



**VRANCART S.A.**  
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 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 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 Group's economic and financial situation**

The results achieved by VRANCART S.A. Group (hereinafter referred to as "the Group") in the first half of 2017 confirm its ability to generate profit and its financial soundness.

The Group structure includes: ROM PAPER S.R.L. where VRANCART holds 70% of the shares and GIANT Prodimpex S.R.L. where VRANCART is the sole shareholder.

During this period, the net consolidated profit recorded amounted to 14.412.366 lei, within the limits of the profit forecasted in the Revenues and Expenditures Budget.

The interim (simplified, non-audited) consolidated 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 Group presents for the first time the half-yearly consolidated results, following the purchase of 70% of the shares of ROM PAPER S.R.L. from the 1<sup>st</sup> half of 2017 and comparisons to the previous periods are not relevant.

The interim consolidated 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. Consolidated 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	232.266.285	189.332.969	+23%
Current assets, out of which:	119.340.471	102.666.103	+16%
- <i>Trade receivables</i>	57.833.058	39.692.123	+46%
<b>Total assets</b>	<b>351.606.756</b>	<b>291.999.072</b>	<b>+20%</b>
<b>Total liabilities, out of which:</b>	<b>175.683.379</b>	<b>125.563.388</b>	<b>+40%</b>
- <i>Current liabilities</i>	74.058.867	69.716.020	+6%
<b>Equity, out of which:</b>	<b>175.923.377</b>	<b>166.435.684</b>	<b>+6%</b>
- <i>Reserves</i>	47.903.343	46.411.085	+3%
- <i>Retained earnings</i>	15.992.978	16.856.244	-5%

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 Group's non-current assets increased by 23% following the investments made in the first half of 2017 and as an effect of the consolidation.
- The Company's current assets had increased by 16% as at June 30<sup>th</sup>, 2017 compared to the year beginning following the increase of stocks and trade receivables. As at December 31<sup>st</sup>, 2016, these included an escrow account of 9 million lei that was used in the meantime to purchase 70% of the shares of ROM PAPER.
- The trade receivables increased by 46\$ (18 mil. lei) during the first six months of 2017 compared to the year beginning, following the consolidation of accounts.
- The total liabilities recorded as at June 30<sup>th</sup>, 2017 amounted to 175.683.379 lei, up by 40% from the value recorded as at January 1<sup>st</sup>, 2017 following to the increase of long-term liabilities due to the loans from bond issues and as an effect of the consolidation of branches.
- The equity as at June 30<sup>th</sup>, 2017 amounted to 175.923.377 lei, up by 6% from their value as at the year beginning. The reserves increased by 3%. The reduction of retained earnings as at June 30<sup>th</sup>, 2017 is due to the distribution of the profit for 2016 in dividends to be paid, following the decision adopted during the General Meeting of the Shareholders held in April 2017.

## 1.2. Consolidated 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:	135.852.553	117.360.619	+16%
<i>Income from turnover</i>	<i>135.936.921</i>	<i>114.525.197</i>	<i>+19%</i>
Operating expenses	118.528.715	104.156.150	+14%
<b>Operating profit</b>	<b>17.323.838</b>	<b>13.204.469</b>	<b>+31%</b>
Financial revenues	-80.993	2.051	-
Financial expenses	954.727	875.062	+9%
<b>Total revenues</b>	<b>135.771.560</b>	<b>117.362.670</b>	<b>+16%</b>
<b>Total expenses</b>	<b>119.483.442</b>	<b>105.031.212</b>	<b>+14%</b>
<b>Gross profit</b>	<b>16.288.118</b>	<b>12.331.458</b>	<b>+32%</b>
<b>Net profit</b>	<b>14.412.366</b>	<b>11.356.651</b>	<b>+27%</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 were as follows:

- The total revenues during the analysed period amounted to 135.771.560 lei, up by 16% from the same period of the previous year, mainly due to the turnover increase by 19% during the same analysed period.
- The total expenses for the period amounted to 119.483.442 lei, up by 14% from the same period of the previous year, due to increase in operating expenses at the same pace.
- The net consolidated profit for the period amounted to 14.412.366 lei, up by 27% from the same period of the previous year.

It must be stated that the figures for the first half of 2017 are results of the Group consolidation, while the figures for the same period of the previous year are individual results achieved by the company VRANCART.

## **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.

### **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 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**

VRANCART Group 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

VRANCART Group 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