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## Independent auditor's report

To the shareholders of Vrancart S.A.  
17 Ecaterina Teodoroiu Street, Adjud municipality, Vrancea county  
Tax Identification Number: 1454846

### Report on the auditing of the individual financial statements

#### Opinion

We have audited the accompanying individual financial statements of Vrancart S.A. ("the Company"), which comprise the individual statement of financial position as at December 31<sup>st</sup>, 2017, the individual statement of comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the financial year then ended and a summary of the significant accounting policies and other explanatory notes.

The individual statements as at and for the financial year ended on December 31<sup>st</sup>, 2017 are identified as follows:

- Net assets/ Total equity: 192.574.560 lei
- Net profit of the financial year: 22.328.453 lei

According to our opinion, the accompanying individual financial statements provide a fair view of the Company's individual financial position as at December 31<sup>st</sup>, 2017, as well as of its individual financial performance and of its individual cash flows for the financial year then ended, in accordance with the Order of the Public Finances Ministry no. 2844/2016 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards ("OMFP no. 2844/2016").

#### Basis for our opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA), the EU Regulation no. 537 of the European Parliament and of the Council ("the Regulation") and of Law no. 162/2017 ("the Law"). Our responsibilities under these standards and regulations are described in detail in the "Auditor's responsibility in an audit of the individual financial statements" section of our report. We are independent from the Company, in accordance with the Code of Ethics for Professional Accountants issued by



the International Ethics Standards Board for Accountants (“IESBA code”) and in accordance with the professional ethics requirements relevant to the auditing of individual financial statements in Romania, including the Regulation and the Law, and we complied with our other professional ethics responsibilities, according to these requirements and the IESBA code. We believe that the audit evidence that we have obtained is sufficient and adequate to provide a basis for our opinion.

### Key audit aspects

The key audit aspects are those aspects that, according to our professional reasoning, had the greatest significance in the performance of the audit of the individual financial statements for the current period. These aspects were approached in the context of the audit of the individual financial statements as a whole and in the formation of our opinion on these individual financial statements. We do not provide a separate opinion on these key audit aspects.

<b>Recognising of revenues</b>	
<p>Income from turnover – 260.003.622 lei as at December 31<sup>st</sup>, 2017 (227.104.099 lei as at December 31<sup>st</sup>, 2016).</p> <p>See Note 3 (accounting policies) and note 18 (explanatory information) to the individual financial statements</p>	
<b>Key audit aspects</b>	<b>The approach modality within the audit mission</b>
<p>Revenues comprise mainly the revenues from the sales of the corrugated cardboard and tissue paper production to a large number of customers. The revenues are recognised on the delivery of goods and finished products, and the sales are adjusted by trade discounts, in accordance with the agreements concluded with customers.</p> <p>The Company’s management gives particular attention to the increase of revenues and it has continued making investments for the upgrade of the production lines in order to increase their capacity.</p> <p>We identified the recognising of revenues as a key audit aspect, as revenues represent one of the Company’s key performance indicators and, therefore, there is an inherent risk related to their recognising by the management to meet some specific objectives or expectations.</p>	<p>Our audit procedures for the evaluation of the recognising of sales revenues included the following:</p> <ul style="list-style-type: none"> <li>• testing the main controls of the Company to prevent and detect fraud and errors in recognizing revenues. This procedure included the testing of controls for the recognising of revenues based on the deliveries made, by reference to some sample-transactions;</li> <li>• inspecting the agreements with the customers, based on sampling, in order to understand the terms of the sales transactions, including the delivery terms, the modalities in which discounts are applied or any other terms related to returns, to assess whether the criteria for the recognising of the Company’s income were in compliance with the accounting requirements and standards in</li> </ul>

	<p>force;</p> <ul style="list-style-type: none"> <li>• evaluating, based on sampling, the recognising of the discounts given based on sales during the financial year in the corresponding financial period; recalculating the discounts recognised during the financial year based on the terms agreed-upon in the agreements concluded with the customers and the reconciling with the amounts recognised in the financial statements;</li> <li>• evaluating, based on sampling, the recognising of the revenues recorded close to the financial year end, in the corresponding financial period; by comparing the selected transactions with the relevant documentation, including the delivery notes and the sales terms in the contractual agreements concluded with the customers;</li> <li>• obtaining confirmations of the customers' balances as at the year end, based on sampling;</li> <li>• checking the sales register after the financial year end to identify significant credit notes issued and returns and checking the relevant documentation in order to evaluate whether the related revenues were accounted for in the corresponding financial period;</li> <li>• checking the sales register in order to identify any unusual transactions.</li> </ul>
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**Other information – The report of the Board of Administrators**

The Board of Administrators is responsible for the drafting and submission of other information. Other information comprises the Report of the Board of Administrators, but does not include the individual financial statements and the auditor’s report in this respect.

Our opinion on the individual financial statements does not cover that other information and, unless expressly stated in our report, we do not state any assurance conclusion related thereto.



In relation to the auditing of the individual financial statements, our responsibility is to read that other information and, within this action, to assess whether there are any significant inconsistencies between that other information and the individual financial statements or the knowledge that we have obtained during the audit, or whether it seems to be a material misrepresentation therein.

In what concerns the Report of the Board of Administrators, we have read and report whether the Report of the Board of Administrators was drafted, in all significant aspects, in accordance with OMFP no. 2844/2016, items 15-19 of the Accounting Regulations compliant with the International Financial Reporting Standards.

Based exclusively on the activities to be performed within the auditing of the individual financial statements, according to our opinion:

- a) the information presented in the Report of the Board of Administrators for the financial year for which the individual financial statements were drawn up are compliant, in all material aspects, with the individual financial statements;
- b) the Report of the Board of Administrators was drawn up, in all material aspects, in accordance with OMFP no. 2844/2016, points 15-19 of the Accounting regulations compliant with the International Financial Reporting Standards.

Moreover, based on our knowledge and understanding obtained during the audit, related to the Company and its environment, we are required to report whether we have identified any material misrepresentation in the Report of the Board of Administrators. We have nothing to report in this respect.

### **The management's responsibility and of the people responsible for governance in relation to the individual financial statements**

The Company's management has the responsibility to draft individual financial statements that provide a fair view in accordance with OMFP no. 2844/2016 and for the internal control deemed necessary by the management in order to allow the drafting of the individual financial statements free from significant misrepresentations, whether due to fraud or error.

In the drafting of the individual financial statements, the management has the responsibility to assess the Company's capacity to continue its business, to present, if necessary, the aspects related to business continuity and to use the business continuity accounting principles, except for the case when the management intends either to liquidate the Company or to stop its operations, or if it has no realistic alternatives besides these.

The persons responsible for governance have the responsibility to supervise the Company's financial reporting process.

### **The auditor's responsibilities in an audit of the individual financial statements**

Our objectives consist of obtaining reasonable assurance on the extent in which the individual financial statements, as a whole, are free from significant misrepresentations,



whether due to fraud or error, as well as of issuing an auditor's report that includes our audit opinion. The reasonable assurance represents a high level of assurance, but it is not a guarantee of the fact that an audit performed in accordance with ISA will always find a significant misrepresentation, if it exists. Misrepresentations can be due either to fraud or to error and are considered significant if it can be reasonably foreseen that these, individually or cumulated, will influence the economic decisions of the users, based on these individual financial statements.

As part of an audit in accordance with ISA, we exercise the professional reasoning and we maintain our professional scepticism during the audit. Also:

- We identify and assess the risks of significant misrepresentation of the individual financial statements, whether due to fraud or to error, we design and perform audit procedures in response to those risks and we obtain sufficient and adequate audit evidence to provide a basis for our audit opinion. The risk of not detecting a significant misrepresentation due to fraud is higher than the one of not detecting a significant misrepresentation due to error, as fraud can involve secret understandings, forgery, wilful omissions, false statements and the eluding of internal control.
- We understand the internal control relevant to the audit, for the designing of audit procedures adequate to the circumstances, but without having the purpose to express an opinion on the effectiveness of the Company's internal control.
- We assess the degree of adequacy of the accounting policies used and the reasonable nature of the accounting estimates and of the related presentations of information made by the management.
- We file a conclusion on the degree of adequacy of the use by the management of the business continuity accounting principles and we determine, based on the audit evidence obtained, whether there is a significant uncertainty in relation to any events or conditions that may generate significant doubts on the Company's capacity to continue its business. If we conclude that there is a significant uncertainty, we must draw attention in the auditor's report on the related presentations in the individual financial statements or, if these presentations are inadequate, we must change our audit opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or conditions may lead the Company not to perform its business based on the business continuity principle.
- We evaluate as a whole the presentation, the structure and the contents of the individual financial statements, including the presentation of information and the extent to which the individual financial statements reflect the transactions and the events underlying these, in a manner that results in a fair presentation.

We communicate to the people responsible for governance, among other aspects, the area planned and the time schedule of the audit, as well as the main audit findings, including any significant deficiencies of the internal control, that we identify during the audit.

Also, we provide to the people responsible for governance a statement according to which we complied with the relevant ethical requirements related to independence and we informed them of all the relations and other aspects that could be reasonably assumed to affect our independence and, where applicable, the related protection measures.



From among the aspects communicated to the people responsible for governance, we establish which are the most important aspects for the auditing of the individual financial statements from the current period and, therefore, which represent key audit aspects. We describe these aspects in the auditor's report, except for the case when the laws or regulations forbid the public presentation of the aspect or except for the case when, in extremely rare circumstances, we believe that an aspect should not be communicated in our report as it is reasonably foreseen that the benefits of public interest will be exceeded by the negative consequences of this communication.

### **Report on other legal and regulatory provisions – Entities of public interest**

We have been appointed by the General Meeting of the Shareholders on April 26<sup>th</sup>, 2017 to audit the individual financial statements of Vrancart S.A. for the financial year ended on December 31<sup>st</sup>, 2017. The total uninterrupted duration of our engagement is 5 years, covering the financial years ended on December 31<sup>st</sup>, 2013 to December 31<sup>st</sup>, 2017.

We confirm that:

- Our audit opinion is in accordance with the additional report submitted to the Company's Audit Committee, that we issued on the same date when we issued this independent auditor's report. Also, in performing our audit, we have kept our independence from the audited entity.
- We did not provide to the Company the forbidden non-audit services (SNA) mentioned under paragraph 5, item 1 of the EU Regulation no. 537/2014.

### **Other aspects**

This independent auditor's report is addressed exclusively to the Company's shareholders, as a whole. Our audit was performed so that we are able to report to the Company's shareholders those aspects that we must report in a financial audit report, and not for any other purposes. To the extent permitted by law, we only accept and assume the responsibility towards the Company and its shareholders, as a whole, for our audit, for the report on the auditing of the individual financial statements and for the report on other legal and regulatory provisions – entities of public interest and for the opinion formed.

The partner of the audit mission based on which this independent auditor's report was drafted is Soare Paula Raluca.

**For and on behalf of KPMG Audit S.R.L.:**

**Soare Paula Raluca**

registered with the Chamber of Financial  
Auditors of Romania under no. 1518/2003

registered with the Chamber of Financial  
Auditors of Romania under no. 9/2001

Bucharest, March 22<sup>nd</sup>, 2018