



**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  
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*Translation for information purposes only*

## **Consolidated half-yearly report for the 1<sup>st</sup> half of 2019 according to the Financial Supervisory Authority Regulation no. 5/2018**

Date of report	<b>August 14<sup>th</sup>, 2019</b>
Name of the issuing entity	<b>VRANCART S.A.</b>
Registered office	<b>Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county</b>
Telephone/fax no.:	<b>0237-640.800; 0237-641.720</b>
Tax Identification Number	<b>1454846</b>
Trade Registry registration no.:	<b>J39/239/1991</b>
Subscribed and paid-in share capital	<b>RON 103.168.355</b>
The regulated market onto which the securities issued are traded	<b>The Bucharest Stock Exchange</b>
Main characteristics of the securities issued by the issuer	<b>Standard category</b>

### **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 2019 confirm its ability to generate profit and its financial soundness.

During this period, the net profit recorded amounted to RON 11.042.471, 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 30<sup>th</sup>, 2019, 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 are enclosed hereto.

The interim consolidated financial statements for the 1<sup>st</sup> half of 2019 were not revised by an independent external auditor, as this is not a legal or statutory requirement.

## 1.1. Balance sheet items

<i>(all the items are expressed in RON, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2019</b>	<b>December 31<sup>st</sup>, 2018</b>
Non-current assets	302.356.355	301.416.782
Current assets, out of which:	129.141.811	121.780.701
- <i>Trade receivables</i>	68.510.876	68.673.849
<b>Total assets</b>	<b>431.498.166</b>	<b>423.197.483</b>
<b>Total liabilities, out of which:</b>	<b>227.587.001</b>	<b>220.683.665</b>
- <i>Current liabilities</i>	111.518.280	106.178.755
<b>Equity, out of which:</b>	<b>203.911.166</b>	<b>202.513.818</b>
- <i>Reserves</i>	86.740.832	86.396.421
- <i>Retained earnings</i>	14.001.979	12.949.042

As at June 30<sup>th</sup>, 2019 and during the period between January 1<sup>st</sup> – June 30<sup>th</sup>, 2019, the evolution of the main financial indicators was as follows:

- The Group's non-current assets increased by 0,3% due to the investments made during the first half of 2019, both in tangible assets and intangible assets.
- The Group's current assets increased by 6% as at June 30<sup>th</sup>, 2019 from the year beginning (mainly due to the increase of inventories and receivables) following the increase of the company's activities (see the increase of sales).
- The trade receivables recorded a reduction by 0,2% during the first six months of 2019 from the year beginning, due to an effective management of the amounts collected for the products sold.
- The total liabilities recorded as at June 30<sup>th</sup>, 2019 amounted to RON 227.587.001, up by 3,1% from the amount recorded as at January 1<sup>st</sup>, 2019, due to the increase in long-term liabilities by 1,4% and of the current liabilities by 5%. The Group contracted long-term bank loans to finance the investments in production equipment and used credit lines to finance its current needs.
- The amount of equity as at June 30<sup>th</sup>, 2019 is RON 203.911.166, up by 0,7% from the amount recorded as at the year beginning. The reserves recorded by the Group did not suffer any major changes during the analysed period. The retained earnings increased by 8% following the incorporation of the profit achieved by the Group during the first six months of 2019.

## 1.2. The profit and loss account

<i>(all the items are expressed in RON, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2019</b>	<b>June 30<sup>th</sup>, 2018</b>
Operating income, out of which:	189.601.125	177.211.201
<i>Income from turnover</i>	<i>179.035.941</i>	<i>176.501.282</i>
Operating expenses	(175.143.485)	(164.412.236)
<b>Operating profit</b>	<b>14.457.640</b>	<b>12.798.965</b>
Financial income	23.463	2.208.737
Financial expenses	(3.438.632)	(2.262.035)
<b>Total income</b>	<b>189.624.588</b>	<b>179.419.938</b>
<b>Total expenses</b>	<b>(178.582.117)</b>	<b>(166.674.271)</b>
<b>Gross profit</b>	<b>11.042.471</b>	<b>12.745.667</b>
<b>Net profit</b>	<b>11.232.964</b>	<b>12.244.277</b>

During the first half of 2019 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 189.624.588, up by 6% from the same period of the previous year, mainly due to the increase of operating income by 7% during the same analysed period.
- The total expenses during the period amounted to RON 178.582.117, up by 7% from the same period of the previous year, due to the increase of operating expenses at the same pace. A significant increase was recorded by personnel-related expenses by 15%, due to the increase of wages following the increase of the national minimum wage at the beginning of this year.
- The net profit for the period amounted to RON 11.232.964, down by 8% from the same period of the previous year, due to the increase of interest-related expenses (the increase of ROBOR) and the labour force costs.

The management estimates that the Group's results will improve over the next period, due to the constant optimisation efforts and the efforts to increase the productivity for all activity lines.

The balance of cash and cash equivalents recorded as at June 30<sup>th</sup>, 2019 is positive, respectively of RON 2.421.689. The Group does not have any outstanding debts 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 30<sup>th</sup>, 2019 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 2019 amounted to RON 12.725.760, compared to the amount of RON 13.601.527 recorded during the first half of the previous year. The main investments concerned upgrades of the corrugated cardboard 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 2019 – 2020, as approved by the General Meeting of the Shareholders in April 2019, 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 level are as follows:

Indicator's name	M.U.	June 30 <sup>th</sup> , 2019	June 30 <sup>th</sup> , 2018
Overall liquidity	ratio	1,16	1,17
Immediate liquidity	ratio	0,66	0,74
Stock turnover	rot/year	6,4	9
Debt recovery	days	69	65
Reimbursement of trade liabilities	days	32	37
Operation profitability	%	8,1	7,25
Gross profit rate	%	6,2	7,22

The overall and the immediate liquidity indicators recorded decreases as at June 30<sup>th</sup>, 2019 due to the payments for investments made during the first half of 2019, 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.

### 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 24<sup>th</sup>, 2019, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31<sup>st</sup>, 2018 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2019, along with the investment plan for 2019-2020.

Through the Decision no. 4/April 24<sup>th</sup>, 2019, the Ordinary General Meeting of the Shareholders approved the distribution from the net profit of the financial year 2018 of an amount of RON 9.800.993 for **dividends** (respectively a gross amount of a dividend of RON 0,0095/share), the payment date being set for October 22<sup>nd</sup>, 2019.

**CIUCIOI Ionel-Marian**  
Chairman of the Board of Directors

**ARSENE Vasilica-Monica**  
Financial Manager