

Translation for information purposes only

VRANCART S.A.

**Interim consolidated financial statements
(simplified, not audited)
as at March 31st, 2018**

drawn up in accordance with
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

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Vrancart S.A.

Consolidated statement of financial position

as at March 31st, 2018

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

	March 31 st , 2018	December 31 st , 2017
ASSETS		
Tangible assets	264.108.494	263.138.155
Intangible assets	8.872.433	9.230.006
Goodwill	8.515.006	8.526.391
Total non-current assets	281.495.933	280.894.552
Inventories	46.694.943	42.945.100
Trade receivables	66.486.788	66.016.628
Prepaid expenses	949.953	730.972
Restricted cash	-	4.130
Cash and cash equivalents	2.864.571	3.219.141
Receivables related to current profit tax	1.124.958	1.002.646
Other receivables	175.984	416.657
Total current assets	118.297.197	114.335.274
TOTAL ASSETS	399.793.130	395.229.826
EQUITY		
Share capital	103.168.355	103.168.355
Reserves	77.898.232	75.445.583
Retained earnings	20.837.304	18.129.505
Total equity	201.903.891	196.743.443
LIABILITIES		
Long-term loans	41.142.446	39.202.465
Long-term loans from bond issues	37.232.800	37.232.800
Deferred income	19.972.109	20.793.786
Long-term provisions	376.015	376.015
Debts related to deferred profit tax	6.055.112	5.987.434
Other long-term liabilities	1.017.200	1.017.200
Total long-term liabilities	105.795.682	104.609.700
Short-term trade liabilities	35.412.118	38.793.148
Short-term loans	41.859.041	37.554.938
Deferred income	3.202.835	3.212.452
Short-term provisions	-	72.393
Debts related to current profit tax	53.929	51.695
Other liabilities	11.565.634	14.192.057
Total current liabilities	92.093.557	93.876.683
TOTAL LIABILITIES	197.889.239	198.486.383
TOTAL EQUITY AND LIABILITIES	399.793.130	395.229.826

CIUCIOI Ionel-Marian
General Manager

ARSENE Vasilica-Monica
Financial Manager

Notes to the interim consolidated financial statements (not audited) as at March 31st, 2018

	March 31 st , 2018	March 31 st , 2017
Income from turnover	88.531.078	72.819.012
Other income	1.387.869	824.622
Variation of finished products inventories and production in progress	46.105	(603.771)
Expenses related to raw materials and consumables	(48.266.723)	(36.839.971)
Expenses related to goods	(4.705.362)	(2.004.946)
Third party expenses	(6.469.555)	(5.090.117)
Personnel-related expenses	(15.512.344)	(13.224.017)
Expenses related to amortisation and impairment of assets	(7.283.615)	(5.105.342)
Other expenses	(3.040.823)	(2.520.461)
Operating result	4.686.630	8.255.010
Financial income	1.199.266	(11.948)
Financial expenses	(1.266.893)	(441.682)
Profit before taxation	4.619.003	7.801.380
Profit tax income (expense)	451.659	(816.984)
Profit for the year	5.070.662	6.984.396
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	(197.315)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4.873.347	6.984.396

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ARSENE Vasilica-Monica
Financial Manager

Note: As the process related to the acquisition of the shares of Branch 2 (Rom Paper S.R.L.) was completed on January 20th, 2017, in the comparative statement as at March 31st, 2017, the financial data for January 2017 was not included for this branch.

Notes to the interim consolidated financial statements (not audited)
as at March 31st, 2018

The entity reporting

Vrancart Group (“the Group”) includes the company Vrancart S.A., based 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, Mureș county
2. Rom Paper S.R.L., based in Cristian locality, DN73B, Brasov county.

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

Branch	Field of activity	Shareholding as at March 31st, 2018	Shareholding as at December 31st, 2017
Giant Prodimpex S.R.L.	Production of corrugated cardboard packaging	100%	100%
Rom Paper S.R.L.	Production of napkins and tissue paper products	85%	85%

The Group operates in the tissue paper, paperboards and corrugated cardboard production 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 is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The company has working 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, Braila and Calimanesti.

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 March 31st, 2018, the Company is held in a percentage of 75% by SIF Banat - Crișana S.A. and in a percentage of 25% by other shareholders.

Notes to the interim consolidated financial statements (not audited)
as at March 31st, 2018

GIANT PRODIMPEX S.R.L.

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

Giant Prodimpex S.R.L. (“Branch 1”) was established in 1994 and it is a Romanian private company. The continuous 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

Trade Registry registration number – J26/1305/1994

Tax Identification Number – 6564319

Object of activity – manufacturing of corrugated cardboard packaging

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 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, it is forbidden the granting of dividends by Rom Paper S.R.L. 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 March 31st, 2018, the Group holds 85% of the shares of Rom Paper S.R.L., following the exertion of the call 1 option for the acquisition of 15% of the shares of Rom Paper S.R.L. in 2017.

Accounting principles, policies and methods

The simplified interim consolidated financial statements for the first three months ended on March 31st, 2018 were drafted in accordance with IAS 34 Interim Financial Statements.

The simplified interim consolidated financial statements do not include all the information and elements included in the annual report and must be read with the Company’s annual financial statements, drawn up as at December 31st, 2017.

Notes to the interim consolidated financial statements (not audited)
as at March 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, 2017.

Combinations of entities are accounted through the purchase method on the date when the Group obtains control over the acquired entity. The 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 exercising authority over the entity in question.

The 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 three months of 2018 have not been revised by an external financial auditor, as this is not a legal requirement.

Transactions in foreign currency

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 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:

Foreign currency	March 31st, 2018	December 31st, 2017	Variation
Euro (EUR)	4.6576	4.6597	-0,05%
American dollars (USD)	3.7779	3.8915	-2,92%

Other notes

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

As at March 31st, 2018, the Group recorded a positive cash balance of RON 2.864.571 and it does not have any outstanding debts to the public budgets or to its private partners.

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

Based on these analyses, the management considers that the Group will be able to continue its activity in the foreseeable future, but not limited to the following 12 months, therefore, the application of the business continuity principle in drafting the consolidated financial statements is justified.

Subsequent events

On **April 27th, 2018**, the Ordinary General Meeting of the Shareholders approved the individual and consolidated financial statements as at December 31st, 2017 and the Revenues and Expenses Budget of VRANCART S.A. for the financial year 2018, along with the investments plan for the period between 2018 – 2019.

Through the decision no. 4/April 27th, 2018, the Ordinary General Meeting of the Shareholders approved for the Parent-company the distribution from the net profit of the financial year 2017 of the amount of RON 11.348.519 for **dividends** (namely dividends with a gross amount of RON 0,011/share), the payment date being set for October 26th, 2018.

Through the decision no. 1/April 27th, 2018, the Extraordinary General Meeting of the Shareholders approved in principle the proposal on the merger through absorption between Vrancart S.A. as absorbing company and Giant Prodimpex S.R.L. as absorbed company.

Management's statement

According to our best information available, we confirm that the simplified interim consolidated financial statements as at March 31st, 2018 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 three months of the financial year and of their impact onto the simplified interim financial statements.

CIUCIOI Ionel-Marian
General Manager

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