

Translation for information purposes only

VRANCART S.A.

**Interim consolidated financial statements
(simplified, not audited)
as at September 30th, 2019**

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 30th, 2019

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

	September 30 th , 2019	December 31 st , 2018
ASSETS		
Tangible assets	286.320.713	284.802.972
Intangible assets	8.126.784	8.052.663
Financial assets	-	34.756
Goodwill	8.526.391	8.526.391
Total non-current assets	302.973.888	301.416.782
Inventories	56.166.887	48.922.412
Trade receivables	74.244.204	68.673.849
Prepaid expenses	886.192	880.606
Cash and cash equivalents	2.923.116	2.435.896
Receivables related to current profit tax	105.959	102.001
Other receivables	1.049.144	765.937
Total current assets	135.375.502	121.780.701
TOTAL ASSETS	438.349.390	423.197.483
EQUITY		
Share capital	103.168.355	103.168.355
Reserves	86.740.817	86.396.421
Retained earnings	19.181.821	12.949.042
Total equity	209.090.993	202.513.818
LIABILITIES		
Long-term loans	51.995.447	52.434.084
Long-term loans from bond issues	37.968.077	37.887.400
Deferred income	16.253.136	18.304.694
Long-term provisions	372.440	372.440
Debts related to deferred profit tax	4.945.727	5.143.692
Other long-term liabilities	362.600	362.600
Total long-term liabilities	111.897.427	114.504.910
Short-term trade liabilities	34.271.876	38.611.249
Short-term loans	58.961.749	53.202.034
Deferred income	2.736.633	2.740.289
Debts related to current profit tax	952.195	7.928
Other liabilities	20.438.517	11.617.255
Total current liabilities	117.360.970	106.178.755
TOTAL LIABILITIES	229.258.397	220.683.665
TOTAL EQUITY AND LIABILITIES	438.349.390	423.197.483

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Vrancart S.A.

Consolidated statement of comprehensive income

as at September 30th, 2019

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

	September 30 th , 2019	September 30 th , 2018
Income from turnover	272.295.667	265.490.207
Other income	2.931.124	3.208.695
Variation in finished products inventories and production in progress	10.036.006	369.646
Expenses related to raw materials and consumables	(137.192.612)	(133.372.482)
Expenses related to commodities	(19.367.236)	(14.940.934)
Third-party expenses	(20.553.563)	(18.509.335)
Personnel-related expenses	(53.945.233)	(48.782.024)
Expenses related to the amortisation and depreciation of assets	(20.084.275)	(19.203.528)
Other expenses	(11.606.955)	(12.664.115)
Operating result	22.512.923	21.596.130
Financial income	31.178	1.781.384
Financial expenses	(5.207.320)	(3.937.082)
Profit before taxation	17.336.781	19.440.432
Profit tax income (expense)	(923.992)	793.895
Profit for the year	16.412.789	20.234.327
Other comprehensive income items		
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	(22.136)	(223.708)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16.390.653	20.010.619

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Notes to the interim consolidated financial statements

as at September 30th, 2019

The entity reporting

Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branch Rom Paper SRL (“the Branch”), based in Cristian locality, DN73B, Braşov county.

The Group’s interim consolidated financial statements for the first nine months of 2019 consist of the financial statements of Vrancart S.A. and of its branch, together forming the Group.

Branch	Field of activity	Shareholding as at	Shareholding as at
		September 30 th , 2019	December 31 st , 2018
Rom Paper SRL	Production of napkins and tissue paper products	100%	100%

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 15th, 2005. The Group posts its consolidated financial statements on the website www.vrancart.ro.

As at September 30th, 2019, the Company is held in a proportion of 75% by SIF Banat - Crişana S.A. and 25% by other shareholders.

ROM PAPER S.R.L.

On January 20th, 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. (“the Branch”) 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 provided the sale of 70% of the shares of Rom Paper S.R.L. in the first stage.

The Group had 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 failed to exert its option to acquire the remaining shares, the sellers of Rom Paper S.R.L. had 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 could be exerted by both parties, the granting of dividends by Rom Paper S.R.L. was forbidden. The price at which the Seller’s options, respectively the Buyer’s options were exerted, was based on an EBITDA multiplier corresponding to the latest financial year ended previously to the periods during which the options could be exerted.

As at September 30th, 2019, the Group holds 100% 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 30th, 2019 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 31st, 2018.

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, 2018.

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 2019 have not been reviewed by an external financial auditor, as this is not a legal requirement.

Notes to the interim consolidated financial statements

as at September 30th, 2019

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:

Currency	September 30 th , 2019	December 31 st , 2018	Variation
Euro (EUR)	4.7511	4.6639	+1,9%
American dollars (USD)	4.3488	4.0736	+6,8%

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 30th, 2019 a positive cash balance in the amount of RON 2.923.116 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.

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.

Subsequent events

On October 21st, 2019, dividends amounting to RON 9.638.742 were paid 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 2019.

Management's statement

According to our best information available, we confirm that the simplified interim consolidated financial statements as at September 30th, 2019 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

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