



**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*

**Individual half-yearly report for the 1<sup>st</sup> half of 2017  
 according to the CNVM Regulation no. 1/2006**

Date of report	<b>August 14<sup>th</sup>, 2017</b>
Name of the issuing entity	<b>VRANCART S.A.</b>
Registered office	<b>Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county</b>
Tel./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>103.168.355 lei</b>
The regulated market onto which the securities issued are traded	<b>The Bucharest Stock Exchange</b>

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

The results achieved by VRANCART S.A. (hereinafter referred to as “the Company”) in the first half of 2017 confirm the company’s ability to generate profit and its financial soundness.

In this period, the net profit recorded was 11.456.631 lei, at the level of the profit estimated in the Revenues and Expenditures Budget.

The interim (simplified, non-audited) individual financial statements as at June 30<sup>th</sup>, 2017 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 1<sup>st</sup> half of 2017 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 lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>December 31<sup>st</sup>, 2016</b>	<b>%</b>
Non-current assets	214.413.329	188.685.292	+14%
Current assets, out of which:	98.835.365	101.773.706	-3%
- <i>Trade receivables</i>	44.768.933	39.695.711	+13%
<b>Total assets</b>	<b>313.248.694</b>	<b>290.458.998</b>	<b>+8%</b>
<b>Total liabilities, out of which:</b>	<b>149.681.867</b>	<b>124.318.743</b>	<b>+20%</b>
- <i>Current liabilities</i>	54.677.595	68.503.442	-20%
<b>Equity, out of which:</b>	<b>163.566.827</b>	<b>166.140.255</b>	<b>-2%</b>
- <i>Reserves</i>	46.533.520	46.537.915	
- <i>Retained earnings</i>	13.864.952	16.433.985	-16%

As at June 30<sup>th</sup>, 2017 and during the period between January 1<sup>st</sup> – June 30<sup>th</sup>, 2017, the evolution of the main financial indicators was as follows:

- the Company's non-current assets increased by 14% following the investments made during the first half of 2017.
- The Company's current assets had decreased by 3% as at June 30<sup>th</sup>, 2017 from the year beginning following the reduction of available cash resources. As at December 31<sup>st</sup>, 2016, these included an escrow account of 9 million lei that was used in the meantime for the acquisition of 70% of the shares of ROM PAPER S.R.L.
- The trade receivables increased during the first six months of 2017 from the year beginning by 13% (5 million lei), following the increase of delivered production.
- The total liabilities as at June 30<sup>th</sup>, 2017 amount to 149.681.867 lei, up by 20% from the value recorded as at January 1<sup>st</sup>, 2017, due to the increase in current liabilities by 14 million lei, by recognising in these the dividends to be paid by the end of 2017.
- The equity amount as at June 30<sup>th</sup>, 2017 is 163.566.827 lei, down by 2% from their value at the year beginning. The reduction in retained earnings as at June 30<sup>th</sup>, 2017 is due to the distribution of dividends to be paid from the profit for 2016 approved during the General Meeting of the Shareholders held in April 2017.

## 1.2. Profit and loss account

<i>(all items are expressed in lei, unless otherwise stated)</i>	<b>June 30<sup>th</sup>, 2017</b>	<b>June 30<sup>th</sup>, 2016</b>	<b>%</b>
Operating revenues, out of which:	120.263.421	117.360.619	+2%
<i>Income from turnover</i>	<i>119.307.225</i>	<i>111.257.183</i>	+7%
Operating expenses	(106.481.195)	(104.156.150)	+2%
<b>Operating profit</b>	<b>13.782.226</b>	<b>13.204.469</b>	<b>+4%</b>
Financial revenues	(75.160)	2.051	
Financial expenses	(936.332)	(875.062)	+7%
<b>Total revenues</b>	<b>120.188.261</b>	<b>117.362.670</b>	<b>+2%</b>
<b>Total expenses</b>	<b>(107.417.526)</b>	<b>(105.031.212)</b>	<b>+2%</b>
<b>Gross profit</b>	<b>12.770.735</b>	<b>12.331.458</b>	<b>+4%</b>
<b>Net profit</b>	<b>11.456.631</b>	<b>11.356.651</b>	<b>+1%</b>

During the first half of 2017 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 120.188.261 lei, up by 2% from the same period of the previous year, mainly due to the turnover increase by 7% during the same analysed period.
- The total expenses for the period amounted to 107.417.526 lei, up by 2% from the same period of the previous year, due to the increase of operating expenses at the same pace.
- The net profit for the period amounted to 11.456.631 lei, up by only 1% from the same period of the previous year, however, at the level of the estimates in the Revenues and Expenditures Budget for 2017.

### 1.3. Cash flows

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

	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
<i>Cash flows from the operating activity</i>		
Collections from the operating activity	134.895.321	130.231.592
Payments from the operating activity	(115.665.325)	(114.952.344)
<b>Net cash flows from operating activities</b>	<b>19.229.996</b>	<b>15.279.248</b>
<i>Cash flows from the investment activity</i>		
Collections from the investment activity	8.913.659	83.526
Payments from the investment activity	(40.335.205)	(24.716.492)
<b>Net cash flows from investment activities</b>	<b>(31.421.546)</b>	<b>(24.632.966)</b>
<i>Cash flows from the financing activity</i>		
Collections from the financing activity	66.851.268	20.507.452
Payments from the financing activity	(55.704.552)	(11.538.441)
<b>Net cash flows from financing activities</b>	<b>11.146.716</b>	<b>8.969.011</b>
<b>Balance at the beginning of the period</b>	<b>24.287.793</b>	<b>1.320.375</b>
<b>Balance at the end of the period</b>	<b>23.242.958</b>	<b>935.669</b>

The balance of cash and cash equivalents recorded as at June 30<sup>th</sup>, 2017 is positive, respectively of 23.242.958 lei. The cash balance increase from the same period of the previous year is mainly due to the cash contribution resulting from the bond issuance during the 1<sup>st</sup> half of 2017. This cash contribution will be used as a financing source for the investments provided in the Investments plan for the period between 2017 and 2019.

## 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 30<sup>th</sup>, 2017 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 trade company'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 2017 amounted to 16.879.382 lei, compared to 26.640.993 lei during the 1<sup>st</sup> half of the previous year. The main

investments concerned modernisations of the paperboards machine, corrugated cardboard converting equipment, modernisations 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 2017 – 2019, approved by the General Meeting of the Shareholders held in April 2017, both from the company's own financing sources and from attracted sources (bank loans and loans from bond issues).

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 30<sup>th</sup>, 2017 were as follows:

Indicator name	MU	June 30 <sup>th</sup> , 2017	June 30 <sup>th</sup> , 2016
Overall liquidity	ratio	1,81	0,98
Immediate liquidity	ratio	1,37	0,63
Stock turnover	rot/year	10	9
Debt recovery	days	66	69
Reimbursement of trade liabilities	days	25	26
Operation profitability	%	11,3	11,5
Gross profit ratio	%	10,5	11,1

The overall and immediate liquidity indicators had recorded increases as at June 30<sup>th</sup>, 2017 due to the cash contribution from the bond issues during the first half of 2017.

The other indicators did not record any major changes as at June 30<sup>th</sup>, 2017 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. does not have any events or transactions that might affect to a significant extent the main activity to report.

**3. Changes that affect the trade company's capital and management**

**3.1. Description of the circumstances when the trade company 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 trade company.**

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 July 11<sup>th</sup>, 2017 the company completed the purchase of the second 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, according to the sales agreement concluded between the contracting parties. Following this transaction, VRANCART S.A. holds 85% of the shares of ROM PAPER S.R.L.

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



**ARSENE Vasilica-Monica**  
Financial Manager