



**THE CONSOLIDATED REPORT
OF THE ADMINISTRATORS
FOR THE FINANCIAL YEAR 2016**

THE „VRANCART” GROUP OF COMPANIES

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1. ANALYSIS OF THE ACTIVITY

1.1.1. General information

The Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branch Giant Prodimpex SRL, based in Ungheni, Str. Principală No. 161/J, Mureş County.

Branch	Field of activity	Shareholding as at December 31st, 2016
Giant Prodimpex SRL	Corrugated cardboard packaging production	100%

The Group operates in the paper and corrugated cardboard industry.

General evaluation elements of the Group:

a) gross book result	22.724 thousand lei
b) turnover	232.281 thousand lei
c) export	37.464 thousand lei
d) operating costs	215.259 thousand lei
e) % of the market held	

2016	Tissue paper	- 12%
	Paperboards	- 27%
	Corrugated cardboard	- 13%

f) liquidity as at the year end	24.933 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 trade company
Address	17 Ecaterina Teodoroiu Street, Adjud, Vrancea County, 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	RO 1454846
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 has working points opened in the following localities: Bucharest, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mure and Călimănești.

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 2016, the average number of employees of the Group was of 978 (2015: 936).

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

As at December 31st, 2016, the Company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

GIANT PRODIMPEX SRL

On July 17th, 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 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 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 31st, 2016 was of 39 employees (December 31st, 2015: 34 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	2016	2015	2014
Paperboards	to	79.760	74.437	66.641
Corrugated cardboard and packaging	to	50.393	40.759	38.303
Tissue papers	to	19.289	18.576	19.944

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	2016	2015	2014
Paperboards	%	21%	27%	24%
Corrugated cardboard and packaging	%	54%	48%	48%
Tissue papers	%	21%	24%	25%
Other activities	%	4%	1%	3%

Out of the total paperboards production, 65% in 2016 (52% in 2015 and 59% in 2014) 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 2016, by groups of fixed assets, were as follows:

Investments made	Amount (Lei)
Buildings and building improvements	9.306.682
Technological equipment	29.408.542
Work apparatus and installations	1.235.279
Means of transport and other fixed assets	4.965.508
TOTAL	44.916.011

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 2016 was of approx. 40%, which required giving a particular attention to this sector of activity.

In 2016 we purchases 123.565 to of waste paper, out of which class II (cardboard): 98.374 to, class III (white printed paper): 24.988 to and "tetrapack" pre-consumption paper: 203 to. Out of the total amount of waste paper purchased, 75.609 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	MU	2016	2015	2014
	to	75.609	61.545	61.757
Purchase through the collection centres	% out of the total purchase	61%	53%	60%
	to	47.956	54.356	41.253
Direct purchase (in Adjud)	% in out of the total purchase	39%	47%	40%
	to	123.565	115.901	103.010
Total purchase	%	100%	100%	100%

1.1.4. Evaluation 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	2016	2015	2014
Paperboards	to	28.990	34.333	28.966
Corrugated cardboard and packaging	to	50.067	40.327	38.353
Tissue papers	to	19.097	18.688	19.785

The state of competition

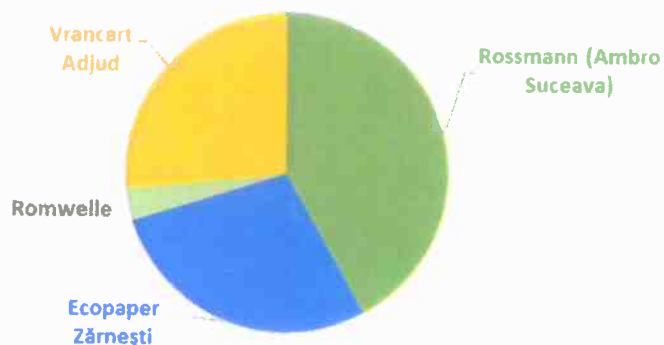
On each market segment, there are several manufacturers of products similar to those produced by the Group.

On the paperboards market in Romania there were four competitors in 2016. 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	100.000	400	4400
Vrancart Adjud	85.000	400	4600
Romwelle	70.000	300	4200
Total	405.000	-	-

All the mills use corrugated cardboard waste (waste paper) as raw material for the production of paper, except for Romwelle that uses cellulose as well 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.

THE PAPERBOARDS MARKET IN 2016

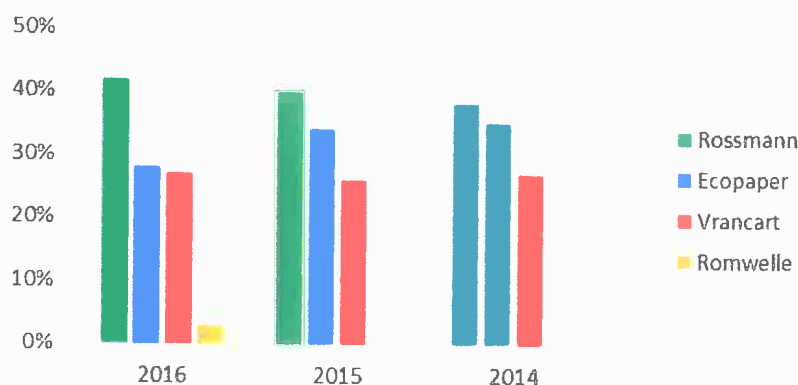


Most of the paper producers also hold corrugated cardboard and corrugated cardboard packaging mills, so that most of their own paper production is intended for their own consumption.

Market share evolution for paperboards

Producers	2016	2015	2014
Ambro Suceava (Rossmann Group)	42%	40%	38%
Ecopaper Zărnești	28%	34%	35%
Vrancart	27%	26%	27%
Romwelle D.T.Severin	3%	-	-
Total	100%	100%	100%

Source: ROMPAP, Informative bulletins



On the corrugated cardboard and corrugated cardboard packaging market, in 2016 there were 10 competitors, out of which 2 have two mills each (Rossmann and Rondocarton).

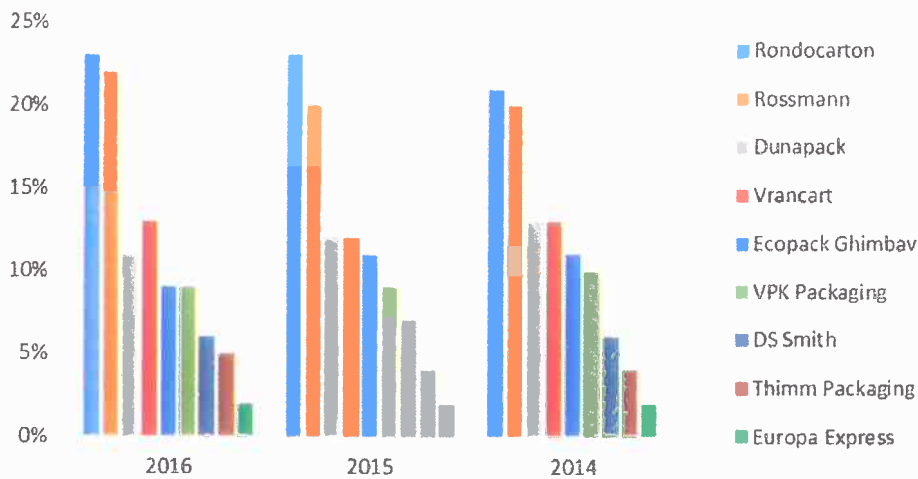
The corrugated cardboard market is a **regional market** due to the high shipping costs for long distances. It is a **highly competitive** market, and in Romania **the orientation of consumers is towards products with low prices and average quality**.

The total production capacity of the 12 corrugated cardboard mills that reported data to ARFCO (the Romanian Association of Corrugated Cardboard Producers) amounts to 723 thousand tons per year. The consumption in 2015 was of 367 thousand tons, that is 51% of the total production capacity. In 2016, corrugated cardboard packaging consumption recorded a 16% increase from the previous year and there is still an increasing trend in this.

No.	Producer's name	Amount2016 (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 (with 2 mills)	85.497	160.000	53%	64.091	75%
2	Rossmann (with 2 mills)	78.935	120.000	66%	71.425	90%
3	Vrancart Group	50.181	73.000	69%	8.901	18%
4	Dunapack Sf Gheorghe	40.405	80.000	51%	25.033	62%
5	Ecopack Ghimbav	34.131	80.000	43%	27.523	81%
6	VPK Salonta	33.822	60.000	56%	21.708	64%
7	DS Smith Timișoara	22.721	60.000	38%	22.721	100%
8	Thimm Sura Mica	17.849	25.000	71%	15.551	87%
9	Europa Expres Iași	6.037	40.000	15%	6.037	100%
10	Vilcart Călimanești	does not report	30.000	does not report data to the Romanian Association of Corrugated Cardboard Manufacturers		
TOTAL		369.578	728.000	51%	262.990	71%

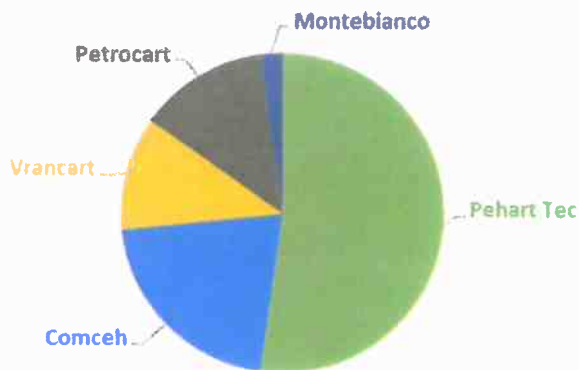
Market share evolution for corrugated cardboard and corrugated cardboard packaging

Producers	2016	2015	2014
Rondocarton (Cluj+Târgoviște)	23%	23%	21%
Rossmann Group (Romcarton Bucharest + Ambro Suceava)	22%	20%	20%
Vrancart Group	13%	12%	13%
Dunapack Sf. Gheorghe	11%	12%	13%
Ecopack Ghimbav	9%	11%	11%
VPK Packaging	9%	9%	10%
SCA Timișoara (DS Smith)	6%	7%	6%
Thimm Packaging	5%	4%	4%
Europa Express	2%	2%	2%
Total	100%	100%	100%



On the tissue paper market, with a market share of 12% in 2016 (taking into account only the domestic production), „VRANCART” remains one of the major tissue paper manufacturers in Romania.

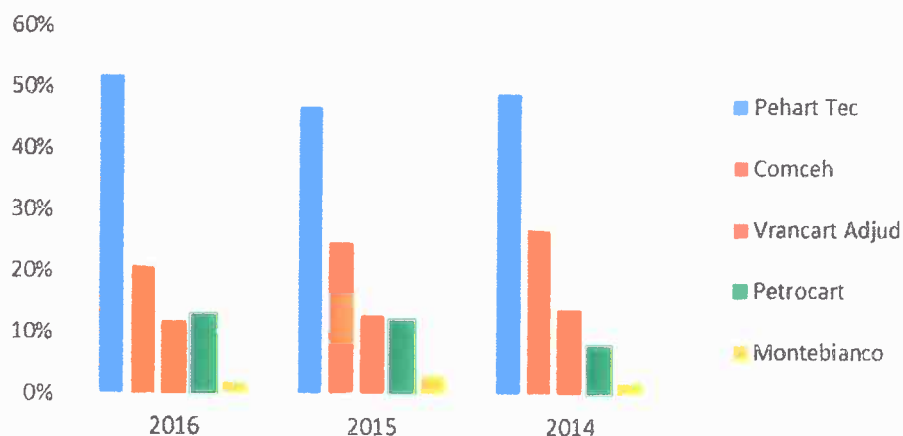
THE TISSUE PAPER MARKET IN 2016



„VRANCART” recorded a reduction of its market share in 2016 compared to 2015, due to the internal production increase by 16%, with the start-up in Romania of a new production capacity for the cellulose products range, at Pehart Tec Petrești, and with 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.

Producers	2016	2015	2014
Pehart Tec Petrești	52%	47%	49%
Comceh Călărași	21%	25%	27%
Petrocart Piatra Neamț	13%	12%	8%
Vrancart	12%	13%	14%
Montebianco Targoviște	2%	3%	2%
Total	100%	100%	100%



1.1.5. Evaluation of the aspects related to the Group's employees/ personnel

a) Specification of the number and level of training of the trade company's employees, as well as of the degree of unionization of the labour force;

The average number of employees in 2016 was 978 employees, out of which:

- 163 higher education graduates
- 386 high school graduates
- 303 vocational school graduates
- 126 middle school graduates

Out of the total number of employees, 280 are trade union members (there is only one union within the company).

The labour force fluctuation index during 2016 was 15% (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 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 2016, 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.

For this purpose, 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 was 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.

Also in 2016, we started the partnership project with the Technical university in Iași (UTI), as the coordinator, and Vrancart S.A. as the business agent 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 Gavrilăscu (from UTI) and the project responsible is Phd. Eng. Roxana Vlăscu (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 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:

Book value	December 31st, 2016	December 31st, 2015
Trade receivables and other receivables	40.092.932	43.488.008
Cash and cash equivalents	24.932.865	1.537.938
Restricted cash	8.899.753	10.786.408
Total	73.925.550	55.812.354

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, 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	-

December 31st, 2015	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Loans*	51.780.834	53.200.181	37.383.868	15.816.313	-
Trade liabilities and other liabilities	22.480.881	22.493.905	22.493.905	-	-
Total	74.261.715	75.694.086	59.877.773	15.816.313	-

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

Market risk

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

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

Currency exchange risk

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

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

December 31st, 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

December 31st, 2015	TOTAL	RON	EUR	USD	Other currencies
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
Financial assets	55.812.354	34.442.042	20.606.240	762.685	1.387
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	-
Financial liabilities	74.261.715	51.799.357	21.890.860	571.498	-
Total net financial assets / (liabilities)	(18.449.361)	(17.357.315)	(1.284.620)	191.187	1.387

Sensitivity analysis

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

December 31st, 2016: 707.233 lei (December 31st, 2015: 109.205 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 2017, 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 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 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 Adjud and Ungheni localities operate within the Group:

- a) *The corrugated cardboard production machine*, with an existing production capacity of 73.000 tons/ year;
- b) *The paperboards production machine*, with a production capacity of 85.000 tons/ year, under the condition of operation with 100% waste paper as raw material;
- c) *The tissue paper machine*, with a production capacity of 21.000 tons/ year;

The lands, 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 on December 31st, 2013.

Tangible assets re-evaluations are made with sufficient frequency, 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.

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 wearing degree in the records as at December 31st, 2016 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	43.654	15.413	35%
Equipment and other fixed assets	192.228	113.293	58%

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 115.187 thousand lei as at 31.12.2016 (31.12.2015: 110.642 thousand lei). The net book value of the assets purchased through financial leasing is 3.262 thousand lei as at 31.12.2016 (31.12.2015: 503 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, 2nd category, with the indicative VNC, starting from July 15th, 2005.

The shareholding structure as at 31.12.2016 is as follows:

- SIF Banat-Crisana - 75,06 %
- Legal entities - 18,78 %
- Natural persons - 6,16 %

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 from 2016, the Ordinary General Meeting of the Shareholders decided to distribute dividends, from the net profit for the financial year ended on December 31st, 2015, in the amount of 13.819.487 lei, respectively a gross amount of a dividend of 0,016 lei/share.

year	Net profit	Legal reserve	Dividends	Development fund	Loss coverage	Other purposes
2014	18.965.225	1.048.328	2.591.154	3.763.884*	11.325.613	236.246
2015	18.192.955	1.040.991	13.819.486	2.126.210*	-	1.206.268
2016	20.200.395	1.128.560	xx	4.502.179*	-	-

* These amounts represent tax facilities that the Group benefited of from the exemption of the tax related to reinvested profit (art.19⁴ of the 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 on April 26th/27th, 2017.

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.

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

From its establishing, „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 38, economist, Chairman of the Board of Administrators and General Manager for 3 years
2. Avrămoiu Octavian – aged 40, legal adviser, member of the Board of Administrators of „Vrancart”, 1 year
3. Bîlteanu Dragoş George - economist, member of the Board of Administrators of „Vrancart” for 5 years.
4. Drăgoi Bogdan Alexandru – aged 37, economist, interim member of the Board of Administrators of „Vrancart”, 1 year
5. Lakis El Najib – aged 52, economist, member of the Board of Administrators of Vrancart for 3 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 31.12.2016:

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, 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 31.12.2016 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.

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 2016 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, 2016 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, 2016 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. THE FINANCIAL AND ACCOUNTING STATEMENTS

The individual financial statements are drafted by the Company in accordance with the requirements of the Order of the Minister of Finances no. 2844 from 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.

7.1. Consolidated statement of financial position in the past 3 years

<i>(lei)</i>	December 31 st , 2016	December 31 st , 2015	December 31 st , 2014
ASSETS			
Tangible assets	184.159.320	158.579.593	153.374.631
Intangible assets	1.364.307	1.689.432	60.214
Financial assets	845	-	-
Goodwill	3.380.811	3.380.811	-
Receivables related to deferred profit tax	427.686	-	-
Total fixed assets	189.332.969	163.649.836	153.434.845
Stocks	27.979.866	23.043.868	19.469.560
Trade receivables	39.692.123	37.604.047	43.095.280
Accrued expenses	760.687	508.203	265.492
Restricted cash	8.899.753	10.786.408	25.000
Cash and cash equivalents	24.932.865	1.537.938	2.327.952
Other receivables	400.809	5.883.961	1.418.235
Total current assets	102.666.103	79.364.425	66.601.519
TOTAL ASSETS	291.999.072	243.014.261	220.036.364
EQUITY			
Share capital	103.168.355	86.371.792	86.371.792
Reserves	46.411.085	41.090.977	38.098.386
Retained earnings	16.856.244	15.462.139	2.858.341
Total equity	166.435.684	142.924.908	127.328.519
LIABILITIES			
Long-term trade liabilities	-	-	871.768
Long-term loans	34.619.168	15.266.804	20.566.606
Long-term deferred revenues	20.936.397	21.003.234	18.780.826
Long-term provisions	291.803	-	-
Debts related to deferred profit tax	-	203.136	490.922
Total long-term liabilities	55.847.368	36.473.174	40.710.122
Short-term trade liabilities	17.838.095	16.648.504	20.224.856
Short-term loans	41.762.760	36.514.030	24.841.887
Short-term deferred revenues	3.038.904	2.760.090	1.834.478
Short-term provisions	-	1.861.178	1.782.133
Debts related to current profit tax	515.975	768.976	670.775
Other liabilities	6.560.285	5.063.401	2.643.594
Total current liabilities	69.716.020	63.616.179	51.997.723
TOTAL LIABILITIES	125.563.388	100.089.354	92.707.845
TOTAL EQUITY AND LIABILITIES	291.999.072	243.014.261	220.036.364

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

<i>(lei)</i>	2016	2015	2014
Income from turnover	232.281.259	211.556.477	197.475.915
Other income	3.792.801	2.699.061	2.536.433
Variation in inventories of finished products and production in progress	3.412.447	1.373.122	(192.597)
Expenses related to raw materials and consumables	(124.538.127)	(111.349.432)	(105.699.903)
Expenses related to goods	(3.891.729)	(2.898.217)	(2.402.057)
Third party expenses	(18.282.006)	(17.012.033)	(16.887.803)
Personnel-related expenses	(41.137.727)	(33.790.145)	(27.688.051)
Expenses related to the amortisation and depreciation of tangible assets	(18.442.224)	(18.069.311)	(16.570.097)
Other expenses	(8.967.110)	(10.559.001)	(7.724.807)
Operating result	24.227.583	21.950.521	22.847.033
Financial revenues	(72.137)	488.206	203.052
Financial expenses	(1.431.746)	(1.486.709)	(2.083.528)
Profit (loss) before taxation	22.723.699	20.952.018	20.966.557
Profit tax expenses	(2.238.699)	(2.669.084)	(2.001.332)
Profit (loss) for the year	20.485.031	18.282.934	18.965.225
Other comprehensive income items			
Increases in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	(369.798)	(207.869)	(121.559)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	20.115.232	18.075.065	18.843.666

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

<i>(lei)</i>	2016	2015	2014
Cash flows from operating activities			
Collections from customers	273.533.184	252.457.465	231.285.036
Payments to suppliers	(176.365.437)	(163.984.573)	(146.030.631)
Payments to employees	(33.120.018)	(26.606.294)	(21.246.718)
Payments to the state budget	(28.130.020)	(25.778.761)	(24.640.963)
Profit tax paid	(3.061.838)	(3.698.211)	(2.612.563)
Net cash flows from operating activities	32.855.871	32.389.626	36.754.161
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	(38.776.718)	(23.080.621)	(14.390.439)
Net payments for the purchase of financial assets	-	(5.513.133)	-
Escrow account for the purchase of financial assets	(8.899.753)	-	-
Letters of credit for the purchase of tangible assets	10.786.408	(10.761.408)	(25.000)
Collections from the sale of tangible assets	283.700	395.130	94.102
Interests collected	3.701	313	1.593
Net cash flows from investment activities	(36.602.662)	(38.959.719)	(14.319.744)
Cash flows from financing activities			
Collections from loans	47.198.334	22.358.591	16.936.771
Capital increase	16.796.783	-	-
Interests paid and loans reimbursed	(23.320.240)	(14.065.407)	(38.510.162)
Dividends paid	(13.533.159)	(2.513.105)	(76)
Net cash flows from financing activities	27.141.718	5.780.079	(21.573.467)
	23.394.927	(790.014)	860.950
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	1.537.938	2.327.952	1.467.002
Cash and cash equivalents at the financial year end	24.932.865	1.537.938	2.327.952

8. MAJOR EVENTS OCCURRED AFTER THE FINANCIAL YEAR END

On January 19th, 2017, the process related to the purchase of 70% of the shares of the company Rom Paper S.R.L. Braşov was completed. The purchase contract provided the possibility for Vrancart to purchase 100% of the shares within the next 2 (two) years, at a final price ranging between 4,2 and 6,5 million Euro, according to the financial results obtained during this period by the company ROM PAPER S.R.L.

The financing sources for this purchase consist both of the company's own sources and bank loans.

Through the Decision no. 156/01.02.2017, the Financial Supervisory Authority approved the Prospectus for the issuing of bonds in the amount of 38.250.000 lei, with a ROBOR 3m+2% interest, maturity in 7 years. On March 13th, 2017, the issuance process through the subscription in a proportion of 100% of the issued bonds was finalised.

The administrators' report was approved by the Board of Administrators of Vrancart S.A. during the meeting held on March 17th, 2017.

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