



VRANCART S.A.
 625100 Adjud-Vrancea, România, Str. Ecaterina Teodoroiu 17
 RO 1454846, J39/239/1991
 Capital social subscris și vărsat 103.168.354,70 RON
 RO54 RNCB 0268 0087 9340 0001 - BCR Adjud
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Individual half-yearly report for the 1st half of 2018 according to the Financial Supervisory Authority Regulation no. 5/2018

Date of report	August 16th, 2018
Name of the issuer	VRANCART S.A.
Registered office	Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county
Telephone/fax no.:	0237-640.800; 0237-641.720
Tax Identification Number	1454846
Trade Registry registration number	J39/239/1991
Subscribed and paid-in share capital	RON 103.168.355
The regulated market onto which the securities issued are traded	The Bucharest Stock Exchange
Main characteristics of the securities issued by the issuer	Standard category

1. The economic and financial situation of VRANCART S.A.

The results achieved by VRANCART S.A. (hereinafter referred to as “the Company”) during the first half of 2018 confirms the company’s ability to generate profit and its financial soundness.

During this period, the net profit recorded amounted to RON 10.919.454, which is at the level of the profit forecasted through the Revenues and Expenses Budget.

The interim (simplified, not audited) individual financial statements as at June 30th, 2018 are enclosed hereto, according to the Order of the Ministry of Public Finances no. 2844/2016 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.

The interim individual financial statements for the 1st half of 2018 have not been revised by an independent external auditor, as this is not a legal or statutory requirement.

1.1. Balance sheet items

<i>(all items are expressed in RON, unless otherwise stated)</i>	June 30th, 2018	December 31st, 2017	%
Non-current assets	280.260.239	270.287.497	+3,7
Current assets, out of which:	89.758.416	90.599.015	-0,9
- <i>Trade receivables</i>	52.479.118	50.541.065	+3,8
Total assets	370.018.655	360.886.512	+2,5
Total liabilities, out of which:	177.869.296	168.311.951	+5,7
- <i>Current liabilities</i>	76.899.212	72.252.072	+6,4
Equity, out of which:	192.149.359	192.574.561	-0,2
- <i>Reserves</i>	74.598.569	74.618.851	
- <i>Retained earnings</i>	14.382.435	14.787.355	

As at June 30th, 2018 and during the period between January 1st – June 30th, 2018, the evolution of the main financial indicators was as follows:

- The Company's non-current assets increased by 3,7% following the investments made during the first half of 2018.
- The Company's current assets decreased by 0,9% as at June 30th, 2018 from the year beginning, following the inventory reduction by 12,7%.
- The trade receivables increased by 3,8% during the first six months of 2018 from the year beginning (approx. RON 2 mil.), following the increase of delivered production.
- The total liabilities recorded as at June 30th, 2018 amount to RON 177.869.296, up by 5,7% from the amount recorded as at January 1st, 2018, due to the current liabilities increase by 6,4%, by recognising within these the dividends to be paid by the end of 2018.
- The equity amount as at June 30th, 2018 is RON 192.149.359, down by 0,2% from the amount recorded as at the year beginning. The reduction in retained earnings as at June 30th, 2018 is due to the distribution in dividends to be paid of the profit of 2017, as approved during the General Meeting of the Shareholders held in April 2018. The reserves remained at a constant level from the year beginning.

1.2. The profit and loss account

<i>(all items are expressed in RON, unless otherwise stated)</i>	June 30th, 2018	June 30th, 2017	%
Operating income, out of which:	145.050.665	120.263.421	+20,6
<i>Income from turnover</i>	140.577.949	119.307.225	+17,8
Operating expenses	(132.191.819)	(106.481.195)	+24,1
Operating profit	12.858.846	13.782.226	-6,7
Financial income	1.000.850	1.908	
Financial expenses	(1.800.195)	(1.013.400)	
Total income	146.051.515	120.265.329	+21,4
Total expenses	(133.992.014)	(107.494.594)	+24,6
Gross profit	12.059.501	12.770.735	-5,6
Net profit	10.919.454	11.456.631	-4,7

During the first half of 2018 compared to the same period of the previous year, the main indicators of the Profit and loss account are as follows:

- The total revenues during the analysed period amounted to RON 146.051.515, up by 21,4% from the same period of the previous year, mainly due to the turnover increase by 17,8% during the same analysed period.
- The total expenses for the period amounted to RON 133.992.014, up by 24,6% from the same period of the previous year, due to the increase in operating expenses at the same pace. A significant increase by 33% is recorded by the expenses related to materials and raw materials, mainly due to the increase of waste paper price by 50% during the first two months of 2018 compared to the same period of the previous year.
- The net profit for the period amounted to RON 10.919.454, down by 4,7% from the same period of the previous year, but it is still at the level forecasted through the Revenues and Expenses Budget for the first half of 2018. The results are estimated to improve during the next period, due to the stabilising of waste paper prices.

1.3. Cash flows

(all items are expressed in RON, unless otherwise stated)

	June 30 th , 2018	June 30 th , 2017
<i>Cash flows from the operating activity</i>		
Collections from the operating activity	163.852.319	134.895.321
Payments from the operating activity	(98.966.949)	(115.665.325)
Net cash flows from operating activities	64.885.370	19.229.996
<i>Cash flows from the investment activity</i>		
Collections from the investment activity	723.226	8.913.659
Payments from the investment activity	(10.487.489)	(40.335.205)
Net cash flows from investment activities	(9.764.263)	(31.421.546)
<i>Cash flows from the financing activity</i>		
Collections from the financing activity	13.511.404	66.851.268
Payments from the financing activity	(66.875.035)	(55.704.552)
Net cash flows from financing activities	(53.363.631)	11.146.716
Balance at the beginning of the period	1.901.568	24.287.793
Balance at the end of the period	3.659.044	23.242.958

The balance of cash and cash equivalents recorded as at June 30th, 2018 is positive, respectively of RON 3.659.044. The cash balance reduction from the same period of the previous year is mainly due to the payments for investments and to the reimbursements of loans made during the first half of 2018.

2. Analysis of the activity of VRANCART S.A.

2.1. Presentation and analysis of the trends, elements, events or uncertainty factors that affect or might affect the trade company's liquidity, compared to the same period of the previous year

The Company's management considers that the results achieved as at June 30th, 2018 are in accordance with its expectations and correlated with the company's development strategy. The control mechanisms and actions implemented provide the maintenance of the company's financial balance.

2.2. Presentation and analysis of the effects of all current or anticipated capital expenditures onto the issuer's financial situation (stating the purpose and financing sources of these expenditures) compared to the same period of the previous year

The investment expenses made by the Company during the first six months of 2018 amounted to RON 12.619.875, compared to RON 16.879.382, during the first half of the previous year. The main investments concerned upgrades of the paperboards machine, corrugated cardboard converting machines, upgrades of the tissue paper machine and endowments for the waste paper collection centres.

The Company will continue to implement the investment projects for the period between 2018 – 2019, approved by the General Meeting of the Shareholders held in April 2018, both from the company's own financing sources and from attracted sources (bank loans).

The Company believes that the investments made will have favourable effects onto the Company's financial situation within a relatively short period.

The economic and financial indicators as at June 30th, 2017 were as follows:

Indicator's name	M.U.	June 30 th , 2018	June 30 th , 2017
Overall liquidity	ratio	1,17	1,81
Immediate liquidity	ratio	0,75	1,37
Stock turnover	rot/year	9	10
Debt recovery	days	65	66
Reimbursement of trade liabilities	days	32	25
Operation profitability	%	8,9	11,3
Gross profit ratio	%	8,4	10,5

The overall and immediate liquidity indicators had recorded decreases as at June 30th, 2018 due to the payments for investments made during the first half of 2018 and also to the increase in short-term loans.

Efforts are being made and measures are being adopted to recover the gross margin by the end of the year.

The other indicators did not suffer significant changes as at June 30th, 2018 compared to the same period of the previous year.

2.3. Presentation and analysis of the events, transactions, economic changes that affect to a significant extent the income from the main activity. Specification of the extent to which the income was affected by each of the elements identified. Comparison to the corresponding period of the previous year.

The company VRANCART S.A. has no events or transactions that might affect to a significant extent its main activity to report.

3. Changes affecting the issuer's capital and management

3.1. Description of the circumstances when the issuer was unable to meet its financial obligations during the analysed period

The company VRANCART S.A. was not in any situation unable to meet its financial obligations during the analysed period. The company does not have any outstanding liabilities to the public budgets or to its private partners.

3.2. Description of any changes related to the rights of the holders of securities issued by the issuer

The company VRANCART S.A. does not have any changes to report in relation to the rights of the holders of securities issued.

4. Major transactions

On April 27th, 2018, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31st, 2017 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2018, along with the investment plan for 2018-2019.

Through the Decision no. 4/April 27th, 2018, the Ordinary General Meeting of the Shareholders approved the distribution from the net profit of the financial year 2017 of an amount of RON 11.348.519 for **dividends** (respectively a gross amount of a dividend of RON 0,011/share), the payment date being set for October 26th, 2018.

The purchase of the final tranche of 15% of the shares of ROM PAPER S.R.L., based in Cristian township, Braşov county, registered with the Braşov Trade Registry Office under no. J8/548/2002, Tax Identification Number 14619270 was completed on July 10th, 2018, in accordance with the acquisition agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 100% of the shares of ROM PAPER S.R.L.

The Extraordinary General Meeting of the Shareholders gathered on August 1st, 2018 approved the merger through absorption of Vrancart S.A. as absorbing company with the company Giant Prodimpex S.R.L. as absorbed company, the actual merger date being September 1st, 2018, according to the legal conditions.

CIUCIOI Ionel-Marian
Chairman of the Board of Administrators

ARSENE Vasilica-Monica
Financial Manager