



**THE CONSOLIDATED REPORT  
OF THE ADMINISTRATORS  
FOR THE FINANCIAL YEAR 2015**

THE „VRANCART” GROUP OF COMPANIES

## TABLE OF 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. The assessment of the technical and material supply activity .....	5
1.1.4. The assessment of the sales activity .....	5
<i>Evolution of delivered production</i> .....	5
<i>The state of competition</i> .....	5
<i>Evolution of market shares</i> .....	6
1.1.5. Evaluation of the aspects related to the Company's employees/ personnel.....	9
1.1.6. Evaluation of the aspects related to the impact of the issuer's main activity onto the environment.....	9
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 .....	12
2. THE GROUP'S TANGIBLE ASSETS.....	12
2.1. Specification of the emplacement and of the characteristics of the main production capacities owned by the Group .....	12
2.2. Description and analysis of the wearing degree of the Company's assets.....	13
2.3. Specification of the potential problems related to the ownership on the Group's tangible assets.....	13
3. THE MARKET OF THE SECURITIES ISSUED BY THE GROUP.....	13
3.1. Specification of the markets in Romania and in other countries where the securities issued by the Group are traded.....	13
3.2. Description of the Group's policy on dividends .....	14
3.3. Description of any activities of the Group for the redemption of its own shares .....	14
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 .....	14
3.5. If the trade 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 .....	14
4. THE GROUP'S MANAGEMENT .....	14
4.1. The Group's administrators.....	14
4.2. The Group's executive management.....	15
4.3. Potential disputes or administrative procedures.....	15
5. INTERNAL CONTROL AND RISK MANAGEMENT .....	15
6. SOCIAL RESPONSIBILITY .....	16
7. THE FINANCIAL AND ACCOUNTING STATEMENTS .....	16
7.1. The consolidated statement of financial position in the past 3 years.....	17
7.2. The consolidated statement of comprehensive income in the past 3 years.....	18
7.2. The consolidated statement of cash flows in the past 3 years.....	19
8. SIGNIFICANT EVENTS OCCURRED AFTER THE FINANCIAL YEAR END.....	20

## 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 branch Giant Prodimpex SRL, based in Ungheni, Str. Principală No. 161/J, Mureş County.

<b>Branch</b>	<b>Field of activity</b>	<b>Shareholding as at December 31<sup>st</sup>, 2015</b>
Giant Prodimpex SRL	Manufacturing of corrugated cardboard packaging	100%

The Group performs its activity in the paper and corrugated cardboard industry.

#### General evaluation elements of the Group:

a) gross book result	20.952 thousand lei
b) turnover	211.556 thousand lei
c) export	43.986 thousand lei
d) operational costs	193.678 thousand lei
e) % of the market held	

In 2015	Tissue papers	- 13%
	Paperboards	- 26%
	Corrugated cardboard	- 12%

f) liquidity as at the year end	1.538 thousand lei
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#### **VRANCART SA**

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

##### **Overview**

<b>Trade company's 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</b>	0237.640.800 / 0237.641.720
<b>Registered with the Trade Registry under no.:</b>	J39/239/1991
<b>VAT number</b>	1454846
<b>Tax Identification Number</b>	RO 1454846
<b>Share capital</b>	86.371.792 lei
<b>Nominal value of shares</b>	0,10 lei/ share
<b>Number of shares</b>	863.717.920

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

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.

The company's average number of employees as at December 31<sup>st</sup>, 2015 was of 902 employees (December 31<sup>st</sup>, 2014: 903 employees).

The company's shares are listed to the Bucharest Stock Exchange, 2<sup>nd</sup> category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

As at December 31<sup>st</sup>, 2015, the company is owned 74,72% by SIF Banat – Crisana S.A. and 25,28% by other shareholders.

### ***GIANT PRODIMPEX SRL***

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

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

#### *Identification data of the company purchased*

Name – Giant Prodimpex SRL

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

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

Tax Identification Number – 6564319

Field of activity – the manufacturing of corrugated cardboard packaging

The average number of employees of the Branch as at December 31<sup>st</sup>, 2015 was of 34 employees (December 31<sup>st</sup>, 2014: 35 employees).

### 1.1.2. Evaluation of the Group's technical level

The Group's base production activities are organised by three different business lines managed based on their own budgets, component parts of the Group's general budget, that manufacture products for three different markets, namely:

- the paperboards market;
- the corrugated cardboard and corrugated cardboard packaging market;
- the tissue paper market.

The evolution of production on these markets in the past 3 years is presented in the table below:

Market	MU	2015	2014	2013
Paperboards	to	74.437	66.641	60.081
Corrugated cardboard and packaging	to	40.759	38.303	38.211
Tissue papers	to	18.576	19.944	17.481

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	MU	2015	2014	2013
Paperboards	%	27%	24%	20%
Corrugated cardboard and packaging	%	48%	48%	51%
Tissue papers	%	24%	25%	26%
Other activities	%	1%	3%	3%

Out of the total paperboards production, 52% in 2015 (59% in 2014 and 60% in 2013) is used for our own corrugated cardboard production, and the remaining quantity is intended for sale to other corrugated cardboard manufacturers, especially from abroad.

The investments made in 2015, by groups of fixed assets, were as follows:

Investments made	Amount (Lei)
Buildings and building improvements	1.446.541
Technological equipment	6.727.749
Work apparatus and installations	1.093.815
Means of transport and other fixed assets	8.650.515
<b>TOTAL</b>	<b>17.918.620</b>

### 1.1.3. The assessment 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 2015 was of approx. 37%, which required giving a particular attention to this sector of activity.

In 2015, we purchased 115.901 tons of waste paper, out of which class II (cardboard): 91.886 tons, class III (white printed paper): 23.630 tons and class IV (mixture of paper and cardboard): 385 tons. Out of the total amount of waste paper purchased, 61.545 tons was purchased through our own waste paper collection centres, 0,3% less than the previous year.

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

Waste paper purchase	MU	2015	2014	2013
Purchase through the collection centres	to	61.545	61.757	54.686
	% out of the total purchase	53%	60%	61%
Direct purchase (in Adjud)	to	54.356	41.253	34.987
	% out of the total purchase	47%	40%	39%
Total purchase	to	115.901	103.010	89.673
	%	100%	100%	100%

### 1.1.4. The assessment of the sales activity

The evolution of deliveries within the Group by each market segment in the past 3 years is presented in the table below:

Market segment	MU	2015	2014	2013
Paperboards	to	34.333	28.966	23.677
Corrugated cardboard and packaging	to	40.327	38.353	38.287
Tissue papers	to	18.688	19.785	17.789

#### 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 three competitors in 2015. The production capacities of the paper production plants and the main characteristics defining them, by producers, are as follows:

Producers	Annual production capacity (to/year)	The maximum working speed of the machine (m/min)	The working width of the machine (mm)
Ambro Suceava – Rossmann Group	150.000	600	5000
Ecopaper Zărnești	100.000	400	4400
<b>Vrancart Adjud</b>	<b>75.000</b>	<b>350</b>	<b>4600</b>
<b>Total</b>	<b>325.000</b>	-	-

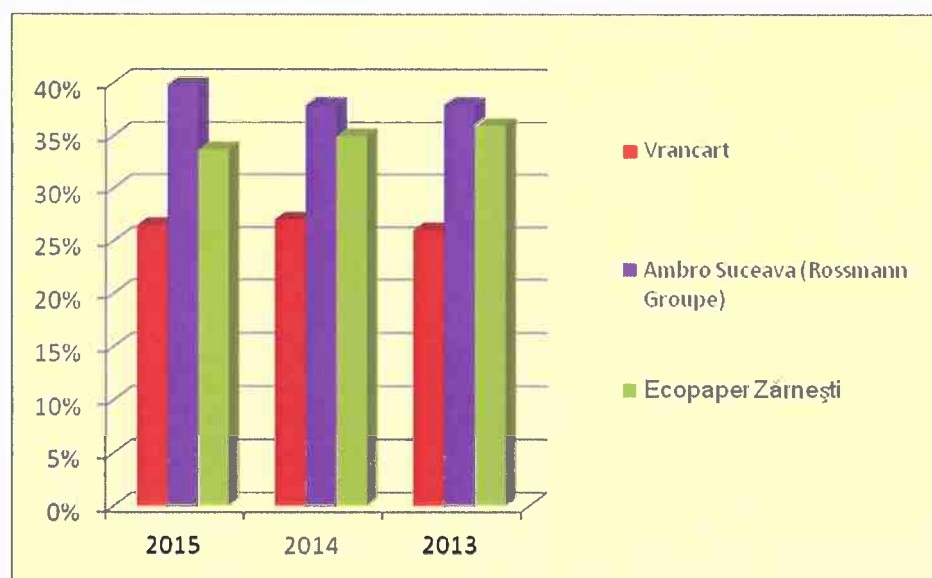
All the three mills use corrugated cardboard waste (waste paper) as raw material for the production of paper and the products obtained are similar from the point of view of their characteristics and quality and only their name differs from one manufacturer to another.

All the three domestic manufacturers of paper also own 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	2015	2014	2013
Ambro Suceava (Rossmann Group)	40%	38%	38%
Ecopaper Zărnești	34%	35%	36%
<b>Vrancart Group</b>	<b>26%</b>	<b>27%</b>	<b>26%</b>
<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 2015 there were 10 competitors, out of which 2 have two mills each (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**. It must be stated that in 2015, a new corrugated cardboard machine was put into operation at Baia Mare, with a yearly production capacity of 10 thousand tons.

The totalized production capacity of the 12 corrugated cardboard mills that reported to the Romanian Association of Corrugated Cardboard Manufacturers is 723 thousand tons per year. The consumption during 2015 was 322 thousand tons, meaning 45% of the total production capacities. In 2015, the corrugated cardboard packaging consumption recorded an increase by 13% from the previous year and there is still an increase tendency on this segment. These figures reflect **the excess of offer in relation to the demand**, on this market, which leads to **great advantages for the buyer** (low prices, very long payment terms – up to 120 days from delivery, the transport provided ex works to the beneficiary at the supplier’s expense) to the **producer’s disadvantage** (low profitability, the long term for the recovery of money from the market, additional costs related to the logistics necessary to provide the shipping of goods to the customer’s mill, etc.).

### Corrugated cardboard manufacturers in 2015 in Romania

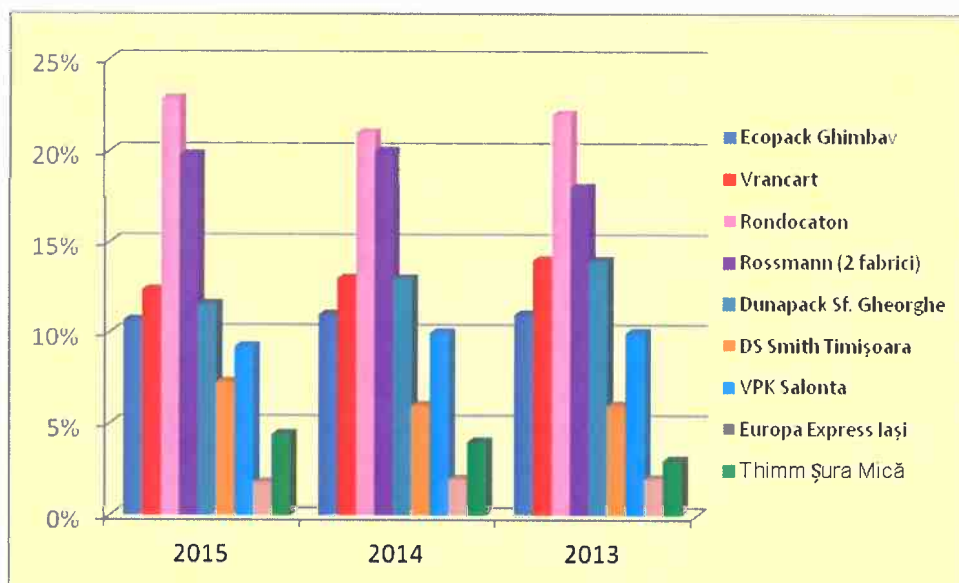
No.	Producer’s name	Amount delivered in 2015 (to)	Production capacity (to/year)	Degree of covering of the capacity (%)	Boxes out of the total amount delivered (to)	Share of boxes out of the total amount (%)
1	Rondocarton (with 2 mills)	73.466	160.000	46%	53.844	73%
2	Rossmann (with 2 mills)	63.680	120.000	53%	57.377	90%
<b>3</b>	<b>Vrancart Group</b>	<b>40.327</b>	<b>70.700</b>	<b>58%</b>	<b>4.655</b>	<b>11%</b>
4	Dunapack Sf. Gheorghe	37.244	80.000	47%	23.610	63%
5	Ecopack Ghimbav	34.392	80.000	43%	25.703	75%
6	VPK Salonta	29.746	60.000	50%	18.126	61%
7	DS Smith Timișoara	23.449	60.000	39%	23.449	100%
8	Thimm Sura Mica	14.216	25.000	57%	12.335	87%
9	Europa Expres Iași	5.798	40.000	14%	5.798	100%
10	Vilcart Călimanești	does not report	30.000	does not report data to the Romanian Association of Corrugated Cardboard Manufacturers		
<b>TOTAL</b>		<b>321.749</b>	<b>723.000</b>	<b>45%</b>	<b>224.464</b>	<b>70%</b>

### Market share evolution for corrugated cardboard and corrugated cardboard packaging

Producers	2015	2014	2013
Rondocarton (Cluj+Târgoviște)	23%	21%	22%
Rossmann Group (Romcarton Bucharest + Ambro Suceava)	20%	20%	18%
Dunapack Sf. Gheorghe	12%	13%	14%
<b>Vrancart Group</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>
Ecopack Ghimbav	11%	11%	11%
VPK Packaging	9%	10%	10%
SCA Timișoara (DS Smith)	7%	6%	6%
Thimm Packaging	4%	4%	3%
Europa Express	2%	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: ROMPAP, Informative bulletins



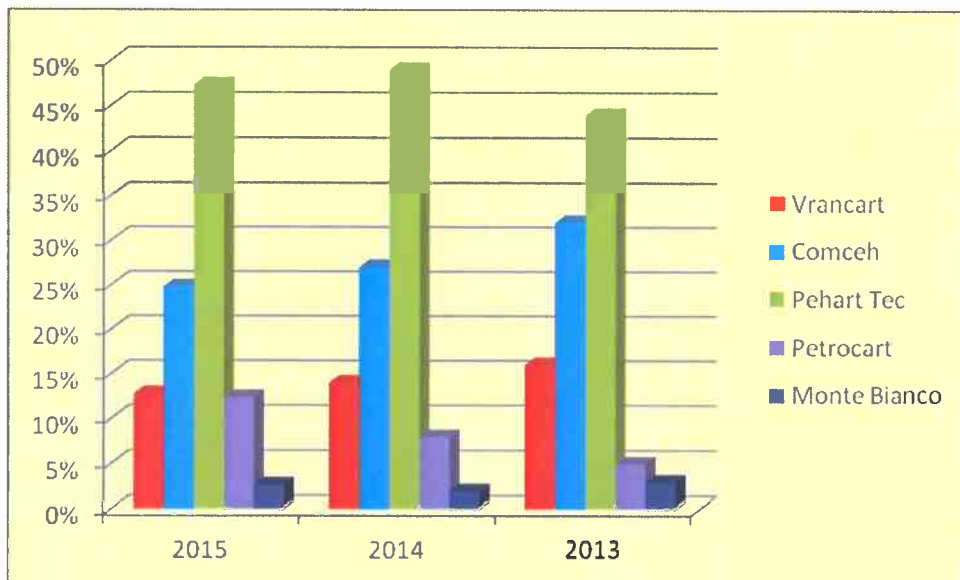


*On the tissue paper market*, with a market share of 13% in 2015, (taking into account only the internal production), Vrancart Group remains one of the major tissue paper manufacturers in Romania. Still, this can change starting from 2016 following the production capacity increase at Petrocart Piatra Neamț. The tissue paper products market will increase in the following period due to the increase of the competitors' production capacities. For example, at Petrocart Piatra Neamț the production capacity increased from 10.000 tons/ year (capacity used mainly to obtain one layered tissue paper) to 25.000 tons/ year (the machine produces two-layered paper, from waste paper or cellulose), while Vrancart Group will remain at a production capacity of 25.500 to/year (mainly one layered tissue paper made of waste paper). These manufacturers will have the possibility to increase the amounts of paper sold until reaching their production capacity, as the market and consumption grow. Due to this reason, the market shares held by the tissue paper manufacturers will change over the next period.

Vrancart Group recorded a reduction of the market share in 2015 compared to 2014, due to the increase of the internal production by approximately 6.000 tons, with the start-up of two new production capacities in Romania for the range of products made of cellulose. Vrancart Group manufactures mainly one-layered and two-layered products made of waste paper, targeted at the average quality market segment, while the market is mainly focused on cellulose products with two or more layers.

#### Market share evolution for tissue papers

Producers	2015	2014	2013
Pehart Tec Petrești	47%	49%	44%
Comceh Călărași	25%	27%	32%
<b>Vrancart Group</b>	<b>13%</b>	<b>14%</b>	<b>16%</b>
Petrocart Piatra Neamț	12%	8%	5%
Montebianco Targoviște	3%	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 2015 was 936 employees, out of which:

- 156 higher education graduates
- 369 high school graduates
- 285 vocational schools graduates
- 126 middle school graduates

Out of the total number of employees, 297 are trade union members (there is only one union within the company).

The labour force fluctuation index during 2015 was 21% (the number of employees that left the company/ average number of personnel x100).

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 and labour security management 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 2015, the main objective of the research and development activity was to find solutions for the effective usage of the rejects from the paper manufacturing processes.

To this respect, Vrancart collaborated with research and development institutions in the European Union for the development of a project called “**Tools for Resource-Efficient use of recycled Fibre materials**” (**REFFIBRE Project**). This project was filed in November 2013 and its completion is due in November 2016. The project coordinator is Teknologian Tutkimuskeskus (with the acronym VTT) and its partners are Papiertechnische Stiftung (with the acronym PTS), Instituto Tecnológico del Embalaje, Transporte y Logística (with the acronym ITENE), Bumaga BV (with the acronym Bumaga), The Confederation of European Paper Industries (with the acronyms CEPI), Technische Universität Darmstadt, Utzerntorf Paper, Holmen AB, Alucha and Vrancart SA.

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

The Group is exposed to the following risks from using 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 modifications 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 the credit risk was:

<b>Book value</b>	<b>December 31<sup>st</sup>, 2015</b>	<b>December 31<sup>st</sup>, 2014</b>
Trade receivables and other receivables	43.488.008	44.513.515
Cash and cash equivalents	1.537.938	2.327.952
Restricted cash	10.786.408	25.000
<b>Total</b>	<b>55.812.354</b>	<b>46.866.467</b>

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:

<b>December 31<sup>st</sup>, 2015</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>more than 5 years</b>
Loans*	51.780.834	53.200.181	37.383.868	15.816.313	-
Trade liabilities and other liabilities	22.480.882	22.493.906	22.493.906	-	-
<b>Total</b>	<b>74.261.716</b>	<b>75.694.087</b>	<b>59.877.774</b>	<b>15.816.313</b>	<b>-</b>

<b>December 31<sup>st</sup>, 2014</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>less than 1 year</b>	<b>1 - 5 years</b>	<b>more than 5 years</b>
Loans*	45.408.493	47.344.298	25.575.002	21.769.296	-
Trade liabilities and other liabilities	24.410.993	24.475.504	23.590.833	884.671	-
<b>Total</b>	<b>69.819.486</b>	<b>71.819.802</b>	<b>49.165.835</b>	<b>22.653.967</b>	<b>-</b>

\* Out of the total banking and non-banking exposure in the amount of 59 million lei as at 31.12.2015 (respectively 74 million lei as at 31.12.2014), 32,5 million lei consist of credit lines that are renewed on a yearly basis. The Group considers that it will be able to renew these facilities in the next period as well.

**Market risk.** The objective of managing this risk is to maintain the exposures related to the currency 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.

### 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 risk is presented in the following tables:

<b>December 31<sup>st</sup>, 2015</b>	<b>TOTAL</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>
Trade receivables and other receivables	43.488.008	33.692.703	9.536.265	259.040	-
Restricted cash	10.786.408	-	10.786.408	-	-
Cash and cash equivalents	1.537.938	749.339	283.567	503.645	1.387
<b>Financial assets</b>	<b>55.812.354</b>	<b>34.442.042</b>	<b>20.606.240</b>	<b>762.685</b>	<b>1.387</b>
Loans	51.780.834	33.422.233	18.358.601	-	-
Trade liabilities and other liabilities	22.480.881	18.377.124	3.532.259	571.498	-
<b>Financial liabilities</b>	<b>74.261.715</b>	<b>51.799.357</b>	<b>21.890.860</b>	<b>571.498</b>	<b>-</b>
<b>Total net financial assets/ (liabilities)</b>	<b>(18.449.361)</b>	<b>(17.357.315)</b>	<b>(1.284.620)</b>	<b>191.187</b>	<b>1.387</b>

<b>December 31<sup>st</sup>, 2014</b>	<b>TOTAL</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Other currencies</b>
Trade receivables and other receivables	44.513.515	38.797.117	5.187.674	528.724	-
Restricted cash	25.000	25.000	-	-	-
Cash and cash equivalents	2.327.952	1.571.832	745.816	9.222	1.082
<b>Financial assets</b>	<b>46.866.467</b>	<b>40.393.949</b>	<b>5.933.490</b>	<b>537.946</b>	<b>1.082</b>

Loans	45.408.493	21.984.520	23.423.973	-	-
Trade liabilities and other liabilities	23.740.218	18.287.750	5.412.325	-	40.143
<b>Financial liabilities</b>	<b>69.148.711</b>	<b>40.272.270</b>	<b>28.836.298</b>	<b>-</b>	<b>40.143</b>
<b>Total net financial assets/ (liabilities)</b>	<b>(22.282.244)</b>	<b>121.678</b>	<b>(22.902.808)</b>	<b>537.946</b>	<b>(39.061)</b>

### ***Sensitivity analysis***

An increase by 10 percentage points of RON as at December 31<sup>st</sup> compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows:

December 31<sup>st</sup>, 2015: 109.205 lei (December 31<sup>st</sup>, 2014: 2.240.392 lei). This analysis assumes that all the other variables, particularly the interest rates, remain constant. A decrease by 10 percentage points of EURO as at December 31<sup>st</sup>, 2015 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, considering that all the other variables 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 businesses environment in Romania and in the European area.

### **1.1.9. Prospects for the Group's business**

In 2016, 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 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 2017 and 2020 there will be a major increase of turnover and of the estimated 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 located in Ajud and Ungheni localities operate within the Group:

- a) *The corrugated cardboard production machine*, with an existing production capacity of 70.700 tons/ year;
- b) *The paperboards production machine*, with a production capacity of 70.000 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.

All the tangible assets 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 the case, so as to reflect the differences related to the nature, location or conditions of that asset.

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The frequency of re-evaluations is given by the dynamics of the markets to which the land and buildings held by the Group belong.

## **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 entity, from the date when the asset is finalised and ready for use.

The amortisation is calculated using the linear method during the estimated useful lifetime of the assets, as follows:

- Buildings 30-60 years
- Equipment 2-16 years
- Means of transport 4-8 years
- Furniture and other tangible assets 4-10 years

The technical condition of the production installations is maintained through the performance of predictive and current maintenance works.

The degree of wear in the records as at 31.12.2015 (following the application of the re-evaluation items in accordance with IFRS) is as follows:

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

<b>Degree of wear</b>	<b>Re-evaluated cost or value</b>	<b>Amortisation and depreciation</b>	<b>Wear</b>
Buildings and special constructions	46.209	14.321	31%
Equipment and other fixed assets	213.794	101.416	47%

## **2.3. Specification of the potential problems related to the ownership on the Group'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 110.642 thousand lei as at 31.12.2015 (31.12.2014: 103.468 thousand lei). The net book value of the assets purchased through financial leasing is 503 thousand lei as at 31.12.2015 (31.12.2014: 2.283 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, 2<sup>nd</sup> category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005.

The shareholding structure as at 31.12.2015 is as follows:

- SIF Banat-Crisana	- 74,72 %
- Legal entities	- 18,47 %
- Natural persons	- 6,81 %

### 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.

Through the Decision no. 4 of 30.04.2015, 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>, 2014, in the amount of 2.591.154 lei, respectively a gross amount of a dividend of 0,003 lei/share.

Year	Net profit	Legal reserve	Dividends	Development fund	Loss coverage	Other destinations
2013	(6.822.732)	-	-	-	-	-
2014	18.965.225	1.048.328	2.591.154	3.763.884*	11.325.613	236.246
2015	18.282.934	1.040.991	13.819.486	2.126.210*	-	1.296.247

\* These amounts represent tax facilities that the Group benefited of from the exemption of the tax related to reinvested profit (art.19<sup>4</sup> of the Tax Code).

The distribution of the Group's profit falls under the competence of the Ordinary General Meeting of the Shareholders. For 2015, the Group proposes the distribution of dividends in the gross amount of 0,016 lei/share.

### 3.3. Description of any activities of the Group for the redemption of its own shares

From its establishment, 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 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.

### 3.5. If the trade 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

From its establishment, „VRANCART” S.A. Adjud has not issued any bonds or debt securities.

## 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 37, economist, Chairman of the Board of Administrators and General Manager of Vrancart S.A. for 2 years and administrator of Giant Prodimpex S.R.L.

2. **Bîlteanu Dragoş George** - economist, member of the Board of Administrators of „Vrancart” for 4 years.

3. **Lakis El Najib** – aged 51, economist, member of the Board of Administrators of Vrancart for 2 years

4. **Drăgoi Bogdan Alexandru** – aged 36, economist, interim member of the Board of Administrators of „Vrancart”, elected in December 2015

5. **Avrămoiu Octavian** – aged 39, legal adviser, interim member of the Board of Administrators of „Vrancart”, elected in December 2015

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 31.12.2015:

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, which 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 31.12.2015 was provided by Ec. Ciucioi Ionel-Marian, as General Manager and Chairman of the Board of Administrators of Vrancart S.A. and as the administrator of the branch Giant Prodimpex 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 managing members of the Group 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. 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 business, the establishment or improvement of the Group’s internal procedures.



The general objectives of internal audit for 2015 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 31<sup>st</sup>, 2015 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 31<sup>st</sup>, 2015 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 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.

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

The consolidated financial statements are drawn up by the Group in accordance with the requirements of the Finance Minister Order no. 1286 of 2012 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards, applicable to trade companies whose securities are admitted to trading on a regulated market, with the subsequent amendments (OMFP 1286). The International Financial Reporting Standards (IFRS) are the standards adopted according to the procedure provided by the (EC) Regulation no. 1606/2012 of the European Parliament and of the Council of July 19<sup>th</sup>, 2002 on the application of the International Accounting Standards.

### *Differences between the IFRS financial statements and the statutory financial statements*

The branch keeps its accounting records in accordance with the Public Finance Minister Order no. 1802/2014 for the approval of the Accounting regulations on the annual individual financial statements and the annual consolidated financial statements, with the subsequent amendments ("OMFP 1802"). These accounting records of the Branch are hereinafter referred to as statutory accounts.

The financial statements are presented in accordance with the provisions of IAS 1 "Submission of financial statements". The company adopted a presentation based on liquidity within the statement of financial position and a presentation of 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 presented based on other methods allowed by IAS 1.

## 7.1. The consolidated statement of financial position in the past 3 years

<i>(lei)</i>	December 31 <sup>st</sup> , 2015	December 31 <sup>st</sup> , 2014	December 31 <sup>st</sup> , 2013
<b>ASSETS</b>			
Tangible assets	158.579.593	153.374.631	160.726.155
Intangible assets	1.689.432	60.214	6.277
Goodwill	3.380.811	-	-
<b>Total fixed assets</b>	<b>163.649.836</b>	<b>153.434.845</b>	<b>160.732.432</b>
Inventories	23.043.868	19.469.560	20.061.141
Trade receivables	37.604.047	43.095.280	38.067.929
Accrued expenses	508.203	265.492	441.572
Restricted cash	10.786.408	25.000	-
Cash and cash equivalents	1.537.938	2.327.952	1.467.002
Other receivables	5.883.961	1.418.235	208.780
<b>Total current assets</b>	<b>79.364.425</b>	<b>66.601.519</b>	<b>60.246.424</b>
<b>TOTAL ASSETS</b>	<b>243.014.261</b>	<b>220.036.364</b>	<b>220.978.856</b>
<b>EQUITY</b>			
Share capital	86.371.792	86.371.792	285.599.166
Reserves	41.090.977	38.098.386	33.388.284
Retained earnings	15.462.139	2.858.341	(210.461.534)
<b>Total equity</b>	<b>142.924.908</b>	<b>127.328.519</b>	<b>108.525.916</b>
<b>LIABILITIES</b>			
Long-term trade liabilities	-	871.768	2.616.822
Long-term loans	15.266.804	20.566.606	17.305.918
Deferred income	21.003.234	18.780.826	19.280.991
Liabilities related to deferred income tax	203.136	490.922	1.410.609
<b>Total long-term liabilities</b>	<b>36.473.174</b>	<b>40.710.122</b>	<b>40.614.340</b>
Short-term trade liabilities	16.648.504	20.224.856	18.046.803
Short-term loans	36.514.030	24.841.887	47.438.227
Deferred income	2.760.090	1.834.478	1.421.579
Provisions	1.861.178	1.782.133	1.942.873
Debts related to current profit tax	768.976	670.775	429.678
Other liabilities	5.063.401	2.643.594	2.559.440
<b>Total current liabilities</b>	<b>63.616.179</b>	<b>51.997.723</b>	<b>71.838.600</b>
<b>TOTAL LIABILITIES</b>	<b>100.089.354</b>	<b>92.707.845</b>	<b>112.452.940</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>243.014.261</b>	<b>220.036.364</b>	<b>220.978.856</b>

## 7.2. The consolidated statement of comprehensive income in the past 3 years

<i>(lei)</i>	2015	2014	2013
Income from turnover	211.556.477	197.475.915	183.993.448
Other income	2.699.061	2.536.433	2.514.415
Variation in inventories of finished products and production in progress	1.373.124	(192.597)	(3.017.842)
Expenses related to raw materials and consumables	(111.349.432)	(105.699.903)	(102.878.421)
Expenses related to commodities	(2.898.217)	(2.402.057)	(2.467.493)
Expenses related to third party services	(17.012.033)	(16.887.803)	(16.940.797)
Personnel-related expenses	(33.790.145)	(27.688.051)	(28.186.194)
Expenses related to amortisation and depreciation of tangible assets	(18.069.311)	(16.570.097)	(26.708.221)
Other expenses	(10.559.001)	(7.724.807)	(11.512.775)
<b>Operating result</b>	<b>21.950.521</b>	<b>22.847.033</b>	<b>(5.203.881)</b>
Financial revenues	488.206	203.052	17.941
Financial expenses	(1.486.709)	(2.083.528)	(4.136.676)
<b>Profit (loss) before taxation</b>	<b>20.952.018</b>	<b>20.966.557</b>	<b>(9.322.616)</b>
Profit tax expenses	(2.669.084)	(2.001.332)	2.499.884
<b>Profit (loss) for the year</b>	<b>18.282.934</b>	<b>18.965.225</b>	<b>(6.822.732)</b>
<b>Other comprehensive income items</b>			
Increases of the tangible assets re-evaluation reserve, net of deferred tax	-	-	23.166.736
Transfer of the re-evaluation reserve to retained earnings following the cassation of tangible assets	(207.869)	(121.559)	(25.265)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>18.075.065</b>	<b>18.843.666</b>	<b>16.318.739</b>

## 7.2. The consolidated statement of cash flows in the past 3 years

<i>(lei)</i>	2015	2014	2013
<b>Cash flows from the operating activity:</b>			
Collections from customers	252.457.465	231.285.036	219.989.647
Payments to suppliers	(163.984.573)	(146.030.631)	(150.966.257)
Payments to employees	(26.606.294)	(21.246.718)	(20.615.376)
Payments to the state budget	(25.778.761)	(24.640.963)	(22.137.458)
Profit tax paid	(3.698.211)	(2.612.563)	(928.529)
<b>Net cash flows from operating activities</b>	<b>32.389.626</b>	<b>36.754.161</b>	<b>25.342.027</b>
<b>Cash flows from investment activities:</b>			
Payments to acquire tangible and intangible assets	(23.080.621)	(14.390.439)	(4.803.999)
Letters of credit for the purchase of tangible assets	(5.513.133)		
Payments for the purchase of financial assets	(10.761.408)	(25.000)	-
Collections from the sale of tangible assets	395.130	94.102	89.780
Interests collected	313	1.593	9.792
<b>Net cash flows from investment activities</b>	<b>(38.959.719)</b>	<b>(14.319.744)</b>	<b>(4.704.428)</b>
<b>Cash flows from financing activities</b>			
Collections from loans	22.358.591	16.936.771	10.264.404
Interests paid and reimbursement of loans	(14.065.407)	(38.510.162)	(29.870.217)
Dividends paid	(2.513.105)	(76)	(900.319)
<b>Net cash flows from financing activities</b>	<b>5.780.079</b>	<b>(21.573.467)</b>	<b>(20.506.131)</b>
	<b>(790.014)</b>	<b>860.950</b>	<b>131.468</b>
<b>Net increase/ (decrease) of cash and cash equivalents</b>			
<b>Cash and cash equivalents at the financial year beginning</b>	<b>2.327.952</b>	<b>1.467.002</b>	<b>1.335.534</b>
<b>Cash and cash equivalents at the financial year end</b>	<b>1.537.938</b>	<b>2.327.952</b>	<b>1.467.002</b>

## 8. SIGNIFICANT EVENTS OCCURRED AFTER THE FINANCIAL YEAR END

Not applicable.

The administrators' report was approved by the Board of Administrators of Vrancart S.A. during the meeting held on 14.03.2016.

### 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