

Translation for information purposes only



**THE CONSOLIDATED REPORT
OF THE ADMINISTRATORS**
FOR THE FINANCIAL YEAR 2017

THE „VRANCART” GROUP OF COMPANIES

CONTENTS

1. ANALYSIS OF THE ACTIVITY	2
1.1.1. General information	2
1.1.2. Evaluation of the Group's technical level	4
1.1.3. Evaluation of the technical and material supply activity	5
1.1.4. Evaluation of the sales activity	5
1.1.5. Evaluation of the aspects related to the Group's employees/ personnel	9
1.1.6. Evaluation of the aspects related to the impact of the issuer's main activity onto the environment.....	10
1.1.7. Evaluation of the research and development activity	10
1.1.8. Evaluation of the Group's activity on risk management.....	10
1.1.9. Prospects for the Group's business	13
2. THE GROUP'S TANGIBLE ASSETS.....	13
2.1. Specification of the emplacement and of the characteristics of the main production capacities owned by the Group	13
2.2. Description and analysis of the wearing degree of the Group's assets	13
2.3. Specification of the potential problems related to the ownership on the Group's tangible assets	14
3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP	14
3.1. Specification of the markets in Romania and in other countries where the securities issued by the Group are traded.....	14
3.3. Description of any activities of the Group for the redemption of its own shares	15
3.4. If the company has any branches, specification of the number and the nominal value of the shares issued by the parent-company held by the branches	15
3.5. If the Group 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	15
4. THE GROUP'S MANAGEMENT	15
4.1. The Group's Administrators	15
4.2. The Group's executive management.....	16
4.3. Potential disputes or administrative procedures.....	16
5. INTERNAL CONTROL AND RISK MANAGEMENT	17
6. SOCIAL RESPONSIBILITY	17
7. NON-FINANCIAL STATEMENT.....	17
8. THE FINANCIAL AND ACCOUNTING STATEMENTS	17
9. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END	21

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 Group operates in the paper and corrugated cardboard industry.

General evaluation elements of the Group:

a) gross book result	28.063 thousand lei
b) turnover	324.981 thousand lei
c) export	62.361 thousand lei
d) operating costs	298.612 thousand lei
e) % of the market held	

2017	Tissue paper	- 15%
	Paperboards	- 24%
	Corrugated cardboard	- 15%

f) liquidity as at the year end	3.219 thousand lei
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VRANCART S.A.

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

General presentation

Trade company’s name	„VRANCART”
Type of company	Joint-stock company
Address	Ecaterina Teodoroiu 17 Adjud, Vrancea, 625100
Telephone / Fax	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	103.168.355 lei
Nominal value of shares	0,10 lei/share
Number of shares	1.031.683.547

The company has its registered office in Adjud and 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 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 2017, the average number of employees of the Group was of 1.247 (2016: 978).

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, 2017, the Company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

GIANT PRODIMPEX S.R.L.

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, Mureş 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 December 31st, 2017 was of 41 employees (December 31st, 2016: 39 employees).

ROM PAPER S.R.L.

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% (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, 2017 was 134.

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.	2017	2016	2015
Paperboards	to	85.642	79.760	74.437
Corrugated cardboard and packaging	to	59.393	50.393	40.759
Tissue papers	to	27.317	19.289	18.576

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

Category of products	M.U.	2017	2016	2015
Paperboards	%	17%	21%	27%
Corrugated cardboard and packaging	%	46%	54%	48%
Tissue papers	%	36%	21%	24%
Other activities	%	1%	4%	1%

Out of the total paperboards production, 64% in 2017 (65% in 2016 and 52% in 2015) 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 2017, by groups of fixed assets, were as follows:

Investments made	Amount (Lei)
Land and land improvements	931.155
Buildings and building improvements	2.999.349
Technological equipment	23.634.178
Work apparatus and installations	925.364
Means of transport and other fixed assets	6.612.987
Intangible assets	69.297
TOTAL	35.172.330

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 2017 was of approx. 40%, which required giving a particular attention to this sector of activity.

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 "tetrapack" pre-consumer paper: 185 to. Out of the total amount of waste paper purchased, 84.102 tons was purchased through our own waste paper collection centres, 23% more 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 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 purchase	To	128.538	123.565	115.901
	%	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.	2017	2016	2015
Paperboards	to	30.839	28.990	34.333
Corrugated cardboard and packaging	to	59.135	50.067	40.327
Tissue papers	to	27.147	19.097	18.688

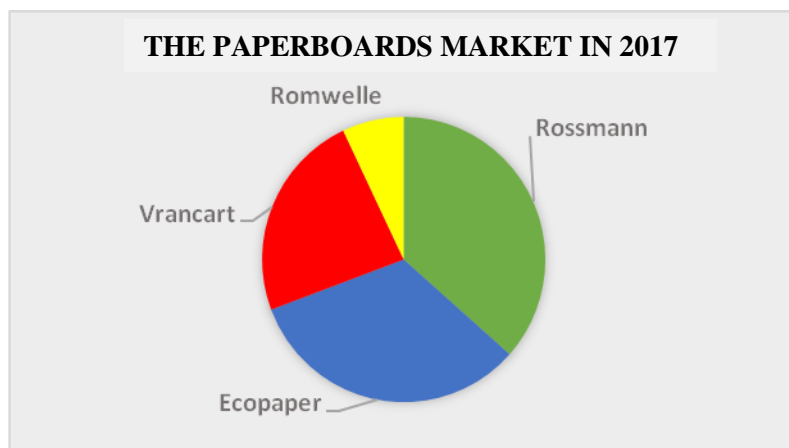
The state of competition

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 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)	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 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.

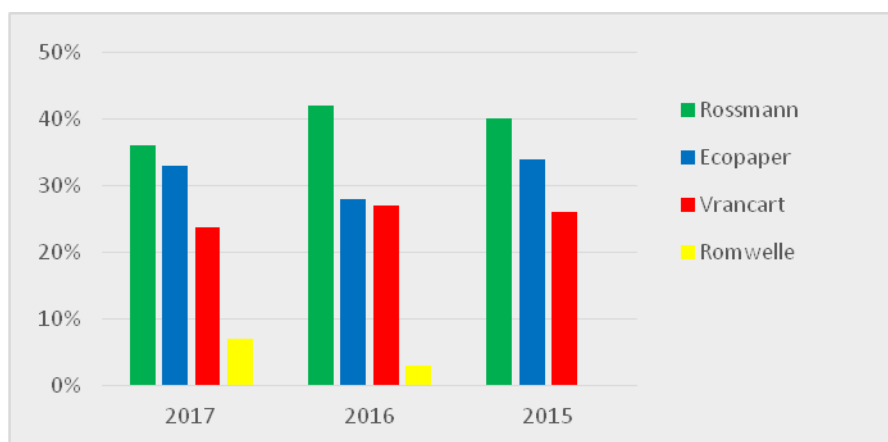


Most of the paper producers also hold corrugated cardboard and corrugated cardboard packaging mills, so that most of their own paper production is intended for their own consumption.

Market share evolution for paperboards

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

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**.

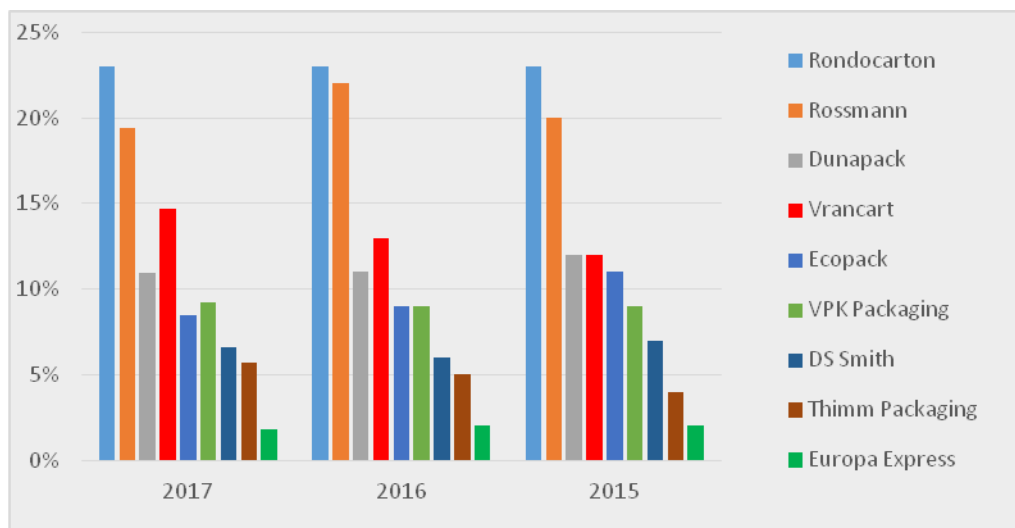
The total production capacity of the 12 corrugated cardboard mills that reported data to ARFCO (the Romanian Association of Corrugated Cardboard Producers) amounts to 710 thousand tons per year. The consumption in 2017 was of 384 thousand tons, that is 51% of the total production capacity. In 2016, corrugated 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

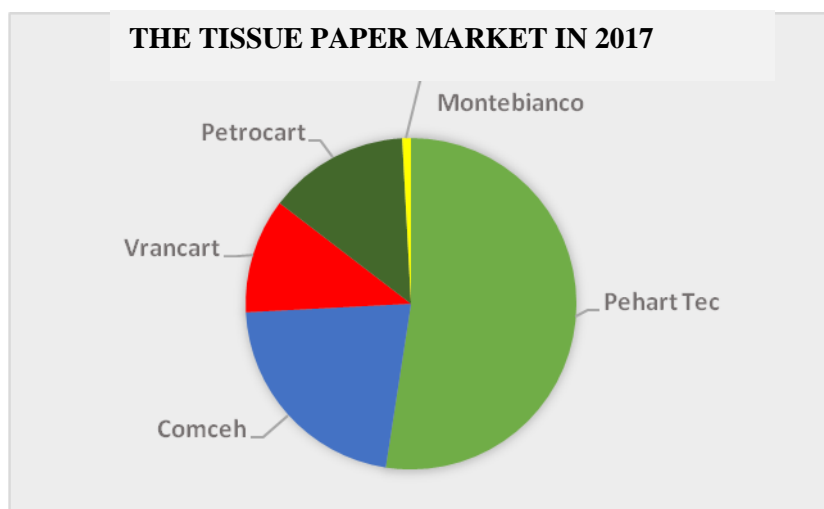
No.	Producer's name	Amount in 2017 (to)	Production capacity (to/year)	Degree of coverage of the capacity (%)	Boxes out of the total delivered amount (to)	Share of boxes in the total amount (%)
1	Rondocarton (2 mills)	88.133	160.000	55%	69.911	79%
2	Rossmann (2 mills)	74.365	120.000	62%	68.602	92%
3	Vrancart Group	59.393	90.000	66%	13.155	22%
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%
TOTAL		386.558	715.000	54%	276.975	72%

Market share 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%
Total	100%	100%	100%



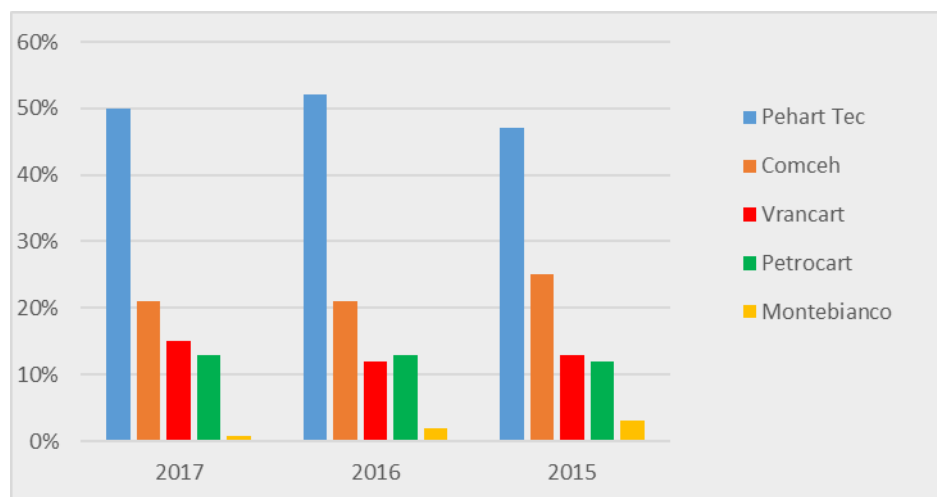
On the tissue paper market, with a market share of 11% in 2017 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.



„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.

Producers	2017	2016	2015
Pehart Tec Petrești	50%	52%	47%
Comceh Călărași	21%	21%	25%
Petrocart Piatra Neamț	13%	13%	12%
Vrancart Adjud	15%	12%	13%
Montebianco Targoviște	1%	2%	3%
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 2017 was 1247 employees, out of which:

- 217 higher education graduates
- 570 high school graduates
- 312 vocational school graduates
- 148 middle school graduates

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

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 Group 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.

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 30th, 2016 – September 30th, 2018 and the Project Manager is Phd. Eng. Univ. Prof. Dan Gavrilescu (from UTI) and the project responsible is Phd. Eng. Roxana Vlase (from 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, 2017	December 31st, 2016
Trade receivables and other receivables	66.433.285	40.092.932
Cash and cash equivalents	3.219.141	24.932.865
Restricted cash	4.130	8.899.753
Total	69.956.556	73.925.550

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, 2017	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	over 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	-

December 31st, 2016	Book value	Contractual cash flows	Less than 1 year	1 - 5 years	over 5 years
Loans*	76.381.928	78.389.592	42.879.462	35.510.130	-
Trade liabilities and other liabilities	24.914.355	24.914.355	24.914.355	-	-
Total	101.296.283	103.303.947	67.793.797	35.510.130	-

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

Market risk

Market risk is the risk that the variation of market prices, such as the currency exchange rate, the interest rate and the price of equity instruments, affect the Group's revenues or the amount of the financial instruments it holds. The objective of managing this risk is to manage and control the

exposures related to market risk within acceptable limits and at the same time to optimize the return on investment.

Currency exchange risk

The Group is exposed to the currency risk due to sales, purchases and other loans that are expressed in a currency other than the functional currency, mainly Euro, but also American dollars.

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

December 31 st , 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)

December 31 st , 2016	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	40.092.932	36.382.351	3.272.489	438.093	-
Restricted cash	8.899.753	8.899.753	-	-	-
Cash and cash equivalents	24.932.865	21.904.114	2.874.598	151.276	2.877
Financial assets	73.925.550	67.186.218	6.147.087	589.369	2.877
Loans	76.381.928	66.342.742	10.039.186	-	-
Trade liabilities and other liabilities	24.914.355	21.141.880	3.752.077	20.398	-
Financial liabilities	101.296.283	87.484.622	13.791.262	20.398	-
Total net financial assets / (liabilities)	(27.370.733)	(20.298.404)	(7.644.175)	568.971	2.877

Sensitivity analysis

An increase by 10 percentage points of RON as at December 31st 2017 compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2017: -199.277 lei (December 31st, 2016: -707.233 lei). 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 inflow and outflow (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 2018, the Group 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 its product portfolio. Although their performance will require great investment efforts and disturbances of the production flow (for the replacement/ upgrade of equipments), the Group 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 of the 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 wearing degree of the Group'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 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 wearing degree in the records as at December 31st, 2017 is as follows:

(all the amounts are stated in thousand lei)

Wearing degree	Cost or re-evaluated value	Amortisation and depreciation	Wear
Buildings and special constructions	71.038	18.116	26%
Equipment and other fixed assets	313.343	135.269	43%

2.3. Specification of the potential problems related to the ownership on 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 147.253 thousand lei as at 31.12.2017 (31.12.2016: 115.187 thousand lei). The net book value of the assets purchased through financial leasing is 1.022 thousand lei as at 31.12.2017 (31.12.2016: 3.262 thousand lei).

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 31.12.2017 is as follows:

- SIF Banat-Crisana - 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 26th, 2017, the Ordinary General Meeting of the Shareholders decided to distribute dividends for the parent-company, from the net profit for the financial year

ended on December 31st, 2016, in the amount of 14.030.896 lei, respectively a gross amount of a dividend of 0,0136 lei/share.

Year	Net profit	Legal reserve	Dividends	Development fund*	Loss coverage	Other destinations
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 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 2018.

3.3. Description of any activities of the Group for the redemption of its own 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 the 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% (finalised), 15% (finalised) and 15% (in 2018).

3.5. If the Group 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 1st – 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 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 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 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 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 31.12.2017 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., 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 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 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 2017 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, 2017 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, 2017 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 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, until June 30th, 2018.

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 in the past 3 years

<i>(lei)</i>	December 31 st , 2017	December 31 st , 2016	December 31 st , 2015
ASSETS			
Tangible assets	263.138.155	184.159.320	158.579.593
Intangible assets	9.230.006	1.364.307	1.689.432
Financial assets	-	845	-
Goodwill	8.526.391	3.380.811	3.380.811
Receivables related to deferred tax	-	427.686	-
Total non-current assets	280.894.552	189.332.969	163.649.836
Stocks	42.945.100	27.979.866	23.043.868
Trade receivables	66.016.628	39.692.123	37.604.047
Prepaid expenses	730.972	760.687	508.203
Restricted cash	4.130	8.899.753	10.786.408
Cash and cash equivalents	3.219.141	24.932.865	1.537.938
Receivables related to current profit tax	1.002.646		
Other receivables	416.657	400.809	5.883.961
Total current assets	114.335.274	102.666.103	79.364.425
TOTAL ASSETS	395.229.826	291.999.072	243.014.261
EQUITY			
Share capital	103.168.355	103.168.355	86.371.792
Reserves	75.445.583	46.411.085	41.090.977
Retained earnings	18.129.505	16.856.244	15.462.139
Total equity	196.743.443	166.435.684	142.924.908
LIABILITIES			
Long-term loans	39.202.465	34.619.168	15.266.804
Long-term loans from bond issue	37.232.800	-	-
Deferred revenues	20.793.786	20.936.397	21.003.234
Long-term provisions	376.015	291.803	-
Debts related to deferred profit tax	5.987.434	-	203.136
Other long-term liabilities	1.017.200	-	-
Total long-term liabilities	104.609.700	55.847.368	36.473.174
Short-term trade liabilities	38.793.148	17.838.095	16.648.504
Short-term loans	37.554.938	41.762.760	36.514.030
Deferred revenues	3.212.452	3.038.904	2.760.090
Short-term provisions	72.393	-	1.861.178
Debts related to current profit tax	51.695	515.975	768.976
Other short-term liabilities	14.192.057	6.560.285	5.063.401
Total current liabilities	93.876.683	69.716.020	63.616.179
TOTAL LIABILITIES	198.486.383	125.563.388	100.089.354
TOTAL EQUITY AND LIABILITIES	395.229.826	291.999.072	243.014.261

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

<i>(lei)</i>	2017	2016	2015
Income from turnover	324.981.015	232.281.259	211.556.477
Other income	3.413.470	3.792.801	2.699.061
Variation in finished products inventories and production in progress	319.306	3.412.447	1.373.122
Expenses related to raw materials and consumables	(172.309.913)	(124.538.127)	(111.349.432)
Expenses related to commodities	(10.352.008)	(3.891.729)	(2.898.217)
Third party expenses	(25.227.578)	(18.282.006)	(17.012.033)
Personnel-related expenses	(59.866.434)	(41.137.727)	(33.790.145)
Expenses related to amortisation and depreciation of tangible assets	(23.658.531)	(18.442.224)	(18.069.311)
Other expenses	(7.198.461)	(8.967.110)	(10.559.001)
Operating result	30.100.866	24.227.583	21.950.521
Financial revenues	1.035.689	(72.137)	488.206
Financial expenses	(3.072.728)	(1.431.746)	(1.486.709)
Profit (loss) before taxation	28.063.827	22.723.699	20.952.018
Profit tax expenses	(2.624.873)	(2.238.669)	(2.669.084)
Profit (loss) for the year	25.438.954	20.485.031	18.282.934
Other comprehensive income items			
Increases in the reserve from the 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	(666.280)	(369.798)	(207.869)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	43.736.154	20.115.233	18.075.065

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

<i>(lei)</i>	2017	2016	2015
Cash flows from operating activities			
Collections from customers	368.881.379	273.533.184	252.457.465
Payments to suppliers	(252.220.327)	(176.365.437)	(163.984.573)
Payments to employees	(44.647.130)	(33.120.018)	(26.606.294)
Payments to the state budget	(35.356.586)	(28.130.020)	(25.778.761)
Profit tax paid	(3.380.501)	(3.061.838)	(3.698.211)
Net cash flows from operating activities	33.276.835	32.855.871	32.389.626
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(54.038.622)	(38.776.718)	(23.080.621)
Payments for the purchase of financial assets	(23.792.455)	-	(5.513.133)
Escrow account	8.899.753	(8.899.753)	-
Letters of credit for the purchase of tangible assets	-	10.786.408	(10.761.408)
Collections from the sale of tangible assets	105.302	283.700	395.130
Interests collected	1.221	3.701	313
Net cash flows from investment activities	(68.824.801)	(36.602.662)	(38.959.719)
Net cash flow from financing activities			
Collections from loans	94.690.407	47.198.334	22.358.591
Capital increase	-	16.796.783	-
Interests paid and loans reimbursed	(67.069.966)	(23.320.240)	(14.065.407)
Dividends paid	(13.786.199)	(13.533.159)	(2.513.105)
Net cash flow from financing activities	13.834.242	27.141.718	5.780.079
	(21.713.724)	23.394.927	(790.014)
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	24.932.865	1.537.938	2.327.952
Cash and cash equivalents at the financial year end	3.219.141	24.932.865	1.537.938

9. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END

There are no major events to report until this date.

The administrators' consolidated report was approved by the Board of Administrators of Vrancart S.A. during the meeting held on March 21st, 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