

Translation for information purposes only

VRANCART S.A.

**Interim consolidated financial statements
(simplified, not audited)
as at June 30th, 2018**

drawn up in accordance with the Order of the Public Finance Ministry 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

Contents

Consolidated statement of financial position	3
Consolidated statement of comprehensive income	4
Notes to the interim consolidated financial statements	5-8

Vrancart S.A.

Consolidated statement of financial position

as at June 30th, 2018

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

	June 30 th , 2018	December 31 st , 2017
ASSETS		
Tangible assets	272.156.564	263.138.155
Intangible assets	8.549.866	9.230.006
Goodwill	8.469.776	8.526.391
Total non-current assets	289.176.206	280.894.552
Inventories	39.986.803	42.945.100
Trade receivables	63.519.963	66.016.628
Prepaid expenses	795.720	730.972
Restricted cash	4.130	4.130
Cash and cash equivalents	4.842.270	3.219.141
Receivables related to current profit tax	243.726	1.002.646
Other receivables	742.402	416.657
Total current assets	110.135.014	114.335.274
TOTAL ASSETS	399.311.220	395.229.826
EQUITY		
Share capital	103.168.355	103.168.355
Reserves	77.408.202	75.445.583
Retained earnings	15.913.023	18.129.505
Total equity	196.489.580	196.743.443
LIABILITIES		
Long-term loans	43.883.698	39.202.465
Long-term loans from bond issues	37.232.800	37.232.800
Deferred income	19.862.007	20.793.786
Long-term provisions	376.015	376.015
Debts related to deferred profit tax	6.011.502	5.987.434
Other long-term liabilities	1.017.200	1.017.200
Total long-term liabilities	108.383.222	104.609.700
Short-term trade liabilities	36.491.064	38.793.148
Short-term loans	30.550.646	37.554.938
Deferred income	2.727.515	3.212.452
Short-term provisions	-	72.393
Debts related to current profit tax	1.076.488	51.695
Other liabilities	23.592.705	14.192.057
Total current liabilities	94.438.418	93.876.683
TOTAL LIABILITIES	202.821.640	198.486.383
TOTAL EQUITY AND LIABILITIES	399.311.220	395.229.826

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Vrancart S.A.

Consolidated statement of comprehensive income

as at June 30th, 2018

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

	June 30 th , 2018	June 30 th , 2017
Income from turnover	176.501.282	135.936.921
Other income	2.543.093	1.574.768
Variation of inventories of finished products and production in progress	(1.833.174)	(1.659.136)
Expenses related to raw materials and consumables	(89.152.042)	(67.965.516)
Expenses related to commodities	(10.565.380)	(2.048.158)
Expenses related to third party services	(12.754.128)	(9.339.833)
Personnel-related expenses	(31.194.415)	(27.040.789)
Expenses related to amortisation and impairment of assets	(13.671.998)	(9.006.067)
Other expenses	(7.074.273)	(3.128.352)
Operating result	12.798.965	17.323.838
Financial income	2.208.737	(80.993)
Financial expenses	(2.262.035)	(954.727)
Profit before taxation	12.745.667	16.288.118
Profit tax income / (expense)	(501.390)	(1.875.752)
Profit for the year	12.244.277	14.412.366
Other comprehensive income items		
Increases of 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	(221.459)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	12.022.818	14.412.366

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Notes to the interim consolidated financial statements

as at June 30th, 2018

The entity reporting

The Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branches

1. Giant Prodimpex S.R.L., based in Ungheni locality, Str. Principală No. 161/J, Mureş County
2. Rom Paper SRL, based in Cristian locality, Braşov county.

The interim consolidated financial statements of the Group for the first six months of 2018 are formed of the financial statements of Vrancart S.A. and of its branches, together forming the Group.

Branch	Field of activity	Shareholding as at June 30th, 2018	Shareholding as at December 31st, 2017
Giant Prodimpex S.R.L.	Manufacturing of corrugated cardboard packaging	100%	100%
Rom Paper S.R.L.	Manufacturing of napkins and tissue paper products	85%	85%

The Group operates in the paper, tissue paper and corrugated cardboard industry.

VRANCART S.A.

Vrancart S.A. (“the Company”) is a joint-stock trade company operating in Romania under the provisions of Law no. 31/1990 on trade companies.

The company is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County.

The company has working points for waste paper collection opened in the following localities: Bucharest, Iaşi, Focşani, Bacău, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Cluj, Baia Mare, Târgu Mureş, Craiova, Brăila and Călimăneşti.

The company’s main object of activity is represented by the manufacture and trading of the following products:

- single-wall, double-wall and double-double wall corrugated cardboard, corrugated cardboard with micro-flutes;
- corrugated cardboard boxes of various formats, die-cut and printed;
- paperboards;
- tissue papers in various assortments.

The company’s shares are listed to the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 15th, 2005. The Group posts its consolidated financial statements on the website www.vrancart.ro.

As at June 30th, 2018, the Company is owned 75% by SIF Banat – Crişana S.A. and 25% by other shareholders.

Notes to the interim consolidated financial statements

as at June 30th, 2018

GIANT PRODIMPEX S.R.L.

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

Giant Prodimpex SRL (“Branch 1”) was established in 1994 and it is a Romanian private company. The continuous investments in technology, production areas and not least, for personnel, shortly turned Giant into one of the most important corrugated cardboard processors in Romania.

Identification data of the acquired company

Name – Giant Prodimpex S.R.L.

Registered office – Ungheni locality, no. 161/J, Mureş county

Trade Registry registration no. – J26/1305/1994

Tax Identification Number – 6564319

Object of activity – manufacturing of corrugated cardboard packaging

ROM PAPER S.R.L.

On January 20th, 2017, the company completed the process related to the acquisition of the majority stake of ROM PAPER S.R.L., that was approved by the Ordinary General Meeting of the Shareholders.

Rom Paper S.R.L. (“Branch 2”) was established in 2002 and it is a Romanian privately-owned company which produces napkins, folded towels, tissue paper, professional rolls and facial tissues. The products manufactured are traded in 7 countries, on the Romanian territory and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry), and also by means of distributors.

The acquisition agreement provided the sale of 70% of the shares of Rom Paper S.R.L. during the first stage.

The Group has the option to acquire the remaining shares as follows: 15% of the shares in April 2017 (call 1 option) and 15% of the shares in April 2018 (call 2 option).

If the Company does not exert its option to purchase the remaining shares, the sellers of Rom Paper S.R.L. have the option to sell these to the Company as follows: 15% of the shares in 2017 (put 1 option) and 15% of the shares in 2018 (put 2 option).

During the period when the option rights can be exerted by both parties, the distribution of dividends by Rom Paper S.R.L. is forbidden. The price at which the seller’s options, respectively the buyer’s options, will be exerted is based on an EBITDA multiplier corresponding to the latest financial year ended previously to the periods during which the options may be exerted.

As at June 30th, 2018, the Group holds 85% of the shares of Rom Paper S.R.L., following the exerting of the call 1 option for the purchase of 15% of the shares of Rom Paper S.R.L. in 2017.

Accounting principles, policies and methods

The simplified interim consolidated financial statements for the first six months ended on June 30th, 2018 were drawn up in accordance with IAS 34 Interim Financial Statements.

Notes to the interim consolidated financial statements

as at June 30th, 2018

The simplified interim consolidated financial statements do not include all the information and elements presented in the annual report and shall be read together with the Company's annual financial statements, drawn up as at December 31st, 2017.

The accounting policies and the evaluation methods used for the preparation of the simplified interim consolidated financial statements are in accordance with those used for the preparation of the Company's annual financial statements for the year ended on December 31st, 2017.

Combinations of entities are accounted through the purchase method on the date when the Group obtains control over the acquired entity. Control requires exposure or rights onto the variable results of the entity in which investments were made, as well as the ability to influence those results by exerting authority over the entity in question.

The branches are entities controlled by the Group. The financial statements of the branches are included in the consolidated financial statements from the date when control starts being exerted until the date of its cessation.

The interim consolidated financial statements for the first six months of 2018 have not been revised by an external financial auditor, as this is not a legal requirement.

Transactions in foreign currencies

The operations expressed in foreign currencies are recorded in RON at the official exchange rate on the date of discounting of the transactions. The monetary assets and liabilities recorded in foreign currencies on the date of preparation of the accounting statements are converted into the functional currency at the exchange rate on that day.

The losses or gains from their discounting and from the conversion using the exchange rate as at the end of the period for reporting of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The exchange rates of the main foreign currencies were as follows:

Currency	June 30 th , 2018	December 31 st , 2017	Variation
Euro (EUR)	4,6611	4,6597	+0,03%
American dollars (USD)	4,0033	3,8915	+2,87%

Other notes

The Company's management has established its medium and long-term strategy, and the estimates provide increases of sales and reductions of costs due to the effective use of the resources, that will lead to an increase of the operating profit.

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

The Group pays great attention to profitability indicators, by streamlining its operational and liquidity processes and through the effective use of its resources.

Based on these analyses, the management considers that the Group will be able to continue its business in the foreseeable future, but not limited to the following 12 months and therefore, the application of the business continuity principle in the preparation of the financial statements is justified.

Vrancart S.A.

Notes to the interim consolidated financial statements

as at June 30th, 2018

Subsequent events

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.

Management's statement

According to our best information available, we confirm that the simplified interim consolidated financial statements as at June 30th, 2018 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of the Group's position and financial performances, as provided by the applicable accounting standards, and that the information presented in this report provides a fair and accurate view of the main events that took place during the first six months of the financial year and of their impact onto the simplified interim consolidated financial statements.

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager