Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2020

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

Contents

Vrancart S.A.

Consolidated statement of financial position

for the financial year ended on December 31st, 2020

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

	Note	December 31st, 2020	December 31st, 2019
ASSETS			**(corrected)**
Tangible assets	5	315.908.406	316.748.381
Intangible assets	6	6.788.609	7.717.493
Financial assets		41.094	35.293
Goodwill	6	8.526.391	8.526.391
Total non-current assets		**331.264.500**	**333.027.558**
Inventories	7	53.013.513	59.649.487
Trade receivables	8	71.841.836	72.238.293
Prepaid expenses		870.819	869.447
Cash and cash equivalents	9	5.558.078	2.485.165
Receivables related to current profit tax		-	339.999
Other receivables	10	1.212.397	473.401
Total current assets		**132.496.643**	**136.055.792**
TOTAL ASSETS		**463.761.143**	**469.083.350**
EQUITY			
Share capital	11	103.168.355	103.168.355
Reserves	11	114.957.240	110.269.220
Retained earnings		9.652.131	9.694.356
Total equity – Parent-company		**227.777.726**	**223.131.931**
Non-controlling interests		281	-
Total equity		**227.778.007**	**223.131.931**
LIABILITIES			
	15	43.766.905	46.168.826
Long-term loans	14	10.570.722	8.438.653
Long-term liabilities under leasing contracts	15	37.627.000	37.942.100
Long-term loans from bond issues	18	12.851.179	15.569.283
Long-term debts to employees	16	453.855	331.832
Debts related to deferred profit tax	17	5.503.412	6.718.435
Other long-term liabilities	13	645.822	348.508
Total long-term liabilities		**111.418.895**	**115.517.637**
Short-term trade liabilities	12	39.683.654	37.564.636
Short-term loans	15	66.709.792	75.327.882
Short-term liabilities under leasing contracts		4.011.256	4.035.213
Deferred income	18	2.726.759	2.735.415
Debts to employees	16	5.411.426	5.011.438
Debts related to current profit tax		966.800	-
Other liabilities	13	5.054.554	5.759.197
Total current liabilities		**124.564.241**	**130.433.782**
TOTAL LIABILITIES		**235.983.136**	**245.951.419**
TOTAL EQUITY AND LIABILITIES		**463.761.143**	**469.083.350**

The financial statements were approved by the Board of Administrators.

General Manager	Financial Manager
Ionel-Marian Ciucioi	Monica Vasilica Arsene

The notes from page 5 to page 47 are an integrant part of the financial statements.

Vrancart S.A.

Consolidated statement of comprehensive income

as at December 31st, 2020

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

	Note	2020	2019
Income from turnover	19	349.656.944	362.000.902
Other income	20	5.402.360	3.938.285
Variation of finished products inventories and production in progress		(7.569.998)	15.219.705
Expenses related to raw materials and consumables	21	(161.404.382)	(183.234.053)
Expenses related to commodities		(12.929.903)	(26.232.934)
Third party expenses	22	(27.931.900)	(27.879.290)
Personnel-related expenses	24	(71.963.147)	(72.400.901)
Expenses related to amortisation and impairment of tangible assets	5	(34.834.216)	(29.693.232)
Other expenses	23	(13.725.893)	(10.176.578)
Operating result		**24.699.865**	**31.541.904**
Financial income	25	925	1.709
Financial expenses	25	(6.062.153)	(7.098.653)
Profit before taxation		**18.638.637**	**24.444.960**
Profit tax expense	26	(2.025.331)	(1.234.759)
Profit for the year		**16.613.306**	**23.210.201**
- **Of the Parent-company**		**16.613.325**	**23.210.201**
- **Of minority interests**		**(19)**	**-**
Other comprehensive income items		**2020**	**2019 (corrected)**
Increases in the reserve from revaluation of tangible assets, net of deferred tax (Note 2 b1)		-	10.630.609
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16.613.306**	**33.840.810**
- **Of the Parent-company**		**16.613.325**	**33.840.810**
- **Of minority interests**		**(19)**	**-**
Earnings per share	27		
Base earnings per share		0,0161	0,0225
Diluted earnings per share		0,0142	0,0196

The financial statements were approved by the Board of Administrators.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 47 are an integrant part of the financial statements.

Vrancart S.A.

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2020

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

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Non-controlling interests	Total equity
Balance as at January 1st, 2019	**103.168.355**	**44.399.519**	**41.996.902**	**12.949.042**	**-**	**202.513.818**
Comprehensive income for the period						
Comprehensive income for the period	-	-	-	23.210.201	-	23.210.201
Changes in the reserve from the revaluation of tangible assets, net of deferred tax (Corrected Note 2 - b1)	-	10.630.609	-	-	-	10.630.609
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(23.979)	-	23.979	-	-
Total comprehensive income for the year	**-**	**10.606.630**	**-**	**23.234.180**	**-**	**33.840.810**
Correction of errors (Note 2 - b1)				(3.421.703)	-	(3.421.703)
Distribution of reserves			13.266.170	(13.266.170)	-	-
Distribution of dividends		-	-	(9.800.994)	-	(9.800.994)
Balance as at December 31st, 2019 (corrected)	**103.168.355**	**55.006.148**	**55.263.072**	**9.694.356**	**-**	**223.131.932**
Balance as at January 1st, 2020	**103.168.355**	**55.006.148**	**55.263.072**	**9.694.356**	**-**	**223.131.932**
Comprehensive income for the period						
Comprehensive income for the period	-	-	-	16.613.325	(19)	16.613.306
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	(84.534)	-	84.534		-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets		(3.252.903)		3.252.903		-
Total comprehensive income for the year	-	**-**	**-**	**17.286.367**		**17.286.367**
Distribution of reserves	-	-	8.025.456	(8.025.456)		-
Distribution of dividends	-	-	-	(11.967.530)		(11.967.530)
Changes in the group structure - non-controlling interests	-	-	-	-	300	300
Balance as at December 31st, 2020	**103.168.355**	**51.668.712**	**63.288.528**	**9.652.131**	**281**	**227.778.007**

The financial statements were approved by the Board of Administrators.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 47 are an integrant part of the financial statements.

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

	Note	2020	2019
Cash flows from operating activities			
Amounts collected from customers		400.037.149	413.662.850
Payments to suppliers		(230.364.017)	(273.627.372)
Payments to employees		(46.401.229)	(45.592.583)
Payments to the state budget		(55.125.576)	(57.340.504)
Profit tax paid		(2.171.302)	(1.590.547)
Net cash flows from operating activities		**65.975.025**	**35.511.844**
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets		(39.342.622)	(34.561.091)
Amounts collected from the sale of tangible assets		10.282.717	186.315
Interests collected		400	268
Net cash flows from investment activities		**(29.059.505)**	**(34.374.508)**
Cash flows from financing activities			
Amounts collected from loans		18.582.699	35.078.786
Cash contribution for shares		300	-
Payments for leasing		(5.068.315)	(3.437.670)
Interests paid and loans reimbursed		(35.695.646)	(23.125.321)
Dividends paid		(11.661.645)	(9.603.862)
Net cash flows from financing activities		**(33.842.607)**	**(1.088.067)**
Net increase/(reduction) of cash and cash equivalents		**3.072.913**	**49.269**
Cash and cash equivalents at the financial year beginning	9	**2.485.165**	**2.435.896**
Cash and cash equivalents at the financial year end	9	**5.558.078**	**2.485.165**

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 47 are an integrant part of the financial statements.

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

1. The reporting entity

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. ("Branch 1"), based in Brasov locality, 30 Cristianului Road, Brasov county, Vrancart Recycling S.R.L. ("Branch 2"), based in in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and Ecorep Group S.A. ("Branch 3"), based in in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county.

The consolidated financial statements of the Group for the financial year ended on December 31st, 2020 are formed of the financial statements of Vrancart S.A. and of its branches, that form together the Group.

Branch	Field of activity	Shareholding as at December 31st, 2020	Shareholding as at December 31st, 2019
Rom Paper S.R.L.	Production of napkins and tissue paper products	**100%**	**100%**
Vrancart Recycling S.R.L.	Treatment and disposal of non-hazardous waste	**100%**	**-**
Ecorep Group S.A.	Business support services n.e.c.	**99,6%**	**-**

The Group operates in the field of non-hazardous waste collection and recycling, in the 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 working points for waste paper collection opened in the following localities: Bucharest, Calimanesti, Ungheni, Iași, Focșani, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Bacău, Cluj, Craiova, Baia Mare, Târgu Mures and Braila.

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 average number of employees as at December 31st, 2020 was 1104 (December 31st, 2019: 1180 employees).

1. The reporting entity (continued)

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 its website www.vrancart.ro.

As at December 31st, 2020, the company is owned 75% by SIF Banat – Crisana S.A., 17% by Paval Holding S.R.L. and 8% by other shareholders.

The record of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

ROM PAPER S.R.L.

Rom Paper S.R.L. ("**Branch 1**") was established in 2002 and it is a Romanian privately-owned company, which produces napkins, folded paper towels, tissue paper, professional rolls, facial tissues and boxed tissues. Its products are traded in 7 countries, both on the territory of Romania, and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

On January 20th, 2017, the Company completed the purchase of the majority stake (70%) in Rom Paper S.R.L.

As at December 31st, 2020, the Group held 100% of the company's shares, following the purchase in June 2017 of 15%, respectively in June 2018 of the last tranche of 15% of the shares in Rom Paper S.R.L.

As at December 31st, 2020, the Branch had a number of 172 employees (December 31st, 2019: 136 employees).

VRANCART RECYCLING S.R.L.

Vrancart Recycling S.R.L. ("Branch 2") was established in August 2020 and it is a Romanian privately-owned company, having a sole shareholder. The main activity of this branch consists of the treatment and disposal of non-hazardous waste.

The company is at the beginning of its activity and had a number of 9 employees as at December 31st, 2020.

ECOREP GROUP S.A.

Ecorep Group SA ("Branch 3") was established in November 2020 and it is a Romanian privately-owned company. The main activity of this branch consists of the provision of services regarding to the implementation of the obligations related to the producer's extended liability for environmental targets.

The company is at the beginning of its activity and it is currently pending authorisation by the Ministry of Environment. The number of employees as at December 31st, 2020 is 8 employees.

2. Basis for preparation

(a) Statement of conformity

The consolidated financial statements are drawn up by the Group in accordance with the requirements of the Finance Minister Order no. 2844 from 2016, for the approval of the Accounting regulations compliant with the International Financial Reporting Standards (OMFP 2844/2016). The International Financial Reporting Standards (IFRS) are the standards adopted according to the procedure provided by the (EC) Regulation no. 1606/2012 of the European Parliament and of the Council of July 19th, 2002 on the application of the International Accounting Standards.

(b) Submission of financial statements

The financial statements are presented in accordance with the provisions of IAS 1 "Submission of financial statements". The Group adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and expenses according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

(b1) Correction of errors

In 2019, following the reorganisation of the storage areas and the annual stocktaking of the company's inventories with a specialized external company, losses in the inventories with a cumulated value of RON 2.904.918 were identified.

The company's management took the required measures, including by turning to external experts, in order to identify the periods that these losses in inventories refer to and for the purpose of recognising the related costs during the years in question (retrospective restatement).

Following the analysis carried out by the management, which included quantitative and value analyses of the stock movements during 2019, the conclusion is that these errors are mostly related to the previous periods, but it is impossible to determine the effects specific to each period.

Therefore, the Group recorded the related losses in the opening balance of the current period and the inventories and equity as at January 1st, 2019 were reduced by RON 2.904.918.

In 2020, in relation to the abovementioned corrections, the amount of RON 2.904.918 was increased to RON 3.421.703 mainly in connection with the effects on the expenses with non-deductible VAT and the correction of the impact on the profit tax.

Also, in 2020, the Group found that the value of the tangible assets at Cristian facility should have been adjusted for impairment as at December 31st, 2019. As a result, the revaluation effect recorded in Other comprehensive income for the financial year 2019 was corrected by the amount of RON 1.247.887, amount net of the effect of the restatement of the deferred profit tax in the amount of RON 237.693.

There were indications of impairment as at the balance sheet date considering that the sale was being negotiated at an advanced stage (IAS 36.12 (f) – enclosed), and the appraiser considered the location to be operational, the revalued amount reflecting the recovery of the asset through use. The error correction effect is a decrease of the previously reported amount of equity by RON 1.765.371.

2. Basis for preparation (continued)

(c) The functional and presentation currency

The Group's management considers that the functional currency, as defined by IAS 21 "The effects of currency exchange rate variation" is the Romanian leu (lei/RON). The consolidated financial statements are presented in RON, rounded to the closest amount in RON.

(d) Basis for evaluation

The consolidated financial statements were prepared based on the historical cost, except for tangible assets from the category of land, constructions and technological equipment that are assessed using the re-assessment model.

The accounting policies defined below were applied consistently for all the periods presented in these financial statements. These financial statements were prepared based on the business continuity principle.

In 2020, the Group recorded a net profit of RON 16.613.306 (2019: RON 23.210.201). As at December 31st, 2020, the net working capital is positive, of RON 7.932.401 (December 31st, 2019: RON 5.622.011).

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

In the context of the situation generated by the COVID-19 virus, the Company made its own assessment regarding the effects that it may have on the activity carried out, analysing the uncertainties and risks that the Company is exposed to in the following period. The major areas that were analysed and on which measures were taken in order to reduce the impact on the Company's activity were: employees, analysis of the demand for products and services, contracts to be met, supply, financial commitments, the effect of announced or expected fiscal measures; valuation of future earnings.

Although the economic effects of the COVID-19 pandemic cannot be fully estimated, the Company considers that the very good financial situation, the access to financing and the markets where it operates are a solid basis for ensuring business continuity and limiting the negative effects of the COVID-19 pandemic crisis.

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.

(e) The use of estimates and judgements

The preparation of the consolidated financial statements in accordance with OMFP 2844 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The judgements and assumptions associated to these estimates are based on the historical experience, as well as on other factors deemed reasonable in the context of these estimates.

The results of these estimates form the basis of the judgements relating to the accounting values of the assets and liabilities that cannot be obtained from other sources of information. The results obtained may be different from the values of the estimates.

The judgements and assumptions underlying these are regularly revised by the Group. The revisions of the accounting estimates are recognised during the period when the estimates are revised, if the revisions affect only that period, or during the period when the estimates are revised and the next periods if the revisions affect both the current period and the next periods.

2. Basis for preparation (continued)

The information on estimates, judgments and assumptions with increased risk of resulting in a material adjustment to the amount of assets and liabilities as at December 31st, 2019 is included in the following notes:

- Note 3 (a) *(v)*, describing the accounting policy chosen by the Group to recognise the acquiring of Rom Paper S.R.L.
- Note 6, presenting:
  - the recognition of the fair values of the net assets purchased from Rom Paper S.R.L.
  - the recognition of the goodwill following the acquiring of Rom Paper
  - the allotment of some lifetimes for the intangibles purchased

3. Significant accounting policies

(a) Basis for consolidation

(i) Combinations of entities

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.

The Group evaluates goodwill as at the purchase date as follows:

- the fair value of the counterperformance transferred, including
- the value of non-controlling interests in the entity purchased, including
- if that combination is performed in stages, the fair value as at the acquisition date of the participation in the equity held by the purchased entity, less
- the net value recognised (in general, the fair value) of the identifiable assets acquired and of the liabilities assumed

The profit from a purchase under advantageous conditions is immediately recognised in the profit and loss account when the fair value of the transferred counteperformance is higher than the recognised net value of the identifiable assets acquired. The transferred counterperformance does not include the amounts related to the cessation of some pre-existing relations between the Group and the purchased entity. These amounts are generally recognised in the profit and loss account. The trading costs, other than those related to the issuance of bonds or shares, related to combinations of entities are recognised in the profit and loss account when incurred.

Any contingent counterperformance owed is evaluated at fair value as at the purchase date. If the contingent counterperformance is classified as equity, then it is not re-evaluated, and the discounting is accounted for in equity. Alternatively, the subsequent changes of fair value of the contingent counterperformance are recognised in the profit or loss account.

(ii) Branches

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.

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

3. Significant accounting policies (continued)

(iii) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the branch, any non-controlling interests and other equity items attributable to the branch. Any surplus or deficit arising out of the loss of control is recognised on the profit and loss account. If the Group maintains any interest in the former branch, then this interest is evaluated at fair value as at the date when control is lost. Subsequently, this interest is accounted for through the equity method or as a financial asset, according to the degree of influence maintained.

(iv) Transactions removed from consolidation

The balances and the transactions within the Group, as well as any unachieved revenues or expenses resulting from transactions within the Group are entirely removed from the consolidated financial statements. The unachieved losses are removed in the same way as the unachieved revenues, but only to the extent that there are no indications of impairment of the transferred value.

(v) Non-controlling interests

Non-controlling interests are related to the minority shareholding by third parties in Ecorep Group and resulted from the capital contribution to the establishment of this subsidiary. The amounts attributable to these holdings, respectively the proportion of the equity held and the proportion related to the annual results are presented separately in the financial statements.

(b) Transactions in foreign currencies

The operations expressed in foreign currencies are recorded in lei at the official exchange rate on the date of discounting of the transactions. Monetary assets and liabilities recorded in foreign currencies on the date of preparation of the balance sheet are converted into the functional currency at the currency exchange rate of that day.

The gains or losses from their discounting and from the conversion using the currency exchange rate at the end of the financial year of the monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The currency exchange rates of the main foreign currencies were:

Currency	December 31st, 2020	December 31st, 2019	Variation
Euro (EUR)	4.8694	4.7793	+1,89%
American dollars (USD)	3.9660	4.2608	- 6,92%

(c) Accounting of the effect of hyperinflation

In accordance with IAS 29 “Financial reporting in hyperinflationary economies”, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current measurement unit on the balance closing date (non-monetary elements are restated using a general price index on the date of purchase or contribution).

3. Significant accounting policies (continued)

According to IAS 29, an economy is considered as hyperinflationary if, besides other factors, the cumulated rate of inflation for a period of three years exceeds 100%.

The Romanian economy ceased being hyperinflationary, with an effect onto the periods of the financial statements starting from January 1st, 2004.

Thus, the values expressed in the current measurement unit as at December 31st, 2003 are treated as the basis for the accounting values reported in the individual financial statements and do not represent evaluated values, replacement costs or any other measurement of the current value of the assets or prices at which the transactions would take place now.

For the purpose of drafting its individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31st, 2003.

(d) Financial instruments

Non-derivative financial instruments

The group recognises initially the financial assets (loans, receivables and deposits) on the date when they were initiated. All the other financial assets are initially recognised on the date of trading, when the Group becomes part of the contractual conditions of the instrument.

The classification depends on the nature and purpose of the financial instruments and is determined at the time of the initial recognition. All the standard purchases or sales of financial assets are recognised and de-recognised on the trading date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a time interval established through a market regulation or convention.

The Group derecognises a financial asset only when the contractual rights on the cash flows generated by the assets expire or it transfers the financial asset and substantially all the rights and benefits of ownership of the asset to another entity. If the Group neither transfers, nor retains substantially all the risks and benefits related to the ownership and continues to control the transferred asset, the Group recognises its interest retained in the asset and the related liability for the amounts that it would have to pay. If the Group does not retain substantially all the risks and benefits related to the ownership of a transferred financial asset, then the Group will continue recognising the financial asset and also, will recognise the collateralised indebtedness for the collections received.

Upon the entire derecognising of a financial asset, the difference between the book value of the asset and the amount of the equivalent value received and to be received and the cumulated gains or losses that have been recognised in other comprehensive income items and cumulated in equity are recognised at profit or loss.

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part does it no longer recognises based on the fair values corresponding to those parts as at the transfer date.

The difference between the book value allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

3. Significant accounting policies (continued)

A financial asset is classified at fair value through the profit and loss account if it is classified as held for trading or if it is assigned as such at the original recognition. Financial assets are assigned as evaluated at fair value through the profit and loss account if the Group manages these investments and makes purchase or sales decisions based on fair value in accordance with the investment and risk management strategy described in the Group's documentation. The attributable trading costs are recognised in the profit and loss account when incurred. The financial instruments at fair value in the profit and loss account are evaluated at fair value and the subsequent changes that consider any income from dividends is recognised in the profit and loss account.

If the Group has the intention and the capacity to keep the debt instruments until the maturity date, then these financial assets can be classified as investments held until the maturity date. The financial assets held until the maturity date are initially recognised at fair value plus the directly attributable trading costs. Subsequently to the recognition, the financial assets held until the maturity are evaluated at amortised cost using the actual interest method, less the amount of impairment losses.

The financial assets held until the maturity date include debt instruments.

Derivative financial instruments

Derivative financial instruments included in contracts are separated from the contracts and separately accounted for if the contract in question is not a financial asset and certain criteria are met.

Derivative financial instruments are initially recorded at fair value. Subsequently to their initial recognition, these are measured at fair value and the changes in this value are recognised in the profit and loss account.

Receivables

Receivables are financial assets with fixed or determinable payments that are not traded on an active market. Such assets are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, the receivables are evaluated at amortised cost using the effective interest rate method less the value of impairment losses.

Receivables include trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, current accounts and reimbursable deposits with maturities of up to three months from the date of purchase, and are subject to an insignificant risk of change in their fair value and are used by the Group to manage short-term commitments.

Financial assets held for sale

Financial assets available for sale are the non-derivative financial assets that are designated as available for sale. The financial assets available for sale are initially recognised at fair value plus any directly attributable trading costs.

Subsequently to the initial recognition, these are evaluated at cost less any depreciation losses.

3. Significant accounting policies (continued)

Share capital – ordinary shares

Ordinary shares are classified as part of equity. The additional costs directly attributable to the issuance of ordinary shares and share options are recognized as a reduction of equity at value net of tax effects.

Financial liabilities

Financial liabilities include financial leasing liabilities, interest-bearing bank loans, loans from bond issues, overdrafts and trade liabilities and other liabilities. For each item, the accounting policies related to recognition and measurement are presented in this note.

Loans are initially recognised at fair value less the costs incurred in relation to the operation in question. Subsequently, these are recorded at amortised cost. Any difference between the input value and the reimbursement value is recognised in the profit and loss account during the loans period, using the actual interest method.

Financial instruments are categorised as liabilities or equity according to the substance of the contractual arrangement. Interests, dividends, gains or losses related to a financial instrument categorised as liability are reported as expense or income. The distributions to the holders of financial instruments categorised as equity are recorded directly at equity. Financial instruments are offset when the Company has an applicable legal right to offset and intends to discount either on a net basis, or to achieve the asset and to extinguish the liability simultaneously.

(e) Tangible assets

(i) Recognition and evaluation

Tangible assets recognised as assets are initially evaluated at cost by the Group. The cost of a tangible assets element is formed of the purchase price, including non-recoverable taxes, after the deduction of any price reductions of commercial nature and any costs that can be directly attributable to bringing the asset to the location and under the conditions necessary for it to be used for the purpose intended by the management, such as: employee-related expenses resulting directly from the construction or purchase of the asset, the costs of site preparation, the initial delivery and handling costs, the costs related to erection and assembly, professional fees.

The cost of a tangible assets item built by the Group includes:

- the cost of materials and direct personnel-related expenses;
- other costs directly attributable to bringing the assets to the state necessary for the intended use;
- when the Group has the obligation to move the asset and to restore the corresponding space, an estimate of the costs for the disassembly and movement of items and for the restoration of the area where they have been capitalized

When certain components of a tangible asset have different useful lifetime durations, they are accounted as different elements (major components) of tangible assets.

Tangible assets are classified by the Group in the following classes of assets of the same nature and with similar uses:

- land;
- constructions;
- equipment, technical installations and machines;

- means of transport;
- other tangible assets.

3. Significant accounting policies (continued)

Land, constructions and equipment are highlighted at re-evaluated value and this represents the fair value on the date of re-evaluation less any amortisation accumulated previously and any accumulated impairment losses.

Fair value is based on market prices quotations, adjusted, if necessary, so as to reflect the differences related to the nature, location or condition of that asset, except for the equipment for which fair value was determined based on the replacement cost.

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR).

The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value as at the balance sheet date.

The expenses related to the maintenance and repairs of tangible assets are recorded by the Group in the statement of comprehensive income upon their occurrence, and the significant improvements brought to tangible assets, that increase their value or lifetime duration or that increase to a significant extent their capacity to generate economic benefits are capitalised.

(ii) Subsequent expenses

Subsequent expenses are capitalised only when they increase the value of the future economic benefits incorporated into the asset they are intended for. The expenses related to repairs and maintenance are recognised in the profit and loss account as they are incurred.

(iii) Amortisation

Tangible assets items are amortised from the date when they are available for use or are in operating condition and for the assets built by the entity, from the date when the asset is completed and ready for use.

Amortisation is calculated using the linear method throughout the estimated useful lifetime of the assets, as follows:

– Buildings	30-60 years
– Equipment	2-16 years
– Means of transport	4-8 years
– Furniture and other tangible assets	4-10 years

Land is not subject to amortisation.

Amortisation is usually recognised in the profit and loss account, except for the case when the amount is included in the book value of another asset.

The amortisation methods, the estimated useful lifetimes and the residual values are revised by the Group's management on every reporting date and are adjusted, if necessary.

(iv) The sale/ cassation of tangible assets

The tangible assets that are quashed or sold are removed from the balance sheet together with the corresponding cumulated amortisation. Any profit or loss resulting from such operation are included in the current profit or loss.

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

3. Significant accounting policies (continued)

(f) Rights of use (Leasing)

As of January 1st, 2019, the Company adopted IFRS 16 using the amended retrospective approach, recognizing the transitional adjustments at the date of the initial application (January 1st, 2019), without restating the comparative figures. The Company has chosen to apply the practical exception in order not to re-evaluate whether it is or contains a lease agreement at the date of the initial application. Contracts entered into before the transition date that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not restated. The definition of a lease in accordance with IFRS 16 applied only to contracts entered into or amended on or after January 1st, 2019.

IFRS 16 provides certain practical optional exceptions, including those related to the initial adoption of the standard. The Company has applied the following practical exceptions when applying IFRS 16 to leases previously classified as operating leases in accordance with IAS 17:

(a) it applied a single discount rate to a rental portfolio with reasonably similar characteristics;
(b) it excluded the initial direct costs from the evaluation of assets from the right of use on the date of initial application, when the right to use the asset was determined as if IFRS 16 had been applied from the start date;

(c) it relied on previous assessments as to whether the leases are onerous compared to preparing a revision of impairment in accordance with IAS 36 at the date of the initial application; and

(d) it applied the exemption from not recognizing the rights to use the assets and liabilities for leases with less than 12 months of lease remaining on the date of the initial application.

As a user, the Company previously classified the lease as an operating or financial lease based on its assessment if the lease transferred substantially all the risks and benefits of the right of ownership. In accordance with IFRS 16, the Company recognizes the leased assets and liabilities for the majority of the leases.

However, the Company has chosen not to recognize leasing assets and liabilities for some low value leases based on the new value of the underlying asset for short-term leases with a lease term of 12 months or less.

In adopting IFRS 16, the Company recognized the rights to use the leased assets and liabilities as follows:

Classified according to IAS 17	**Rights of use**	**Leasing debts**
Operational leasing	Assets from rights of use are measured at an amount equal to the lease liability, adjusted by the amount of any amounts paid in advance or preliminary.	Measured at the current value of the remaining leasing payments, updated using the Company's incremental loan rate as at January 1st, 2019. The company's incremental loan rate is the rate at which a loan could be obtained from an independent financer, on comparable terms and conditions. The average rate applied was 1% p.a.
Financial leasing	Measured on the basis of the carrying amounts for leasing assets and liabilities immediately before the date of the initial application (carrying amounts, unadjusted).	

Following the application of the provisions of IFRS 16 during the current financial year, the Company recognized usage rights at assets, at the same time with the increase of the total debts by the same amount. No determinations were made for the periods prior to the financial year ended on December 31st, 2019.

3. Significant accounting policies (continued)

(g) Intangible assets and goodwill

(i) Recognition and evaluation

The intangible assets purchased by the Group that have determined useful lifetimes are evaluated at cost less the cumulated amortisation and the cumulated impairment losses. Goodwill is not depreciated, and this is regularly tested, at least on an annual basis, for impairment indicators, and recognised at initial value, less the cumulated impairment losses. Impairment losses recognised in relation to goodwill cannot be subsequently reversed.

(ii) Research and development

The expenses related to the research activities, performed for the purpose of gaining knowledge or for new scientific or technical interpretations are recognised in the profit and loss account when incurred.

The development activities involve a plan or project aimed at new or substantially improved products or processes. The development costs are capitalized only if they can be reliably measured, the product or process is technically and commercially feasible, the future economic benefits are probable and the Group intends and has sufficient resources to complete the development and to use or sell the asset. The capitalized expenditures include the cost of materials, the direct personnel-related costs and the administrative costs that are directly attributable to preparing the asset for its intended use and the capitalized borrowing costs. Other development costs are recognized in the profit or loss account when they are incurred.

(iii) Brands and commercial relations

Brands and commercial relations are registered in the intangible assets accounts at contribution value or purchase cost, as applicable. These are recognised on the date of purchase of the branches, based on their fair value estimate on the date of purchase of the branch by authorised assessors.

(iv) Subsequent expenses

Subsequent expenses are capitalised only when they increase the value of the future economic benefits incorporated into the asset they are intended for. All the other expenses, including the expenses related to goodwill and the internally generated brands, are recognised at profit or loss when incurred.

(v) Amortisation of intangible assets

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill, from the date of availability for use.

Amortisation is calculated using the linear method throughout the estimated useful lifetime of the assets, as follows:

– Customer relations	2-10 years
– Brands	7-10 years
– Other intangible assets	2-4 years

The amortisation methods, the useful lifetime durations and the residual values are revised at the end of each financial year and are adjusted if necessary.

3. Significant accounting policies (continued)

(h) Financial assets

Financial assets include the shares held in affiliated entities, the loans granted to affiliated entities, the shares held in associated entities and jointly-controlled entities, the loans granted to associated entities and jointly-controlled entities, other investments held as assets, other loans.

*The initial evaluatio*n – The financial assets recognised as assets are evaluated at purchase cost.

The evaluation as at the balance sheet date – The financial assets are presented in the balance sheet at input value less the cumulated value adjustments for impairment.

(i) Inventories

Inventories are evaluated at the minimum value between cost and the net achievable value.

The net achievable value represents the estimated sale price during the normal performance of the activity less the estimated costs for completion and the costs necessary to perform the sale.

The cost of inventories is based on the first-in-first-out (FIFO) principle and includes the expenses incurred for the purchase of inventories, the production or converting costs and other costs incurred to bring the inventories in the current form and location.

In case of inventories manufactured by the Group and the production in progress, the cost includes the corresponding share of the administrative expenses related to production based on the normal operating capacity.

(j) Impairment of assets

The book values of the Group's assets of non-financial nature, other than the assets of the type of deferred taxes, are revised on each reporting date in order to identify the existence of impairment indicators. If there are such indicators, the recoverable value of those assets is estimated.

An impairment loss is recognised when the book value of the asset or of its unit generating cash exceeds the recoverable value of the asset or of the unit generating cash. A unit generating cash is the smallest identifiable group that generates cash and that has the ability to generate cash flows independently from other assets or groups of assets. Impairment losses are recognised in the statement of comprehensive income.

The recoverable value of an asset or of a unit generating cash represents the maximum amount between the usage value and its fair value, less the costs for the sale of that asset or unit.

To determine the usage value, the future cash flows forecasted are updated using an update rate before taxation, reflecting the current market conditions and the specific risks of that asset.

Impairment losses recognised during the previous periods are evaluated on each reporting date in order to determine whether they have decreased or ceased to exist. Impairment loss is reproduced if a change in the estimated uses to determine the recoverable value has occurred.

Impairment loss is reproduced only if the book value of the asset does not exceed the book value that would have been calculated, net of amortisation and depreciation, if the impairment loss had not been recognised.

3. Significant accounting policies (continued)

The Group has defined impairment adjustment policies for trade receivables and inventories, as follows:

Impairment adjustments for trade receivables

The Group analyses on an individual basis the need to record an impairment adjustment for the customers whose balances at the year-end exceed RON 100.000 and that have either started court proceedings to recover their balances, or that have invoices overdue for more than one year, calculated for the oldest invoice of the balance. Also, the Group calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

For the customers whose balances do not meet the individual analysis criteria, a collective impairment adjustment is calculated, based on the division of their balances by length intervals, according to the maturity date for the oldest invoice of the balance. A percentage calculated based on the Group's historical experience on the degree of recoverability of overdue balances from each length interval used for analysis is allotted to each length interval.

Impairment adjustments for inventories

By the nature of its object of activity, the Group does not hold any perishable inventories or inventories posing a short term expiry risk. The risk of impairment of inventories consists mainly of their destruction or deterioration as a result of unforeseen events, but may also result from inventories with a low market demand. The Group performs a regular assessment of inventories in order to identify the existence of any indications of their impairment, taking into consideration the following aspects:

– For inventories older than 180 days, impairment adjustment is established after an individual analysis, for each product, performed by a commission formed of representatives of the marketing-sales and production departments;
– For all finished products, the Group compares the cost of inventories with the sale prices less the distribution costs for the immediately following period, to present the inventories remained in balance at the minimum value between the production cost and the sale price less the distribution costs, according to the provisions of the policy (g).

(k) Dividends to be distributed

Dividends are treated as a distribution of profit during the period when they were declared and approved by the General Meeting of the Shareholders. The dividends declared before the reporting date are registered as liabilities as at the reporting date.

(l) Re-evaluation reserves

Re-evaluations are made with sufficient frequency, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. To this respect, the Group has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2019.

The difference between the value resulting from re-evaluation and the net book value of tangible assets is presented in the re-evaluation reserve, as a distinct sub-element of "Equity".

If the result of re-evaluation is an increase from the net book value, then it shall be treated as follows: as an increase of the re-evaluation reserve presented in equity, it there was not a previous reduction recognised as expense related to that asset or as an income that would compensate the expense by the decrease previously recognised for that asset.

3. Significant accounting policies (continued)

If the result of re-evaluation is a decrease of the net book value, it is treated as an expense for the entire amount of depreciation when an amount relating to that asset (re-evaluation surplus) is not recorded in the re-evaluation reserve or as a reduction of the re-evaluation reserve by the minimum value between the amount of that reserve and the amount of reduction, and the potential difference remained uncovered shall be recorded as an expense.

The re-evaluation surplus included in the re-evaluation reserve is transferred to retained earnings when this surplus represents an income achieved. The income is considered to be achieved upon the decommissioning of the fixed asset as a result of its sale or cassation. No part of the re-evaluation reserve can be distributed, either directly or indirectly, except for the case when the re-evaluated asset has been capitalized, in which case the re-evaluation surplus represents an actually achieved income.

Starting from May 1st, 2009, as a result of the changes occurred in the fiscal legislation, the re-evaluation reserves recorded after January 1st, 2004 become taxable as the fixed asset is amortised. Therefore, the Group recorded a liability related to deferred tax related to this re-evaluation difference that is included in the fixed asset amount.

(m) Legal reserves

The legal reserves of each Group entity are established in a proportion of 5% of the gross profit as at the year end until the total legal reserves reach 20% of the paid-up nominal share capital in accordance with the legal provisions. These reserves are deductible at the calculation of the profit tax and are not distributable except for the case of the entities' liquidation.

(n) Affiliated parties

Branches are entities controlled by the Group. Control is obtained where the parent-company holds the power to govern the financial and operating policies to obtain benefits from its activities. The consolidated financial statements include the financial statements of the parent-company and of the entities controlled by the parent-company (its branches) from the time when control starts being exercised until its cessation.

The parties are considered to be affiliated if one of the parties has the possibility to control either directly or indirectly or to influence to a significant extent the other party by ownership or based on contractual rights, family relationships or other kind of relationships. Affiliated parties also include the persons that are the main shareholders, the management and the members of the Board of Administrators and their family members.

(o) Employee benefits

(i) Short-term benefits

The liabilities related to short term benefits given to employees are not updated and are recognised in the statement of comprehensive income as the related service is provided.

Short term benefits of employees include salaries, premiums and social security contributions.

(ii) Determined contribution plans

The Group makes payments on behalf of its own employees to the pension system in Romania, to the health insurance fund and to the unemployment fund during the progress of normal activity.

3. Significant accounting policies (continued)

All of the Group's employees are members of the pensions system in Romania (a determined contribution plan of the State) and also have the legal obligation to contribute to it (by means of social contributions). All the related contributions are recognised in the profit or loss for the period when incurred. The Group has no additional liabilities.

The Group is not engaged in any independent pensions system, therefore it has no liabilities in this respect. The Group is not engaged in any other system for post-retirement benefits. The Group does not have the obligation to provide subsequent services to former or current employees.

(iii) Long-term benefits of employees

The Group's net liability in relation to the benefits corresponding to long-term services is represented by the amount of future benefits that the employees have earned in exchange of the services provided by them during the current period and in the previous periods.

The parent-company has the obligation to grant benefits to employees upon retirement, in accordance with the collective employment agreement.

(p) Provisions

A provision is recognised if, after a previous event, the Group has a current legal or implied liability that can be credibly estimated and is likely that an outflow of economic benefits is required to extinguish the liability. Provisions are determined by updating the future forecasted cash flows using a rate before taxation that reflects the current market evaluations in relation to the value of money over time and the risks specific to the liability. The amortisation of the update is recognised as a financial expense.

(q) Income

(i) The sale of goods

The Company concludes agreements with its customers. These are usually framework-agreements establishing the payments terms, the delivery and acceptances conditions related to the goods sold, the parties' rights and obligations. The sale price of the goods is usually established for each order launched by the customer and accepted by the Company.

The shipment services related to the goods are usually included in the agreements for the sale of goods. These shipment services are not recognised as a separate obligation due to the specifics of the industry where the Company operates, which involves the need for the customers to organise the shipment as a measure to streamline the logistic and storage activities.

The revenues from the sale of goods are recognised when control is transferred to the customer. Most of the sales agreements provide that the delivery will be made FOB buyer or according to the delivery condition CPT (Carriage Paid To, according to Incoterms).

The Company offers its customers the right to return the products sold if these fail to meet the quality conditions stated in the agreements concluded with the customers. The Company assesses the value related to such returns from customers and recognises these as an adjustment of income. For the current financial year, the amount of such returns is deemed insignificant.

3. Significant accounting policies (continued)

The Company concluded agreements with a part of its customers, usually great retailers, under which these undertake to provide a non-monetary counterperformance in the form of services, including logistic services, as well as marketing and promotion services. These services are recognised as a reduction of the transaction price, as long as the following conditions are met:

- the customer provides a good or service which is distinct, separable from the other elements of the agreement;
- the fair value of such services can be reasonably determined;
- the actually paid amount does not exceed the fair value of such services.

The Company recognises a reduction of the transaction price for the services invoiced by great retailers for most of these services, as it does not hold the information required to credibly assess their fair value.

(ii) The provision of services

The revenues from the provision of services are stated in the accounting records as they are incurred. The provision of services includes the performance of works and any other operations that cannot be considered as deliveries of goods.

The stage of execution of the work is determined based on work progress reports which accompany the invoices, the reception protocols or other documents certifying the stage of completion of the services provided.

(r) Financial income and expenses

Financial income includes the interest-related income corresponding to the funds invested and other financial income. Interest-related income is recognised at profit or loss based on accrual accounting, using the actual interest method.

Financial expenses include the expense related to the interest for loans and other financial expenses.

The currency exchange gains or losses related to the financial assets and liabilities are reported on a net basis, either as financial revenues or as financial expenses depending on currency exchange fluctuations: net profit or loss.

The borrowing costs that are directly attributable to the purchase, construction or generation of eligible assets, that require a significant period of time to be ready for use or sale, are added to the cost of those assets until the assets are significantly ready for use or sale.

The revenues from the temporary investment of the specific loans obtained for the purchase or construction of eligible assets are deducted from the costs of loans that can be capitalised.

All the other borrowing costs are recognised in the consolidated profit or loss, where they are incurred.

(s) Profit tax

Profit tax expenses include the current and deferred tax.

Profit tax is recognised in the statement of comprehensive income or in other items of comprehensive income if the tax is related to equity elements.

(i) Current tax

Current tax is the tax to be paid related to the profit achieved during the current period, determined based on the percentages applied on the reporting date and on all the adjustments related to the previous periods.

3. Significant accounting policies (continued)

For the financial year ended on December 31st, 2020, the profit tax rate was 16% (December 31st, 2019: 16%).

(ii) Deferred tax

Deferred tax is determined by the Group using the balance sheet method for those temporary differences occurring between the tax base for the calculation of tax for assets and liabilities and their book value, used for reporting purposes in the consolidated financial statements.

Deferred profit tax is not recognised for the temporary differences occurring on the initial recognition of goodwill.

Deferred tax is calculated based on the taxation percentages that are expected to be applicable to the temporary differences at their resumption, under the legislation in force on the reporting date.

Deferred tax receivables and liabilities are offset only if there is the legal right to offset the current liabilities and receivables by the tax and if they are related to the tax collected by that tax authority for the same entity subject to taxation or for different tax authorities that want to discount the current tax-related receivables and liabilities by the tax using a net basis or the assets and liabilities in question are to be achieved simultaneously.

The receivables related to deferred tax are recognised by the Group only to the extent that it is likely to achieve future profits that can be used to cover the fiscal loss.

The receivables related to deferred tax are revised at each financial year end and are reduced to the extent that the related fiscal benefit is unlikely to be achieved. Additional taxes occurring out of the distribution of dividends are recognised on the same date as the obligation to pay the dividends.

(iii) Fiscal exposures

To determine the amount of the current and deferred tax, the Group takes into consideration the impact of the uncertain fiscal positions and the likelihood of occurrence of additional taxes and interests.

This evaluation is based on estimates and hypotheses and may involve a series of judgements on the future events. New information may become available, thus leading the Group to change its reasoning in reference to the accuracy of the estimation of the existing financial liabilities; such changes of the fiscal liabilities have effect onto the tax-related expenses in the period during which such determination is made.

(t) Earnings per share

The Group presents the base earnings per share and the diluted earnings per ordinary shares. The base earnings per share are determined through the distribution of the profit or loss attributable to the Group’s ordinary shareholders to the weighted average number of ordinary shares for the reporting period. The diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

(u) Government subsidies

Government subsidies for investments are initially recognised as deferred revenues, at fair value when there is the certainty that they will be received and the Group will meet the related conditions. The subsidies that compensate the Group’s expenses related to the cost of an asset are recognised in the statement of comprehensive income in “Other income” systematically throughout the useful lifetime of the asset, as the subsidised asset is amortised. The subsidies that compensate the expenses incurred by the Group are recognised in the statement of comprehensive income, in "Other income" systematically during the same periods when the expenses are recognised.

3. Significant accounting policies (continued)

(v) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are presented, except for the case when the likelihood of a resource outflow that represents economic benefits is removed. A contingent asset is not recognised in the financial statements, but is presented when an inflow of economic benefits is likely.

(w) Subsequent events

The financial statements reflect the events subsequent to the year end, that provide additional information on the Group's position on the reporting date or those indicating a potential breach of the business continuity principle (events leading to adjustments). The events subsequent to the year-end that do not represent events leading to adjustments are presented in notes when considered significant.

(x) Comparative statements

The financial statements drawn up as at December 31st, 2020 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.

(y) New standards and interpretations, valid as at December 31st, 2020

The European Union adopted a series of standards the application of which is mandatory, for the year ended on December 31st, 2019, which were applied for the drafting of these consolidated financial statements:

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, changes in accounting estimates and errors** (Amendment - Disclosure Initiative - Definition of Material). Materiality decisions are common in determining the level of accuracy in applying accounting policies in practice. These changes are part of the IASB's Disclosure Initiative project, which is intended to simplify financial statements and increase their degree of use.
- **IFRS 3 Business Combinations (Amendment - Business Definition) -** Following the review after the implementation of IFRS 3, these amendments change the definition of a business. These changes will result in the accounting of fewer acquisitions as a business combination under IFRS 3. The changes also introduce an optional "concentration test" which allows a simplified assessment of whether a set of acquired activities and assets is a business.
- **The conceptual framework for financial reporting (revised) -** The conceptual framework contains the definitions underlying all IFRS requirements (e.g. the definition of an asset, liability, income, expense, the objectives of general purpose financial reporting, etc.). The revised conceptual framework improves those definitions.
- **The IBOR reform and its effects on financial reporting - Phase 1 -** The amendments change the requirements for Hedging Accounting to provide relief from the potential consequences of the IBOR reform, in the period previous to the changes in reference rates. In addition, the standards have been

amended to require additional disclosures to explain how an entity's hedging relationships are affected by uncertainties involving the IBOR reform.

3. Significant accounting policies (continued)

- **Leases (Amendment – Lease concessions related to COVID-19)** - In response to the COVID-19 pandemic, in May 2020, the IASB issued amendments to IFRS 16, which allows lessees to not assess whether a concession received meets the definition of a lease change, if certain criteria are met. Instead, lessors apply other IFRS standards, which will often result in a concession being recorded as a negative variable payment (e.g. DR leasing debts, CR profit or loss). The changes are mandatory for annual reporting periods starting on or after June 1st, 2020, allowing for prior application.

These changes did not have a significant impact onto the financial statements.

(z) New standards and interpretations, which are not applicable as at December 31st, 2020

There are a series of standards, changes to standards and interpretations issued by the IASB that are effective in the future accounting periods that the Company has decided not to adopt in advance. The most important of these are the following, which are applicable for the period beginning on January 1st, 2022:

- Onerous contracts - The cost of fulfilling a contract (Amendments to IAS 37);
- Property, plant and equipment: proceeds before intended use (amendments to IAS 16);
- Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- Conceptual framework references (amendments to IFRS 3).

The company is currently assessing the impact of these new accounting standards and changes.

4. Fair value determination

Certain accounting policies and requirements for the submission of information by the Group require the determination of the fair value for financial and non-financial assets and liabilities.

The Group has an established control framework on the evaluation at fair value. This includes an evaluation team that is responsible for the supervision of significant fair value evaluations, including the 3rd level fair values, and reports directly to the financial manager.

The evaluation team revises on a regular basis the unobservable entry data and the significant evaluation adjustments. If data provided by third parties, for example quoted prices, provided by brokers or by price establishment services is used, the evaluation team assesses whether this data complies with the requirements imposed by the International Financial Reporting Standards, including the level in the hierarchy of fair values where these evaluations should be categorised.

Upon the evaluation of assets or liabilities at fair value, the company uses to the maximum extent possible observable market information. The hierarchy of fair value classifies the entry data for the evaluation techniques used to evaluate the fair value on three levels, as follows:

- 1st level: quoted (unadjusted) price on identical active markets for assets or liabilities that the Company can access at the evaluation date;
- 2nd level: entry data, other than quoted prices included in 1st level, that is observable for assets or liabilities, directly or indirectly;
- 3rd level: unobservable entry data for assets or liabilities.

If the entry data for the fair value evaluation of an asset or liability can be classified on several levels of the fair value hierarchy, the evaluation at fair value is classified entirely at the same level of fair value hierarchy as the entry data with the lowest level of uncertainty that is significant for the entire evaluation.

The Group recognises the transfers between the levels of fair value hierarchy at the end of the reporting period when the modification took place.

Additional information on the hypotheses used for the evaluation at fair value are included in Note 3 (d) *(i)* for tangible assets.

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

5. Tangible assets

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
As at January 1st, 2020	**18.576.079**	**81.222.852**	**234.754.680**	**16.454.505**	**351.008.116**
Purchases	-	47.618	65.236	35.347.280	**35.460.134**
Assets related to the rights of use of leased assets	-	1.513.985	5.194.873	-	**6.708.858**
Transfers from assets in progress	-	4.755.726	24.676.967	(29.432.693)	**-**
Transfers to intangible assets	-	-	-	(432.722)	**(432.722)**
Outflows	(2.332.466)	(5.116.480)	(3.795.337)	-	**(11.244.283)**
As at December 31st, 2020	**16.243.613**	**82.423.701**	**260.896.419**	**21.936.370**	**381.500.103**
Cumulated amortisation and impairment losses					
As at January 1st, 2020	**-**	**2.282.815**	**33.193.043**	**-**	**35.475.858**
Amortisation expense	224.914	2.571.388	26.442.409	**-**	29.238.711
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	2.955.352	1.300.021	**-**	4.255.373
Outflows	(2.063)	(171.159)	(1.981.586)	**-**	(2.154.808)
As at December 31st, 2020	**222.851**	**7.638.396**	**58.953.887**	**-**	**66.815.134**
Net book value					
As at December 31st, 2020	**16.020.762**	**74.785.305**	**201.942.532**	**21.936.370**	**314.684.969**

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31st, 2020 was RON 1.223.433.

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

5. Tangible assets (continued)

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-evaluated value					
As at January 1st, 2019	**18.319.527**	**68.567.705**	**215.759.407**	**27.819.593**	**330.466.232**
Purchases	-	-	87.699	35.846.814	35.934.513
Assets related to the rights of use of leased assets	-	12.376.434	2.097.094	-	14.473.528
Transfers from assets in progress	-	2.198.545	44.117.998	(46.316.543)	-
Transfers to intangible assets	-	-	-	(895.359)	(895.359)
Outflows			(896.868)	-	(896.868)
Revaluations (corrected Note 2 b)	465.048	2.623.752	9.562.118	-	12.650.918
Cumulated amortisation reduced according to revaluated value	(208.496)	(4.543.584)	(35.972.768)	-	(40.724.848)
As at December 31st, 2019 (Corrected)	**18.576.079**	**81.222.852**	**234.754.680**	**16.454.505**	**351.008.116**
Cumulated amortisation and impairment losses					
As at January 1st, 2019	**235.170**	**2.707.901**	**45.618.997**	**-**	**48.562.068**
Amortisation expense	229.010	2.758.191	22.752.377	-	25.739.578
Expenses related to the amortisation of assets related to the rights of use of leased assets	-	2.102.095	720.360	-	2.822.455
Outflows	-	-	(743.899)	-	(743.899)
Revaluation expenses/(income)	(255.684)	(741.788)	817.976	-	(179.496)
Cumulated amortisation reduced according to revaluated value	(208.496)	(4.543.584)	(35.972.768)	-	(40.724.848)
As at December 31st, 2019	**-**	**2.282.815**	**33.193.043**	**-**	**35.475.858**
Net book value					
As at December 31st, 2019 (Corrected)	**18.576.079**	**78.940.037**	**201.561.637**	**16.454.505**	**315.532.258**

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31st, 2019 was RON 1.216.122.

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

5. Tangible assets (continued)

The main purchases of tangible assets in 2020 of the parent-company consisted of constructions and warehouses for corrugated cardboard production, as well as equipment and paperboards and tissue paper production lines. For the branch Rom Paper SRL, production equipment were purchased in 2020, to increase the existing capacities and to diversify the assortment range.

The unamortised value of fixed assets that were no longer part of the patrimony following the sale and/or cassation as at December 31st, 2020 was RON 9.220.579 (see note 5) (December 31st, 2019: RON 152.969).

The net book value of the fixed assets purchased through government subsidies received until December 31st, 2020 is RON 47.923 thousand (see note 17) (December 31st, 2019: RON 60.219 thousand).

As at December 31st, 2019, based on some reports drafted by authorised appraisers, the Group recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines amounting to RON 14,136,498 and a net increase amounting to RON 179,496 (in revenues). The fair value of the fixed assets that were subject to revaluation was determined by applying the market comparison method, where market information is available, respectively through the net replacement cost method. Prior to this revaluation, the latest revaluation of those categories of tangible assets had been performed as at December 31st, 2017 for Vrancart S.A.

In Rom Paper SRL, the assets were taken over at fair value as at the acquisition date based on a purchase price allocation report drafted by authorised appraisers.

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 182.045 thousand as at December 31st, 2020 (December 31st, 2019: RON 152.008 thousand). The value of the rights of use related to the assets held through leasing contracts is presented in the Note 14.

6. Intangible assets and goodwill

in RON	**Customer relations**	**Brands**	**Other intangible assets**	**Total intangible assets**	**Goodwill**
Cost					
As at January 1st, 2020	**6.133.926**	**3.094.411**	**2.695.584**	**11.923.919**	**8.526.391**
Purchases	-	-	2.955	**2.955**	-
Transfer from assets in progress	-	-	432.722	**432.722**	-
Outflows	-	-	(27.392)	**(27.392)**	-
As at December 31st, 2020	**6.133.926**	**3.094.411**	**3.103.867**	**12.332.204**	**8.526.391**
Cumulated amortisation and impairment losses					
As at January 1st, 2020	**1.956.282**	**928.323**	**1.321.821**	**4.206.426**	**-**
Impairment expense	652.094	309.441	304.489	**1.266.024**	-
Outflows	-	-	(2.961)	**(2.961)**	-
As at December 31st, 2020	**2.608.376**	**1.237.764**	**1.623.349**	**5.469.489**	**-**
Net book value					
As at December 31st, 2020	**3.525.550**	**1.856.647**	**1.480.518**	**6.862.715**	**8.526.391**

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

6. Intangible assets and goodwill (continued)

Intangible assets

Customer relations and brands have been recognized on the basis of an acquisition price allocation report drawn up by an authorized appraiser contracted by Vrancart S.A. The fair value of these intangibles is based on detailed business plans of Rom Paper S.R.L., which include estimates of the future evolution of key indicators such as customer income and margins or brand royalty rates, as well as the choice of an adequate update rate.

The duration of customer relations recognized as a result of the acquisition of Rom Paper S.R.L. range between 6 and 10 years. These are estimated on the basis of the remaining duration of deliveries to these, and correlated with the turnover generated by those customers (customers with higher shares in turnover will collaborate for a longer period with Rom Paper S.R.L. compared those with lower shares), as well and by reference to the lifetime of brands.

The lifetime of the purchased brands is 10 years, estimated on the basis of the analysis of the following determinants: (1) market demand for products made and sold under these brands; (2) the average period of license agreements for brands used in paper production; (3) the remaining useful lifetime of the machinery used for paper production and of other underlying assets; and (4) the legal protection period of the brand, which may be renewed for a further period of 10 years from expiry.

These lifetimes are based on the Group's estimate related to the period during which these intangible assets are expected to generate future economic benefits.

Goodwill

Goodwill related to the branch Giant Prodimpex SRL was taken over following the merger at the value recognised as at the acquisition date, namely RON 3.380.811.

Goodwill related to the acquisition of Rom Paper SRL was recognised as at the completion of acquisition of 70% of the shares of Rom Paper SRL, namely on January 20th, 2017, as follows:

1	Payment made on the acquisition date by Vrancart SA		18.630.018
2	Payment made on the acquisition date by Giant Prodimpex SRL		1.767
3=1+2	Total payments made by the Group		18.631.785
4	Book value of the existing net assets		(16.640.576)
5	Customer relations recognised as at the acquisition date		(6.133.926)
6	Brands recognised as at the acquisition date		(3.094.411)
7	Debts related to deferred profit tax		2.461.229
8=5+6+7	Total adjustments of net assets to fair value		(6.767.108)
9	Value of the put options acquired	Note 1	10.444.225
10	Value of the call options acquired	Note 1	(522.746)
11=3+4+8+9+10	**Goodwill**		**5.145.580**

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

6. Intangible assets and goodwill (continued)

On July 19th, 2017, Vrancart S.A. exerted its option to purchase an additional stake of 15% of the shares in Rom Paper S.R.L., for which it paid the amount of RON 5.160.670. In 2018, Vrancart acquired the remaining 15% of the shares in Rom Paper SRL for the amount of RON 5.076.040, so that as at the end of 2018, the shareholding is 100%.

The total payments made by the Group during the period between 2017 - 2018 for the acquisition of 100% of the shares in Rom Paper S.R.L. is RON 28.866.728.

There are no impairments related to goodwill, given that the income, the results and the net assets taken over are in line with the Group's expectations.

7. Inventories

	December 31st, 2020	December 31st, 2019
Raw materials and consumables	28.312.670	27.352.476
Finished products and commodities	12.509.756	9.861.443
Production in progress	12.660.729	22.968.839
Advances paid for inventories	121.532	83.376
Adjustments for the impairment of inventories	(591.175)	(616.647)
Total	**53.013.513**	**59.649.487**

8. Trade receivables

	December 31st, 2020	December 31st, 2019
Customers	79.209.880	78.405.857
Suppliers - debtors for goods/ services	35.239	246
Customers – invoices to be issued	-	(558)
Other receivables	343.273	317.029
Adjustments for the impairment of receivables – customers	(7.746.555)	(6.484.282)
Total	**71.841.836**	**72.238.293**

Adjustments for the impairment of receivables – customers	December 31st, 2020	December 31st, 2019
Balance as at the beginning of the period	6.484.282	6.537.569
New adjustments during the period	4.124.318	737.413
Cancellation of adjustments during the period	(2.862.045)	(790.700)
Balance as at the end of the period	7.746.555	6.484.282

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

9. Cash and cash equivalents

	December 31st, 2020	December 31st, 2019
Current accounts at banks and other values	5.540.281	2.465.641
Petty cash	17.797	19.524
Total cash and cash equivalents	**5.558.078**	**2.485.165**

10. Other receivables

	December 31st, 2020	December 31st, 2019
Other personnel-related receivables	605.544	172.073
Sundry debtors	743.892	625.314
VAT to be recovered	61.032	125.344
Suppliers-debtors	24.969	41.639
Other receivables related to the state budget	259.682	(8.247)
Adjustments for the impairment of other receivables	(482.722)	(482.722)
Total	**1.212.397**	**473.401**

11. Share capital

Group's shareholding structure

December 31st, 2020	Number of shares	Amount (RON)	(%)
SIF Banat Crișana	774.416.054	77.441.606	75.06%
Paval Holding	176.375.700	17.637.570	17.10%
Other shareholders	80.891.793	8.089.179	7.84%
Total	**1.031.683.547**	**103.168.355**	**100%**

December 31st, 2019	Number of shares	Amount (RON)	(%)
SIF Banat Crișana	774.416.054	77.441.606	75.06%
Other shareholders	257.267.493	25.726.749	24.94%
Total	**1.031.683.547**	**103.168.355**	**100%**

In 2020 there were some changes in the share capital, and Paval Holding group holds 17% of the total shares as at the year end.

The nominal value of a share is RON 0,10/share.

Dividends

Through the Decision no. 4 dated April 28th, 2019, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2019, amounting to RON 11.967.530, respectively a gross amount of a dividend of RON 0,0116/share.

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

11. Share capital (continued)

Other reserves

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2019, the parent-company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve related to reinvested profit as at December 31st, 2020 is RON 48.882.943 (December 31st, 2019: RON 42.061.488).

According to the legal requirements, the Group establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31st, 2020 was RON 11.140.485 (December 31st, 2019: RON 10.102.154). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

Reserves from the revaluation of tangible assets

These reserves include the cumulated net changes of the fair values of the land, buildings, special constructions and of the technological equipment. Revaluation reserves are presented at value net of the related deferred tax (16%).

12. Trade liabilities

Short-term trade liabilities	**December 31st, 2020**	**December 31st, 2019**
Trade liabilities	39.421.765	37.056.089
Advances received	261.889	508.547
Total	**39.683.654**	**37.564.636**

13. Other liabilities

	December 31st, 2020	**December 31st, 2019**
Debts to the state budget	3.508.640	4.254.798
Dividends to be paid	1.035.163	874.602
Sundry creditors	510.752	629.794
Other short-term liabilities	**5.054.555**	**5.759.197**
Provisions for disputes	22.822	40.608
Options related to the bonds issued (Nota 15)	623.000	307.900
Other long-term liabilities	**645.822**	**348.508**

Provisions for disputes are estimated based on the likelihood that in the future it will be necessary to consume economic resources to extinguish this obligation.

Reconciliation of provisions for disputes	**December 31st, 2020**	**December 31st, 2019**
Balance as at the beginning of the period	40.608	40.608
Provisions established during the period	-	-
Provisions used during the period	(17.786)	-
Balance as at the end of the period	**22.822**	**40.608**

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

14. Debts under leasing contracts

	December 31st, 2020	December 31st, 2019
Long-term liabilities under leasing contracts	10.570.722	8.438.653
Long-term liabilities under leasing contracts	4.011.256	4.035.213
Total liabilities under leasing contracts	**14.581.978**	**12.473.866**

The reconciliation of debts under leasing contracts and of the rights of use recognised following the application of IFRS 16 is presented in the following tables:

Debts under leasing contracts	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at annuary 1st, 2020	**10.530.120**	**1.943.746**	**12.473.866**
Inflows	2.447.222	5.433.463	7.880.685
outflows	(1.107.780)	-	(1.107.780)
Interest and currency exchange differences	390.547	12.974	403.521
Payments under leasing contracts	(3.121.908)	(1.946.407)	(5.068.315)
As at December 31st, 2020, out of which:	**9.138.201**	**5.443.777**	**14.581.978**
Long-term liabilities under leasing contracts	6.480.487	4.090.235	10.570.722
Short-term liabilities under leasing contracts	2.657.715	1.353.541	4.011.256

Debts under leasing contracts	**Buildings and special constructions**	**Equipment and other fixed assets**	**Total**
As at January 1st, 2019	**6.896.334**	**2.329.672**	**9.226.006**
Inflows	5.480.101	905.836	6.385.937
Interest and currency exchange differences	255.781	43.812	299.593
Payments under leasing contracts	(2.102.095)	(1.335.574)	(3.437.669)
As at December 31st, 2019, out of which:	**10.530.120**	**1.943.746**	**12.473.866**
Long-term liabilities under leasing contracts	7.792.224	646.429	8.438.653
Short-term liabilities under leasing contracts	2.737.896	1.297.317	4.035.213

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

14. Debts under leasing contracts (continued)

Rights of use	Buildings and special constructions	Equipment and other fixed assets	Total
As at January 1st, 2019	6.896.334	3.161.008	10.057.342
Inflows	5.480.101	905.836	6.385.937
Amortisation	(2.102.095)	(1.291.118)	(3.393.213)
As at January 1st, 2020	**10.274.339**	**2.775.726**	**13.050.066**
Inflows	2.447.222	5.132.907	7.580.129
Outflows	(1.107.780)	-	(1.107.780)
Amortisation	(2.780.448)	(1.282.553)	(4.063.001)
Net amounts as at December 31st, 2020	**8.833.333**	**6.626.081**	**15.459.413**

15. Loans

	December 31st, 2020	December 31st, 2019
Bank loans	43.766.905	46.168.826
Loans from bond issues	37.627.000	37.942.100
Total long-term loans	**81.393.905**	**84.110.926**
Bank loans	66.709.792	75.327.882
Total short-term loans	**66.709.792**	**75.327.882**

The Group has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans can lead to the declaring of early maturity and other sanctions.

A part of the financial and non-financial conditions related to the loan conditions existing in balance of the branch Rom Paper SRL as at December 31st, 2020 and December 31st, 2019 have not been met, therefore the amounts of RON 9.122.273, respectively RON 9.072.507 for the previous year were reclassified as a short-term liabilities.

Regarding the reference dates December 31st, 2019 and June 30th, 2020, the financier confirmed that he will not request the early repayment due to the non-fulfilment of the conditions.

The interest rate for RON loans is determined as Robor + margin, the final interest being in the range of 2% - 4%.

The interest rate for loans in EUR is determined as Euribor + margin, the final interest being in the range 2% - 4%.

To guarantee the loans, the Group established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising from current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2019, tangible assets are mortgaged in favour of banks (see Note 5).

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

15. Loans (continued)

Details regarding the loans:

No.	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31st, 2020 – RON equivalent	Principal in balance as at December 31st, 2019 – RON equivalent
1	31.07.2020	EUR RON	variable	overdraft	30.07.2021	27.551.754	20.760.033
2	15.03.2020	RON	variable	overdraft	15.03.2022	2.729.526	7.804.545
3	09.05.2018	RON	variable	long-term	20.04.2025	8.839.870	10.105.200
4	29.11.2017	RON	variable	long-term	29.11.2024	17.721.311	22.245.902
5	14.09.2018	RON	variable	long-term	14.09.2022	2.147.115	3.025.000
6	08.07.2020	RON	variable	overdraft	08.07.2021	964.409	6.071.328
7	23.05.2016	RON	variable	long-term	30.04.2021	374.306	1.497.222
8	26.03.2015	RON	variable	long-term	31.12.2020	-	2.076.920
9	30.08.2016	RON	variable	long-term	31.08.2021	2.764.017	5.690.624
10	09.08.2016	RON	variable	long-term	31.07.2020	-	656.250
11	27.07.2016	RON	variable	long-term	27.07.2023	6.549.113	9.084.252
12	03.11.2017	RON	variable	long-term	29.11.2023	3.650.000	4.901.429
13	16.09.2020	RON	variable	overdraft	09.09.2021	5.090.730	5.137.043
14	18.12.2018	RON	variable	long-term	12.12.2028	4.342.995	7.093.828
15	29.09.2015	RON	variable	long-term	28.09.2020	-	279.351
16	29.09.2015	RON	variable	long-term	28.09.2020	-	446.960
17	02.10.2017	RON	variable	long-term	01.10.2020	-	212.124
18	15.11.2017	RON	variable	long-term	10.11.2020	-	316.667
19	18.12.2019	RON	variable	overdraft	18.12.2020	-	4.721.425
20	26.09.2019	RON	variable	long-term	20.09.2026	3.581.548	3.511.806
21	03.01.2019	RON	variable	long-term	02.01.2024	573.814	759.915
22	29.10.2019	EUR	fixed	long-term	20.11.2024	2.049.285	2.389.650
23	14.02.2019	RON	variable	long-term	16.07.2022	3.305.235	1.330.897
24	06.11.2019	RON	variable	long-term	05.11.2029	3.221.076	1.145.349
25	06.11.2019	RON	variable	long-term	04.11.2022	576.919	232.989
26	23.10.2020	RON	variable	long-term	23.10.2025	4.500.000	-
27	21.12.2020	RON	variable	long-term	21.12.2027	7.309.350	-
28	18.05.2020	RON	variable	overdraft	18.05.2021	1.383.619	-
29	20.12.2020	RON	variable	long-term	20.12.2026	1.250.704	-
	Total					**110.476.697**	**121.496.708**

Bonds

During the first months of 2017, the Company issued a number of 382.500 bonds with a nominal value of RON 100/bond. The bond issuance was entirely subscribed and the Company collected RON 38.250.000 from the bondholders.

The bonds were issued in two stages:

- in the first stage, to the Company's shareholders, proportionally to their shareholding in relation to the total number of shares;
- in the second stage, only the bonds not subscribed during the first stage, to qualified investors.

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 17th, 2024. The bonds can be reimbursed in advance by the Company at any time after 2 years from their issuance. Bonds can be converted into shares by the bondholders in each of the years between 2019 – 2023 at a price equal to the average share price in the past 12 months previous to the date when the conversion price is determined. Reimbursement can only be initiated if at least 10% of the bonds issued are requested to be converted into shares.

As at December 31st, 2020, SIF Banat-Crișana holds 96,4% of the bonds.

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

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IFRS 9, as none of the options are strictly connected to the bond contract.

February 15th, 2021 was the second term for exerting the right of conversion of bonds into shares. As the company did not receive any notifications on the exertion of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

16. Debts to employees

	December 31st, 2020	December 31st, 2019
Debts related to salaries	1.960.131	1.823.718
Other debts to employees	3.451.295	3.187.720
Retirement benefits (long-term)	453.855	331.832
Total debts to employees	**5.865.281**	**5.343.270**

17. Debts or receivables related to deferred profit tax

Deferred tax as at December 31st, 2020 is generated by the elements detailed in the following tables:

	Liabilities	Assets	Net
Tangible assets	46.904.069	-	46.904.069
Provisions and impairment adjustments (inventories, customers)	-	12.507.743	(12.507.743)
	46.904.069	**12.507.743**	**34.396.326**
Net temporary differences - 16% share			**34.396.326**
Debts related to deferred profit tax			**5.503.413**

Deferred tax as at December 31st, 2019 is generated by the elements detailed in the following tables:

	Liabilities	Assets	Net
Tangible assets	53.062.559	-	53.062.559
Provisions and impairment adjustments (inventories, customers)	-	11.072.340	(11.072.340)
	53.062.559	**11.072.340**	**41.990.219**
Net temporary differences - 16% share			**41.990.219**
Debts related to deferred profit tax			**6.718.128**

Deferred profit tax is mainly generated by the re-evaluation of fixed assets that is not recognised for tax purposes, impairment adjustments for inventories, customers and provisions for benefits granted to employees.

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

18. Deferred income

Deferred income categorised as short terms liabilities represents the part of the government subsidies received that are to be recognised as income the following financial year. Deferred income categorised as long term liabilities represents the part of the government subsidies received that will be recognised in periods of over 1 year.

The investment subsidies received, remained in balance are presented in the table below:

	December 31st, 2020	**December 31st, 2019**
The Ministry of Economy and Research II	6.119.108	7.369.079
The Environmental Fund Administration	2.737.941	2.898.994
Innovation Norway 1	997.877	1.812.112
Innovation Norway 2	3.175.979	3.456.997
The European Bank for Reconstruction and Development	107.388	120.810
The National Agency for SMEs	12.089	14.777
Non-reimbursable loans - CCE 146	159.203	172.470
Non-reimbursable loans - MINIMIS 2160	274.091	299.009
Non-reimbursable loans - 5IMM/213/6/2015	1.994.261	2.160.449
Total	**15.577.938**	**18.304.698**

The subsidies received from the Ministry of Economy and Research aim at financing the upgrade and development of the technological line for paper manufacturing and the non-reimbursable eligible amount was initially RON 18.500.000. The parent-company has completed the stage for the project monitoring in June 2018.

The financing agreement included a series of indicators that had to be met by the end of the monitoring period. All the indicators were met.

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013. The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at December 31st, 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the parent-company is undergoing the monitoring stage until 2020, respectively until 2021.

The 5IMM/213/6/2015 subsidy represents European funds allotted in 2015 by means of the Central regional Development Agency for the purchase of equipment by Rom Paper S.R.L., amounting to a total of RON 6.324.932, out of which RON 3.794.959 represents the amount of the subsidy received. The financing agreement includes a series of indicators that must be met at the end of the 5 years monitoring period. The management considers that it will not have any difficulties meeting all the conditions related to the subsidy agreement until the end of the monitoring period.

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

19. Income from turnover

	2020	2019
Income from the sale of finished products	324.394.133	322.685.678
Income from the sale of goods	19.290.122	32.731.121
Income from services provided	11.268.174	12.115.950
Income from royalties, locations under management and rents	35.023	49.237
Income from various activities	161.030	(23.573)
Trade discounts granted	(5.491.538)	(5.557.510)
Total	**349.656.944**	**362.000.902**

The Group's income includes mainly sales of goods, related to the production of the following types of goods:

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

The Group's customers are generally Romanian companies and the exports hold a share of approximately 15% of the total sales. No customer is significant in terms of share in the total sales of the Group.

The trade discounts granted represent both amounts paid to the customers as a discount for the volume of goods purchased, as well as reclassifications in accordance with IFRS 15, respectively amounts invoiced by customers, which are calculated as a percentage of the sale value.

20. Other income

	2020	2019
Income from investment subsidies	2.726.759	2.740.286
Income from expenses subsidies	2.356.525	-
Income from compensations, fines and penalties	37.934	944.385
Net income from the sale of tangible assets	64.446	1.802
Other operating income	216.696	251.812
Total	**5.402.360**	**3.938.285**

21. Expenses related to raw materials and consumables

	2020	2019
Expenses related to raw materials	90.156.313	101.449.729
Expenses related to consumables and auxiliary materials	28.327.650	31.750.744
Expenses related to fuels	17.649.673	23.206.318
Expenses related to water and electricity	23.616.836	24.870.674
Expenses related to spare parts	1.653.910	1.956.588
Total	**161.404.382**	**183.234.053**

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

22. Third party expenses

	2020	**2019**
Expenses related to maintenance and repairs	3.626.881	3.837.124
Expenses related to the shipment of goods	18.104.293	18.706.738
Other third party expenses	6.200.727	5.335.428
Total	**27.931.901**	**27.879.290**

23. Other expenses

	2020	**2019**
Expenses related to commissions and fees	2.174.677	1.730.862
Expenses related to royalties, locations under management and rents	1.313.246	428.406
Expenses related to bank services and similar	448.252	536.549
Expenses related to insurance premiums	1.419.552	1.364.164
Other taxes, duties and similar payments	3.403.178	2.993.673
Expenses related to donations made	490.453	315.036
Expenses related to travels, secondments and transfers	328.416	356.888
Postage and telecommunications fees	312.060	296.025
Expenses related to entertainment, advertising and publicity	347.988	293.765
Expenses related to compensations, fines and penalties	586.971	72.156
Value adjustments on stocks	78.765	-
Value adjustments on receivables	1.310.646	509.064
Net loss from the sale of tangible assets	419.952	-
Other operating expenses	1.091.737	1.279.989
Total	**13.725.893**	**10.176.578**

The net loss from the sale of tangible assets as at December 31st, 2020 consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

24. Personnel-related expenses

	2020	**2019**
Salary expenses	66.360.040	66.926.311
Expenses related to insurance and social protection	1.510.747	1.524.343
Expenses related to luncheon vouchers given	4.092.360	3.950.247
Total	**71.963.147**	**72.400.901**

In 2020, the average number of employees of the Group was of 1.293 (2019: 1.316).

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

25. Financial income and expenses

	2020	**2019**
Interest income	925	1.709
Total income	**925**	**1.709**

Interest-related expenses	5.679.551	6.643.298
Income/(expenses) from currency exchange differences, net	380.166	453.805
Other financial expenses	2.436	1.550
Total expenses	**6.062.153**	**7.098.653**

26. Profit tax expense

	2020	**2019**
Current profit tax expense	3.240.355	1.680.326
Deferred profit tax expenses/(income)	(1.215.024)	(445.567)
Total	**2.025.331**	**1.234.759**

	2020	**2019**
Loss/ Profit before taxation	**18.638.637**	**24.444.960**
Tax according to the statutory taxation rate of 16% (2017: 16%)	**2.982.182**	**3.911.194**
The effect onto the profit tax of:		
The legal reserve	(166.133)	(195.984)
The non-deductible expenses	6.102.622	4.090.398
The fiscal amortisation	(4.337.515)	(3.649.164)
Items similar to income	340.798	(3.700)
Exemptions for sponsorships	(619.249)	(419.024)
The recording of temporary differences	(1.215.024)	(445.567)
Reinvested profit – tax credit	(1.062.350)	(2.053.395)
Profit tax	**2.025.331**	**1.234.759**

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

27. Earnings per share

The calculation of basic earnings per share was made based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

	2020	**2019**
Profit attributable to ordinary shareholders	16.613.325	23.210.201
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Base earnings per share	**0,0161**	**0,0225**

The diluted earnings per share are calculated on the assumption that the bonds would be fully converted, as follows:

	2020	**2019**
Profit attributable to ordinary shareholders	16.613.325	23.210.201
Adjustment on bond interest and tax effect	1.518.035	1.677.915
Profit attributable to ordinary shareholders - adjusted	**18.131.360**	**24.888.116**
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Potential shares from bond conversion	243.074.381	238.064.647
Weighted average number of ordinary shares – adjusted	**1.274.757.927**	**1.269.748.193**
Diluted earnings per share	**0,0142**	**0,0196**

28. Affiliated parties

The persons that are part of the Management Board and the Board of Administrators, as well as SIF Banat-Crisana, which is the main shareholder, along with the other companies controlled by it are considered affiliated parties.

The list of persons that were part of the Board of Administrators of the parent-company as at December 31st, 2020:

Ciucioi Ionel-Marian	General Manager and Chairman of the Board of Administrators
Drăgoi Bogdan Alexandru	Member of the Board of Administrators
Mihailov Sergiu	Member of the Board of Administrators
Fercu Adrian	Member of the Board of Administrators
El Lakis Rachid	Member of the Board of Administrators

The shareholdings in the company related to the key management personnel are presented below:

As at December 31st, 2020: not applicable.

As at December 31st, 2019: not applicable

The list of persons that were part of the Board of Administrators of the branch Rompaper as at December 31st, 2020:

Ciucioi Ionel-Marian	Chairman of the Board of Administrators
Mihailov Sergiu	Member of the Board of Administrators
Minea Alexandru-Lucian	Member of the Board of Administrators

The list of persons that were part of the Board of Administrators of the branch Vrancart Recycling as at December 31st, 2020:

Ciucioi Ionel-Marian	Sole Administrator

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

The list of persons that were part of the Board of Administrators of the branch Ecorep Group S.A. as at December 31st, 2020:

Sabau Cristel	Chairman of the Board of Administrators
Usec Adrian	Member of the Board of Administrators
Dumitrache Mariana	Member of the Board of Administrators

Transactions with affiliated parties:

Affiliated party		**Transactions* 2020**	**Transactions* 2019**	**Balance 2020**	**Balance 2019**
Biofarm S.A.	Customer	156.177	60.706	42.192	25.296
Biofarm S.A.	Supplier	3.303	4.660	-	201
Administrare Imobiliare S.A.	Supplier	257	12.535	-	-
Industrial Energy	Supplier	1.806.036	24.327.210	-	1.835.820
Industrial Energy	Supplier-debtor	-	(840.336)	-	-
SIF Banat Crisana SA	Supplier	104	208	-	-
Bucur SA	Supplier	195	230	-	-
Ci-Co SA	Supplier	10.421	5.429	1.646	250
Gaz Vest SA	Supplier	2.659.365	-	1.051.678	-
Napomar SA	Customer	727	946	-	-
Somplast SA	Supplier	59	60	-	-
Sifi Cj Logistic SA	Supplier	106.064	97.054	3.201	2.317
Uniteh SA	Supplier	-	43.032	-	-
Semtest Craiova SA	Supplier	78.351	76.908	10.041	8.846

* Note: The amounts are exclusive of VAT.

Other operations:

Affiliated party		**Transactions 2020**	**Transactions 2019**	**Balance 2020**	**Balance 2019**
SIF Banat Crișana SA	plată Payment of dividends distributed during the year	8.983.226	7.356.953	-	-
ARIO Bistrița	Debtor	-	-	300.000	300.000

Transactions with the key management personnel:

	2020	**2019**
Remuneration of the members of the Board of Administrators	1.584.300	1.584.300

29. Commitments

As at December 31st, 2020, the Group had concluded payment commitments for future purchases of fixed assets in the amount of RON 1.023.462, that is the equivalent of EURO 210.182.

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

30. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at December 31st, 2020 (December 31st, 2019: zero).

31. Events subsequent to the balance sheet date

Not applicable.

32. Financial risk management

Overview

The Group is exposed to the following risks related to the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- currency exchange risk.

These notes provide information on the Group's exposure to each of the abovementioned risks, the Group's objectives, policies and processes for the assessment and management of risk and the procedures used for capital management. Also, other quantitative information is included in these financial statements.

The Group's policies for risk management are defined so as to provide the identification and analysis of the risks that the Group is facing, the establishment of adequate limits and controls, as well as the monitoring of risks and the compliance with the limits established. The risk management policies and systems are regularly reviewed so as to reflect the changes occurred in the market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims at developing an orderly and constructive control environment where all the employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk that the Group incurs a financial loss as a result of a customer's failure to comply with its contractual obligations and this risk results mainly from the Group's trade receivables.

The book value of the financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk was:

Book value	**December 31st, 2020**	**December 31st, 2019**
Trade receivables and other receivables	73.054.234	72.711.693
Cash and cash equivalents	5.558.078	2.485.165
Total	**78.612.312**	**75.196.858**

The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer.

The management has established a credit policy according to which every new customer is analysed on an individual basis in terms of its trustworthiness before being granted the Group's standard payment and delivery conditions. Purchase limits are established for each individual customer. The customers that fail to meet the conditions established by the Group can make transactions with it only after making an advance payment.

The Group does not request collaterals for trade receivables and other receivables.

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

32. Financial risk management (continued)

Within the process of estimation of receivables impairment adjustments, the Company uses an impairment model whose operating principle is not changed from the previous years, as this model reflects the requirements of the impairment model introduced by IFRS 9.

The Group establishes an impairment adjustment that represents its estimates on the losses related to trade receivables, other receivables and investments. The main components of this adjustment represent a specific loss component related to the significant individual exposures and a collective loss component established for similar groups of assets corresponding to the losses that were incurred, but have not been yet identified. The adjustment related to collective losses is determined based on historical data on the payments made for similar financial instruments.

Impairment losses

Analysis of the number of days of delay for trade receivables and other receivables:

December 31st, 2020	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	48.271.949	270.411
Outstanding receivables between 31 and 60 days	4.573.624	30.490
Outstanding receivables between 61 and 90 days	4.783.041	77.187
Outstanding receivables between 91 and 180 days	14.948.721	1.000.648
Outstanding receivables between 181 and 360 days	2.043.031	1.569.321
Outstanding receivables for more than 360 days	6.663.144	5.281.219
Total	**81.283.510**	**8.229.276**

December 31st, 2019	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	42.172.457	242.624
Outstanding receivables between 31 and 60 days	12.605.336	78.506
Outstanding receivables between 61 and 90 days	4.094.157	64.355
Outstanding receivables between 91 and 180 days	13.099.673	536.065
Outstanding receivables between 181 and 360 days	720.410	717.711
Outstanding receivables for more than 360 days	6.986.664	5.327.743
Total	**79.678.697**	**6.967.004**

(b) Liquidity risk

Liquidity risk is the Group's risk to face difficulties in meeting its obligations related to financial liabilities that are discounted in cash or through the transfer of another financial asset.

The Group's approach in managing liquidity consists of making sure, as far as possible, that it always has sufficient liquidities to pay its outstanding debts, both under normal conditions and under stress conditions, without bearing unacceptable losses or endangering the Group's reputation.

In general, the Group makes sure that it has sufficient cash to cover the operating expenses.

The following table provides a presentation of the residual contractual maturities of financial liabilities as at the end of the reporting period, including the estimated payments of interests:

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

December 31st, 2020	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Bank loans	110.476.697	116.000.531	60.466.896	51.837.028	3.696.608
Financial leasing	14.581.978	14.703.385	6.149.713	8.553.672	-
Trade liabilities and other liabilities	52.216.112	52.216.112	51.116.435	1.099.676	-
Total	**177.274.787**	**182.920.028**	**117.733.044**	**61.490.376**	**3.696.608**

Financial liabilities include the loans from bond issues described in Note 15. These were not included in the table above, as the company cannot anticipate the time when the reimbursement options, namely their conversion options could be exerted.

32. Financial risk management (continued)

December 31st, 2019	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Bank loans	121.496.708	127.571.544	69.657.239	54.496.021	3.418.284
Financial leasing	12.473.867	12.719.608	4.138.113	8.581.495	
Trade liabilities and other liabilities	48.309.967	48.309.967	48.002.067	307.900	-
Total	**182.280.542**	**188.601.119**	**121.797.420**	**63.385.416**	**3.418.284**

(c) Market risk

Market risk is the risk that the variation of market prices, such as the currency exchange rate, the interest rate and the price of equity instruments affect the Group's revenues or the value of the financial assets held. The purpose of market risk management is that of managing and controlling the exposures to market risk within acceptable parameters and at the same time of optimizing the profitability of investment.

Interest rate risk

(i) Risk exposure profile

As at the reporting date, the profile of exposure to the interest rate risk related to the interest bearing financial instruments held by the Group was:

Variable rate instruments	December 31st, 2020	December 31st, 2019
Bank loans	110.476.696	121.496.708
Loans from bond issues	37.627.000	37.942.100
Debts related to leasing contracts	14.581.978	12.473.867
Total	**162.685.674**	**171.912.675**

(ii) Cash flows sensitivity analysis for variable interest rate instruments

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by RON 1.626.857 (RON 1.719.127 as at December 31st, 2019). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

A depreciation of the interest rates by 100 base points as at December 31st would have led to the same effect, but in the opposite sense, onto the amounts presented above, considering that all the other variables remain constant.

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

32. Financial risk management (continued)

Fair values

Fair value is the price that would be received following the sale of an asset or the price that would be paid to transfer a liability through a normal transaction between the market participants as at the evaluation date. Financial instruments that are not accounted for at fair value in the statement of financial position include the trade receivables and other receivables, cash and cash equivalents, loans, trade liabilities and other liabilities. The book values of the abovementioned financial instruments are approximates of their fair values.

(d) *Currency exchange risk*

The Group is exposed to the currency risk due to sales, purchases and other loans that are expressed in a currency other than the functional currency, mainly Euro, but also American dollars.

The Group's exposure to currency risk is presented in the following tables:

December 31st, 2020	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	73.054.234	65.360.464	7.667.427	26.343	-
Cash and cash equivalents	5.558.078	4.729.797	788.188	22.069	18.024
Financial assets	**78.612.312**	**70.090.261**	**8.455.615**	**48.412**	**18.024**
Loans	110.476.696	103.720.578	6.756.119	-	-
Debts under leasing contracts	14.581.978	606.232	13.975.746	-	-
Trade liabilities and other liabilities	52.216.112	38.866.657	13.349.455	-	-
Financial liabilities	**177.274.788**	**143.193.467**	**34.081.320**	-	-
Total net financial assets/(liabilities)	**(98.662.476)**	**(73.103.206)**	**(25.625.705)**	**48.412**	**18.024**

December 31st, 2019	TOTAL	RON	EUR	USD	Alte valute
Trade receivables and other receivables	72.711.693	68.337.995	4.373.635	64	-
Cash and cash equivalents	2.485.165	2.210.914	165.421	100.465	8.365
Financial assets	**75.196.858**	**70.548.908**	**4.539.056**	**100.529**	**8.365**
Loans	159.438.808	154.977.089	4.461.719	-	-
Debts under leasing contracts	12.473.867	1.267.936	11.205.931	-	-
Trade liabilities and other liabilities	48.309.967	36.753.353	11.396.254	137.671	22.689
Financial liabilities	**220.222.643**	**192.998.377**	**27.063.904**	**137.671**	**22.689**
Total net financial assets/(liabilities)	**(145.025.785)**	**(122.449.469)**	**(22.524.848)**	**(37.142)**	**(14.324)**

Sensitivity analysis

An appreciation by 10 percentage points of RON as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows:

December 31st, 2020: RON -2.555.927: (December 31st, 2019: RON -2.257.631). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

32. Financial risk management (continued)

A depreciation by 10 percentage points of EURO as at December 31st, 2020 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

(e) Risk related to taxation

The Romanian tax system is under consolidation and constantly changing, and there can be different interpretations of the authorities in relation to the fiscal legislation, that can generate additional taxes, duties and penalties. In the event that the state authorities find any violations of the Romanian legal provisions, these can lead, according to case, to: the confiscation of the relevant amounts, the imposing of additional tax obligations, the charging of fines, the charging of delay penalties (applied to the amounts to be paid). Therefore, the fiscal sanctions resulting from the violation of the legal provisions can result in significant amounts to be paid to the State.

The Romanian government has a great number of agencies authorised to perform the inspections of the companies operating on the Romanian territory. These inspections are similar to fiscal audits in other countries and may cover not only tax aspects, but other legal and regulatory aspects as well, that are of interest to these agencies. The Group may be subjected to tax inspections as new tax regulations are issued.

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities performed controls related to the calculation of taxes and fees until December 31st, 2014 for the Company and until September 30th, 2020 for the branch Rom Paper S.R.L.

All the amounts owed to the State for taxes and duties were paid or registered as at the balance sheet date. The Group considers that it has paid in due time all the taxes, duties, penalties and penalty interests, when necessary.

(f) Transfer price

In accordance with the relevant fiscal legislation, the fiscal evaluation of a transaction with affiliated parties is based on the market price concept related to the transaction in question. Based on this concept, transfer prices must be adjusted so as to reflect the market prices that would have been established between non-affiliated entities that act independently, based on “normal market conditions”.

It is likely that the tax authorities perform future verifications of the transfer prices, in order to determine whether those prices comply with the “normal market conditions” principle and that the taxable base of the Romanian taxpayer is not distorted.

The management cannot foresee all the events that would have an impact onto the financial sector in Romania and therefore, what are the effects that they would have onto these financial statements, if the case. The management cannot estimate credibly the effects of any future decrease in financial market liquidity, of the depreciation of financial assets influenced by the low level of liquidity of loan market, of the increase in currency volatility of the currency and of the stock markets onto the Group’s financial statements.

The management considers that it is taking all the measures necessary to support the sustainability and development of the Group’s businesses, under the current conditions, by:

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;

- monitoring the cash inflows and outflows (on a daily basis), assessing the effects onto debtors, of limited access to financing and onto the development of businesses in Romania.

g) Capital adequacy

The Group’s policy is to maintain a sound capital basis necessary in order to maintain the trust of investors, creditors and of the market and in order to support the group’s future development.

The Group’s equity includes the share capital, various types of reserves and the retained earnings. The Groups is not subject to any capital requirements imposed from the exterior.