records in terms of the compliance with the Code of Corporate Governance will be reported to the capital market.

## **5.2. The company’s management**

### **The Board of Administrators**

„VRANCART” is managed by a Board of Administrators formed of 5 members, elected by the General Meeting of the Shareholders for a period of 4 years, with the possibility of being re-elected. The Board of Administrators has decision-making competences on the company’s management during the period between the general meetings, except for the decisions that the law or the articles of incorporation provide exclusively for the General Meeting of the Shareholders.

The Board of Administrators elects a chairman from among its members. The chairman also holds the position of General Manager and provides the actual management of the company.

In the current mandate of the Board of Administrators, elected by the General Meeting of the Shareholders of 29.04.2014, the structure of the Board of Administrators provides a balance between the executive and non-executive members, with a ratio of 1/5.

The election of the members of the Board of Administrators through the shareholders’ vote in the General Meeting of the Shareholders of 29.04.2014 was based on a transparent procedure, by making public the contents of the candidacy file and the criteria to meet in order to hold the position of manager in a trade company. The mandate of the members of the Board of Administrators is of 4 years, according to the statutory provisions.

According to the provisions of Law no. 31/1990, the General Meeting of the Shareholders approves the policy for the remuneration of the administrators and of the executive management members on an annual basis.

According to the statutory provisions, the Board of Administrators meets at least every three months in order to monitor the performance of the company’s activity.

„VRANCART” complies with the rules regarding the behaviour and the obligations to report on the transactions with the shares issued by the company, made on their own behalf by the administrators and other natural persons involved and these rules are complied with by the persons in question, in

accordance with the regulations of the Financial Supervisory Authority and the specific rules are available in the Regulation of Corporate Governance of “VRANCART” that became effective in 2011.

The list of persons that have access to privileged information is constantly updated, and this situation is sent to the Financial Supervisory Authority. The obligation to give notification on the transactions made by the initiated persons is both personal and of the intermediaries and the information is disseminated through the website of the Bucharest Stock Exchange

### **The activity of the Board of Administrators in 2017**

In 2017, the Board of Administrators of “VRANCART” S.A. Adjud gathered 13 times in accordance with the statutory provisions and the administrators’ attendance in the meetings was in accordance with the legal provisions.

The chairman of the Board of Administrators chaired all the meetings held in 2017.

As a result of the meetings, 26 management decisions on the company’s current activity were adopted.

### **5.3. Respecting the shareholders’ rights**

„VRANCART” S.A. respects the shareholders’ rights, providing their equal treatment. For the General Meeting of the Shareholders held in 2017, namely on April 26<sup>th</sup>, 2017, in a dedicated section of the company’s website [www.vrancart.ro](http://www.vrancart.ro) – “For Shareholders”, the details on the conduct of the meeting were published: the notice to attend the General Meeting of the Shareholders, the materials related to the agenda, as well as any other information on the topics on the agenda; the forms for exercising the vote by special proxy and the form for vote by correspondence; the procedures for attendance and vote providing the orderly and effective performance of the works of the General Meeting of the Shareholders and granting the right to every shareholder to express freely its opinion on the issues under debate; on the decisions made within the General Meeting of the Shareholders and on the result of the vote.

For the financial year 2017, the information on the financial schedule, current reports, quarterly and half-yearly reports were posted on the website by the deadline.

Within „VRANCART” there are two people specialised in the field of relationships with investors and for the time being this activity does not require the existence of a specialised compartment within the company.

### **5.4. Communication transparency**

„VRANCART” S.A. gives particular importance to communication transparency, taking into consideration the provision of a continuous and regular reporting, that includes all the important aspects of the company’s business, the performances recorded, etc.

Also, through the company’s website, the company is presented both in terms of the activities carried out and in what concerns its relationship with the shareholders and investors. Information of interest for the shareholders and investors and also the current and regular reports on the company’s business is disseminated in the “For shareholders” section in Romanian and English.

### **5.5. Financial reporting**

The financial statements for 2017 were drawn up in accordance with the Order of the Minister of Finances no. 2844 from 2016, for the approval of the Accounting regulations complaint with the

International Financial Reporting Standards (OMFP 2844/2016) and provide a fair view, compliant with the accuracy of the statement of assets, liabilities, financial position and of the profit and loss account of „VRANCART”.

According to the legal provisions, the financial and accounting statements were audited by KPMG Audit S.R.L. – an independent financial auditing company, appointed by the General Meeting of the Shareholders dated April 26<sup>th</sup>, 2017 for a period of two years.

## **5.6. Internal control and risk management**

Internal control monitors and checks regularly the application of the new legal provisions incidental to the company’s business, verifies the compliance with the company’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 company’s business, the establishing or improvement of the company’s internal procedures.

An Internal Audit Compartment operates within „VRANCART” and it audits on a regular basis the company’s activities in order to provide relevant information on the performance of these activities, makes recommendations for the improvement of the activities, of the procedures and of the controls performed. The internal audit activity is carried out on the basis of the company’s yearly audit plan that is approved by the Audit Committee established in accordance with the provisions of principle 13 of the Code of Corporate Governance.

Within the Board of Administrators of “VRANCART” there is an Audit Committee that examines regularly the efficiency of the financial reporting, of internal control, of the internal audit and of the risk management system adopted by the company. The Audit Committee is formed exclusively of non-executive managers.

## **5.7. Conflict of interests and transactions with stakeholders**

For the proper identification and resolution of the conflict of interests situations, providing that all the investments and sales of securities are made only for the shareholders’ interests and not for any other reasons, the Board of Administrators adopted within its Corporate Governance Regulation a standard procedure for the resolution of such potential circumstances. In case of a conflict of interests between the company’s interest and the personal interest of a decision maker (member of the Board of Administrators) or decision-making employee (member of the executive management), the solution is the withdrawal of the person in question from that decision-making process.

The internal regulations impose the prohibition for the employees to engage in affiliated transactions that are in breach of the Financial Supervisory Authority regulations.

When a conflict of interests occurs among the administrators, they inform the Board of Administrators of this issue and refrain from the debates and the vote on those issues, in accordance with the relevant legal provisions; these situations are recorded in the minutes of the meeting of the Board of Administrators.

## **5.8. The corporate information regime**

The standard procedure on the internal circuit and the disclosure to third parties of the documents and information on the issuer, that might influence the evolution of the market price of the securities issued by it, was regulated through the Corporate Governance Regulation.

The persons assigned with attributions in this field draw up on a regular basis notices on the implications of the normative provisions on the management of privileged information (as defined in art. 114 of Law no. 24/2017) in “VRANCART” as well as in what concerns the obligations of the initiated persons. The notice is subject to the analysis and approval by the Board of Administrators.

## **5.9. Social responsibility**

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

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

## **5.10. Non-financial statement**

“VRANCART” S.A. will draft a separate report on information related to the 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 2017 will be made available to the public on the Company’s website [www.vrancart.ro](http://www.vrancart.ro), until June 30<sup>th</sup>, 2018.

## **6. THE FINANCIAL AND ACCOUNTING STATEMENTS**

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

The individual financial statements are presented in accordance with the requirements of IAS 1 “Submission of the financial statements”. The company adopted a presentation based on liquidity within the statement of financial position and a presentation of the revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been submitted based on other methods allowed by IAS 1.

## 6.1. Statement of financial position in the past 3 years

<i>(lei)</i>	December 31 <sup>st</sup> , 2017	December 31 <sup>st</sup> , 2016	December 31 <sup>st</sup> , 2015
<b>ASSETS</b>			
Tangible assets	234.894.331	180.855.000	155.347.931
Intangible assets	184.069	372.026	471.970
Financial assets	35.209.097	6.657.600	6.657.600
Receivables related to deferred tax	-	800.666	263.134
<b>Total non-current assets</b>	<b>270.287.497</b>	<b>188.685.292</b>	<b>162.740.635</b>
Stocks	36.348.609	27.750.242	22.827.651
Trade receivables	50.541.065	39.695.711	37.630.743
Prepaid expenses	664.619	739.398	489.798
Restricted cash	-	8.899.753	10.786.408
Cash and cash equivalents	1.901.568	24.287.793	1.320.375
Receivables related to current profit tax	1.002.646	-	-
Other receivables	140.508	400.809	5.883.961
<b>Total current assets</b>	<b>90.599.015</b>	<b>101.773.706</b>	<b>78.938.936</b>
<b>TOTAL ASSETS</b>	<b>360.886.512</b>	<b>290.458.998</b>	<b>241.679.571</b>
<b>EQUITY</b>			
Share capital	103.168.355	103.168.355	86.371.792
Reserves	74.618.850	46.537.915	41.154.392
Retained earnings	14.787.355	16.433.985	15.389.511
<b>Total equity</b>	<b>192.574.560</b>	<b>166.140.255</b>	<b>142.915.695</b>
<b>LIABILITIES</b>			
Long-term loans from bond issue	37.232.800	-	-
Long-term bank loans	36.158.067	34.619.168	15.110.053
Deferred income	17.878.001	20.904.331	20.958.278
Long-term provisions	376.015	291.803	-
Debts related to deferred profit tax	3.397.797	-	-
Other long-term liabilities	1.017.200	-	-
<b>Total long-term liabilities</b>	<b>96.059.880</b>	<b>55.815.302</b>	<b>36.068.331</b>
Short-term trade liabilities	24.564.192	17.089.495	16.177.993
Short-term loans	31.485.882	41.605.434	36.218.462
Deferred revenues	3.026.330	3.026.330	2.745.312
Short-term provisions	-	-	1.854.555
Debts related to current profit tax	-	494.330	748.831
Other liabilities	13.175.668	6.287.852	4.950.392
<b>Total current liabilities</b>	<b>72.252.072</b>	<b>68.503.441</b>	<b>62.695.545</b>
<b>TOTAL LIABILITIES</b>	<b>168.311.952</b>	<b>124.318.743</b>	<b>98.763.876</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>360.886.512</b>	<b>290.458.998</b>	<b>241.679.571</b>



## 6.2. Statement of comprehensive income in the past 3 years

<i>(lei)</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income from turnover	260.003.622	227.104.099	209.849.260
Other income	3.249.175	3.777.526	2.692.921
Variation in finished products inventories and production in progress	300.749	3.440.578	1.262.639
Expenses related to raw materials and consumables	(137.251.472)	(122.640.475)	(110.732.572)
Expenses related to commodities	(3.172.455)	(3.713.755)	(2.814.689)
Third party expenses	(19.124.258)	(18.011.163)	(16.910.184)
Personnel-related expenses	(51.463.150)	(39.562.402)	(33.327.934)
Expenses related to amortisation and depreciation of tangible assets	(19.882.617)	(17.661.821)	(17.715.321)
Other expenses	(5.966.824)	(8.873.940)	(10.510.249)
<b>Operating result</b>	<b>26.692.770</b>	<b>23.858.647</b>	<b>21.793.871</b>
Financial revenues	1.202.113	(65.911)	501.107
Financial expenses	(2.956.489)	(1.421.758)	(1.475.152)
<b>Profit (loss) before taxation</b>	<b>24.938.394</b>	<b>22.370.978</b>	<b>20.819.826</b>
Profit tax expenses	(2.609.941)	(2.170.584)	(2.626.871)
<b>Profit (loss) for the year</b>	<b>22.328.453</b>	<b>20.200.394</b>	<b>18.192.955</b>
<b>Other comprehensive income items</b>			
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	18.136.748	-	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	(666.280)	(294.305)	(132.375)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>39.798.921</b>	<b>19.906.089</b>	<b>18.060.580</b>

### 6.3. Statement of cash flows in the past 3 years

<i>(lei)</i>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Collections from customers	291.364.214	262.398.978	248.430.469
Payments to suppliers	(189.194.533)	(168.064.805)	(161.049.597)
Payments to employees	(39.840.847)	(31.988.071)	(26.291.440)
Payments to the state budget	(30.865.839)	(27.357.386)	(25.407.354)
Profit tax paid	(3.236.156)	(2.915.528)	(3.655.436)
<b>Net cash flows from operating activities</b>	<b>28.226.839</b>	<b>32.073.188</b>	<b>32.026.642</b>
<b>Cash flows from investment activities</b>			
Payments for the purchase of tangible and intangible assets	(50.661.376)	(38.741.803)	(23.071.209)
Letters of credit for the purchase of tangible assets	-	10.786.408	(10.761.408)
Escrow account for the purchase of financial assets	8.899.753	(8.899.753)	-
Payments for the purchase of financial assets	(23.790.688)	-	(5.563.072)
Collections from the sale of tangible assets	84.962	283.700	395.130
Interests collected	1.193	3.701	313
<b>Net cash flow from investment activities</b>	<b>(65.466.155)</b>	<b>(36.567.747)</b>	<b>(39.000.246)</b>
<b>Net cash flow from financing activities</b>			
Collections from loans	21.664.726	47.198.334	22.358.591
Collections from bonds	38.250.000	-	-
Capital increase	-	16.796.783	-
Interests paid and loans reimbursed	(31.275.435)	(22.999.981)	(13.879.459)
Dividends paid	(13.786.199)	(13.533.159)	(2.513.105)
<b>Net cash flow from financing activities</b>	<b>14.853.092</b>	<b>27.461.977</b>	<b>5.966.027</b>
<b>Net increase/ (reduction) of cash and cash equivalents</b>	<b>(22.386.225)</b>	<b>22.967.418</b>	<b>(1.007.577)</b>
<b>Cash and cash equivalents at the financial year beginning</b>	<b>24.287.793</b>	<b>1.320.375</b>	<b>2.327.952</b>
<b>Cash and cash equivalents at the financial year end</b>	<b>1.901.568</b>	<b>24.287.793</b>	<b>1.320.375</b>

## **7. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END**

There are no major events to report until this date.

The administrators' report was approved by the Board of Administrators of Vrancart S.A. during the meeting held on March 21<sup>st</sup>, 2018.

### **SIGNATURES**

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

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

**Arsene Vasilica-Monica**  
Financial Manager