

*Translation for information purposes only*

**VRANCART S.A.**

**Interim consolidated financial statements  
(simplified, not audited)  
as at September 30<sup>th</sup>, 2018**

drawn up in accordance with the Order of the Public Finance Ministry  
no. 2844/2016 for the approval of Accounting regulations compliant with the  
International Financial Reporting Standards, applicable to trade companies  
whose securities are admitted to trading on a regulated market

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Vrancart S.A.

## Consolidated statement of financial position

as at September 30<sup>th</sup>, 2018

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

	September 30 <sup>th</sup> , 2018	December 31 <sup>st</sup> , 2017
<b>ASSETS</b>		
Tangible assets	292.319.568	263.138.155
Intangible assets	8.238.203	9.230.006
Goodwill	8.469.776	8.526.391
<b>Total non-current assets</b>	<b>309.027.547</b>	<b>280.894.552</b>
Inventories	41.685.435	42.945.100
Trade receivables	67.142.053	66.016.628
Prepaid expenses	818.036	730.972
Restricted cash	4.130	4.130
Cash and cash equivalents	3.492.665	3.219.141
Receivables related to current profit tax	186.206	1.002.646
Other receivables	747.268	416.657
<b>Total current assets</b>	<b>114.075.793</b>	<b>114.335.274</b>
<b>TOTAL ASSETS</b>	<b>423.103.340</b>	<b>395.229.826</b>
<b>EQUITY</b>		
Share capital	103.168.355	103.168.355
Reserves	75.125.090	75.445.583
Retained earnings	24.528.459	18.129.505
<b>Total equity</b>	<b>202.821.904</b>	<b>196.743.443</b>
<b>LIABILITIES</b>		
Long-term loans	53.192.182	39.202.465
Long-term loans from bond issues	37.232.800	37.232.800
Deferred income	19.142.253	20.793.786
Long-term provisions	376.015	376.015
Debts related to deferred profit tax	4.116.231	5.987.434
Other long-term liabilities	1.017.200	1.017.200
<b>Total long-term liabilities</b>	<b>115.076.681</b>	<b>104.609.700</b>
Short-term trade liabilities	46.092.684	38.793.148
Short-term loans	33.685.115	37.554.938
Deferred income	2.724.671	3.212.452
Short-term provisions	-	72.393
Debts related to current profit tax	526.674	51.695
Other liabilities	22.175.611	14.192.057
<b>Total current liabilities</b>	<b>105.204.755</b>	<b>93.876.683</b>
<b>TOTAL LIABILITIES</b>	<b>220.281.436</b>	<b>198.486.383</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>423.103.340</b>	<b>395.229.826</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

Vrancart S.A.

## Consolidated statement of comprehensive income

as at September 30<sup>th</sup>, 2018

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

	September 30 <sup>th</sup> , 2018	September 30 <sup>th</sup> , 2017
Income from turnover	265.490.207	250.853.269
Other income	3.208.695	2.462.493
Variation of finished products inventories and production in progress	369.646	(2.088.690)
Expenses related to raw materials and consumables	(133.372.482)	(134.545.326)
Expenses related to commodities	(14.940.934)	(6.905.122)
Third-party expenses	(18.509.335)	(18.081.202)
Personnel-related expenses	(48.782.024)	(44.659.143)
Expenses related to the amortisation and depreciation of assets	(19.203.528)	(14.620.446)
Other expenses	(12.664.115)	(6.814.788)
<b>Operating result</b>	<b>21.596.130</b>	<b>25.601.045</b>
Financial income	1.781.384	(106.105)
Financial expenses	(3.937.082)	(1.611.268)
<b>Profit before taxation</b>	<b>19.440.432</b>	<b>23.883.672</b>
Profit tax income (expense)	793.895	(2.329.999)
<b>Profit for the year</b>	<b>20.234.327</b>	<b>21.553.673</b>
<b>Other comprehensive income items</b>		
Increases in 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	(223.708)	(735.467)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>20.010.619</b>	<b>20.818.206</b>

**CIUCIOI Ionel-Marian**  
General Manager

**ARSENE Vasilica-Monica**  
Financial Manager

**Notes to the interim consolidated financial statements***as at September 30<sup>th</sup>, 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 township, DN 73B, Brasov county.

The Group’s interim consolidated financial statements for the first nine months of 2018 are formed of the financial statements of Vrancart S.A. and of its branches, altogether forming the Group.

<b>Branch</b>	<b>Field of activity</b>	<b>Shareholding as at September 30<sup>th</sup>, 2018</b>	<b>Shareholding as at December 31<sup>st</sup>, 2017</b>
Giant Prodimpex S.R.L.	Production of corrugated cardboard packaging	<b>100%</b>	<b>100%</b>
Rom Paper S.R.L.	Production of napkins and tissue paper products	<b>99,9%</b>	<b>85%</b>

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

**VRANCART S.A.**

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

The company has its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The company has work points for waste paper collection 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 manufacturing 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 paper in various assortments.

The Company’s shares are listed at the Bucharest Stock Exchange, Standard category, with the indicative VNC, starting from July 15<sup>th</sup>, 2005. The Group posts its consolidated financial statements on the website [www.vrancart.ro](http://www.vrancart.ro).

Vrancart S.A.

## Notes to the interim consolidated financial statements

as at September 30<sup>th</sup>, 2018

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As at September 30<sup>th</sup>, 2018, the Company is held in a proportion of 75% by SIF Banat - Crişana S.A. and 25% by other shareholders.

### ***GIANT PRODIMPEX S.R.L.***

On July 17<sup>th</sup>, 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 from April 29<sup>th</sup>/ 30<sup>th</sup>, 2015, through the Decision no. 7. Following the acquisition, Vrancart holds 100% of the shares in Giant Prodimpex S.R.L.

Giant Prodimpex S.R.L. ("Branch 1") was established in 1994 and it is a Romanian privately-owned company. The constant 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

Registered with the Trade Registry under no.: J26/1305/1994

Tax Identification Number – 6564319

Field of activity – production of corrugated cardboard packaging

### ***ROM PAPER S.R.L.***

On January 20<sup>th</sup>, 2017, the company completed the process related to the acquisition of the majority stake in 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 that produces napkins, folded towels, tissue paper, professional rolls, facial tissues and boxed 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 provides the sale of 70% of the shares of Rom Paper S.R.L. in 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 fails to exert its option to acquire 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 granting 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 can be exerted.

As at September 30<sup>th</sup>, 2018, the Group holds 99,9% of the shares of Rom Paper S.R.L., following the exertion of the call 2 option for the acquisition of 15% of the shares of Rom Paper S.R.L. in 2018.

## **Accounting principles, policies and methods**

The simplified interim consolidated financial statements for the first nine months ended on September 30<sup>th</sup>, 2018 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim financial statements do not include all the information and elements published in the annual report and must be read with the Company's financial statements, drawn up as at December 31<sup>st</sup>, 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 31<sup>st</sup>, 2017.

Combinations of entities are accounted for through the acquisition method on the date when the Group obtains control over the purchased entity. The control requires exposure or rights onto the variable results of the entity invested in, as well as the capacity to influence those results by exercising authority on that entity.

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 to be exercised until the date when it ceases.

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

## **Transactions in foreign currencies**

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

The gains or losses resulting from their discounting and from the conversion using the currency exchange rate at the end of the period for the 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:

<b>Currency</b>	<b>September 30<sup>th</sup>, 2018</b>	<b>December 31<sup>st</sup>, 2017</b>	<b>Variation</b>
Euro (EUR)	4,6637	4,6597	+0,09%
American dollars (USD)	4,0210	3,8915	+3,33%

## **Other notes**

The Company's management established its medium and long-term strategy and the estimates provide increases of sales and cost reductions following the effective use of resources, which will lead to the operating profit increase.

The Group recorded as at September 30<sup>th</sup>, 2018 a positive cash balance in the amount of RON 3.492.665 and it does not have any outstanding liabilities to the public budgets or to its private partners.

The Group gives particular importance to profitability indicators, by optimizing the operational and liquidity processes, through the effective use of resources.

Vrancart S.A.

## **Notes to the interim consolidated financial statements**

*as at September 30<sup>th</sup>, 2018*

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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.

On July 10<sup>th</sup>, 2018, the Company completed the purchase of the final tranche of 15% of the shares in 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 100% of the shares in ROM PAPER S.R.L.

The Extraordinary General Meeting of the Shareholders gathered on August 1<sup>st</sup>, 2018 approved the merger through absorption of Vrancart S.A., as absorbing company, and Giant Prodimpex S.R.L., as absorbed company, under the conditions met according to law. The company is undergoing the procedure for compliance with the legal requirements and the file is pending before the Vrancea Tribunal, waiting for the resolution and issuance of the approval decision by the delegated judge.

### **Subsequent events**

On October 25<sup>th</sup>, 2018, the dividends amounting to RON 11.159.080 were paid by the parent-company to the shareholders, according to the legal provisions, based on the Decision for the payment of dividends, as approved by the Ordinary General Meeting of the Shareholders in April 2018.

### **Management's statement**

According to our best information available, we confirm that the simplified interim consolidated financial statements as at September 30<sup>th</sup>, 2018 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view on 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 occurred during the first nine 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