

Translation for information purposes only

VRANCART S.A.

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

drawn up in accordance with the Order of the Public Finance Ministry 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

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Vrancart S.A.

Consolidated statement of financial position

as at June 30th, 2019

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

	June 30 th , 2019	December 31 st , 2018
ASSETS		
Tangible assets	285.369.185	284.802.972
Intangible assets	8.460.779	8.052.663
Financial assets	-	34.756
Goodwill	8.526.391	8.526.391
Total non-current assets	302.356.355	301.416.782
Inventories	55.955.646	48.922.412
Trade receivables	68.510.876	68.673.849
Prepaid expenses	1.042.659	880.606
Cash and cash equivalents	2.421.689	2.435.896
Receivables related to current profit tax	163.124	102.001
Other receivables	1.047.817	765.937
Total current assets	129.141.811	121.780.701
TOTAL ASSETS	431.498.166	423.197.483
EQUITY		
Share capital	103.168.355	103.168.355
Reserves	86.740.832	86.396.421
Retained earnings	14.001.979	12.949.042
Total equity	203.911.166	202.513.818
LIABILITIES		
Long-term loans	55.668.686	52.434.084
Long-term loans from bond issues	37.887.400	37.887.400
Deferred income	16.936.989	18.304.694
Long-term provisions	372.440	372.440
Debts related to deferred profit tax	4.840.605	5.143.692
Other long-term liabilities	362.600	362.600
Total long-term liabilities	116.068.720	114.504.910
Short-term trade liabilities	31.596.828	38.611.249
Short-term loans	57.938.558	53.202.034
Deferred income	2.737.852	2.740.289
Debts related to current profit tax	-	7.928
Other liabilities	19.245.042	11.617.255
Total current liabilities	111.518.280	106.178.755
TOTAL LIABILITIES	227.587.000	220.683.665
TOTAL EQUITY AND LIABILITIES	431.498.166	423.197.483

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Vrancart S.A.

Consolidated statement of comprehensive income

as at June 30th, 2019

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

	June 30 th , 2019	June 30 th , 2018
Income from turnover	179.035.941	176.501.282
Other income	1.540.788	2.543.093
Variation in finished product inventories and production in progress	9.024.396	(1.833.174)
Expenses related to raw materials and consumables	(92.774.681)	(89.152.042)
Expenses related to commodities	(12.000.354)	(10.565.380)
Third party expenses	(13.682.526)	(12.754.128)
Personnel-related expenses	(35.932.111)	(31.194.415)
Expenses related to amortisation and impairment of assets	(13.210.858)	(13.671.998)
Other expenses	(7.542.955)	(7.074.273)
Operating result	14.457.640	12.798.965
Financial income	23.463	2.208.737
Financial expenses	(3.438.632)	(2.262.035)
Profit before taxation	11.042.471	12.745.667
Profit tax income/(expense)	190.493	(501.390)
Profit for the year	11.232.964	12.244.277
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	(22.118)	(221.459)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11.210.846	12.022.818

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Notes to the interim consolidated financial statements

as at June 30th, 2019

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 branch Rom Paper S.R.L. („the Branch”), based in Cristian locality, DN73B, Brasov county.

The interim consolidated financial statements of the Group for the first six months of 2019 are formed of the financial statements of Vrancart S.A. and of its branch, together forming the Group.

Branch	Field of activity	Shareholding as at June 30th, 2019	Shareholding as at December 31st, 2018
Rom Paper S.R.L.	Production of napkins and tissue paper products	100%	100%

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

VRANCART S.A.

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

The company is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County.

The company has work points for waste paper collection opened in the following localities: Bucharest, Iași, Focșani, Bacău, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Baia Mare, Târgu Mureș, Craiova, Brăila and Călimănești.

The company’s main object of activity is represented by the manufacture 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 papers in various assortments.

The company’s shares are listed to 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 June 30th, 2019, the Company is owned 75% by SIF Banat – Crișana 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 of 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 which produces napkins, folded towels, tissue paper, professional rolls and facial 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. during 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 did not exert its option to purchase 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 distribution 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 is 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 June 30th, 2019, the Group holds 100% of the shares of Rom Paper S.R.L., following the exerting 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 six months ended on June 30th, 2019 were drawn up in accordance with IAS 34 Interim Financial Statements.

The simplified interim consolidated financial statements do not include all the information and elements presented in the annual report and shall be read together with the Company's annual 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 through the acquisition method on the date when the Group obtains control over the acquired entity. Control requires exposure or rights onto the variable results of the entity in which investments were made, as well as the ability to influence those results by exerting authority over the entity in question.

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 being exerted until the date of its cessation.

The interim consolidated financial statements for the first six months of 2019 have not been revised by an external financial auditor, as this is not a legal requirement.

Notes to the interim consolidated financial statements

as at June 30th, 2019

Transactions in foreign currencies

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

The losses or gains from their discounting and from the conversion using the exchange rate as at the end of the period for 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	June 30 th , 2019	December 31 st , 2018	Variation
Euro (EUR)	4,7351	4.6639	+1,53%
American dollars (USD)	4,1587	4.0736	+2,09%

Other notes

The Group's management has established its medium and long-term strategy, and the estimates provide increases of sales and reductions of costs due to the effective use of the resources, that will lead to an increase of the operating profit.

The Group recorded as at June 30th, 2019 a positive cash balance of RON 2.421.689 and does not have any outstanding liabilities to the public budgets or to its private partners.

The Group pays great attention to profitability indicators, by streamlining its operational and liquidity processes and through the effective use of its 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

Not applicable.

Management's statement

According to our best information available, we confirm that the simplified interim consolidated financial statements as at June 30th, 2019 and for the period then ended, drawn up in accordance with the International Financial Reporting Standards, provide a fair and accurate view of 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 took place during the first six 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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Financial Manager