



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
 RO95 RZBR 0000 0600 0094 5306 - Raiffeisen Bank Adjud
 T: 0237 64 08 00, F: 0237 64 17 20
 office@vrancart.com, www.vrancart.ro



Translation for information purposes only

Consolidated 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 Group

The results achieved by VRANCART group of companies (hereinafter referred to as “the Group”) during the first half of 2018 confirm its ability to generate profit and its financial soundness.

During this period, the net profit recorded amounted to RON 12.244.277, which is within the limits of the profit forecasted in the Revenues and Expenses Budget.

The interim (simplified, non-audited) consolidated 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 consolidated financial statements for the 1st half of 2018 were not 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	289.176.206	280.894.552	+2,9
Current assets, out of which:	110.135.014	114.335.274	-3,7
- <i>Trade receivables</i>	63.519.963	66.016.628	-3,8
Total assets	399.311.220	395.229.826	+1,1
Total liabilities, out of which:	202.821.639	198.486.383	+2,2
- <i>Current liabilities</i>	94.438.417	93.876.683	+0,6
Equity, out of which:	196.489.580	196.743.443	-0,1
- <i>Reserves</i>	77.408.202	75.445.583	
- <i>Retained earnings</i>	15.913.023	18.129.505	

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 Group's non-current assets increased by 2,9% following the investments made during the first half of 2018.
- The Group's current assets decreased by 3,7% as at June 30th, 2018 from the year beginning, following the inventory reduction by 7%.
- The trade receivables decreased by 3,8% (approx. RON 2.5 mil) during the first six months of 2018 from the year beginning.
- The total liabilities recorded as at June 30th, 2018 amount to RON 202.821.639, up by 2,2% from the amount recorded as at January 1st, 2018, due to the long-term liabilities increase by 3,6%. The Group turned to long-term bank loans to finance its investments for production machines.
- The equity amount as at June 30th, 2018 is RON 196.489.580, down by 0,1% from the year beginning. The reduction of retained earnings as at June 30th, 2018 is due to the distribution to dividends to be paid of the profit of 2017, as approved during the General Meeting of the Shareholders held in April 2018.

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:	177.211.201	135.852.553	+30
<i>Income from turnover</i>	176.501.282	135.936.921	+30
Operating expenses	(164.412.236)	(118.528.715)	+38
Operating profit	12.798.965	17.323.838	-26
Financial income	2.208.737	(80.993)	
Financial expenses	(2.262.035)	(954.727)	
Total income	179.419.938	135.771.560	+32
Total expenses	(166.674.271)	(119.483.442)	+39
Gross profit	12.745.667	16.288.118	-21
Net profit	12.244.277	14.412.366	-15

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

- The total income during the analysed period amounted to RON 179.419.938, up by 32% from the same period of the previous year, mainly due to the turnover increase by 30% during the same analysed period.
- The total expenses for the period amounted to RON 166.674.271, up by 39% from the same period of the previous year, due to the increase of operating expenses at the same pace. A significant increase by 31% was recorded by expenses related to materials and raw materials, mainly due to the waste paper price increase by 50% during the first two months of 2018 from the same period of the previous year, and also due to the increase in the price of other raw materials (pulp semi-finished products).
- The net profit for the period amounted to RON 12.244.277, down by 15% from the same period of the previous year, but it was still at the level forecasted in the Revenues and Expenses Budget for the first half of 2018. The Group's results are expected to improve over the next period, due to the stabilising of raw material prices.

The balance of cash and cash equivalents recorded as at June 30th, 2018 is positive, namely RON 4.842.270. The Group does not have any outstanding liabilities to the public budgets or to its private partners.

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 issuer's liquidity, compared to the same period of the previous year

The Group'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 the 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 Group during the first six months of 2018 amounted to RON 13.601.527, compared to the amount of RON 16.981.035 recorded during the first half of the previous year. The main investments concerned upgrades of the paperboards machine, corrugated cardboard converting machines and tissue paper converting machines, upgrades of the tissue paper machine and endowments for the waste paper collection centres.

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

The Group believes that the investments made will have favourable effects onto the overall financial situation within a relatively short period.

The economic and financial indicators at the Group are as follows:

Indicator's name	M.U.	June 30 th , 2018	June 30 th , 2017
Overall liquidity	ratio	1,17	1,61
Immediate liquidity	ratio	0,74	1,20
Stock turnover	rot/year	9	9
Debt recovery	days	65	76
Reimbursement of trade liabilities	days	37	39
Operation profitability	%	7,25	12,7
Gross profit ratio	%	7,22	11,9

The overall and the immediate liquidity indicators recorded decreases as at June 30th, 2018 due to the payments for investments made during the first half of 2018, and also due 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, however, the results are in accordance with the expectations and with the market evolution.

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.

VRANCART Group has no events or transactions that might affect to a significant extent the income from the 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 VRANCART Group was not in any situation unable to meet its financial obligations during the analysed period. The Group 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