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## **Independent auditor's report**

To the shareholders,  
S.C. Vrancart S.A.

### *Opinion*

We have audited the accompanying consolidated financial statements of S.C. Vrancart S.A. ("the Company") and of its branch (hereinafter collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31<sup>st</sup>, 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended and a summary of the significant accounting policies and other explanatory notes.

According to our opinion, the accompanying consolidated financial statements provide a fair view of the Group's consolidated financial position as at December 31<sup>st</sup>, 2016, as well as of the consolidated result of its operations and of the consolidated 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). Our responsibilities under these standards are described in detail in the "Auditor's responsibility in an audit of the consolidated financial statements" section of our report. We are independent from the Group, in accordance with the professional ethics requirements that are relevant for the auditing of consolidated financial statements in Romania and we complied with our other professional ethics responsibilities, according to these requirements. 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 consolidated financial statements for the current period. These aspects were approached in the context of the audit of the consolidated financial statements as a whole and in the formation of our opinion on these financial statements. We do not provide a separate opinion on these key audit aspects.

**Recognising of revenues – the amount of RON 232,281,259**

*See Note 3 (accounting policies) and note 18 (explanatory information) to the consolidated financial statements*

| Key audit aspect   | The approach modality within the audit mission  |
|--|---|
| <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 recently made 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 Group’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 effectiveness of 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 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 force;</li> <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</li> </ul> |

|  |   |
|--|---|
|  | <p>in the consolidated financial statements;</p> <ul style="list-style-type: none"> <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;</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 registered 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 consolidated report of the Board of Administrators*

Other information includes the Consolidated administrators' report. The administrators are responsible for the drafting and submission of the Consolidated administrators' report in accordance with OMFP no. 2844/2016, points 26-27 of the Accounting regulations compliant with the International Financial Reporting Standards and for the internal control deemed necessary by the administrators to allow the drafting and the submission of the Consolidated administrators' report that does not contain any significant misrepresentations, whether due to fraud or error.

The Consolidated administrators' report is presented from page 1 to page 22 and it is not part of the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the Consolidated administrators' report.

In relation to the auditing of the consolidated financial statements for the financial year ended on December 31<sup>st</sup>, 2016, our responsibility was to read the Consolidated

administrators' report and, within this action, to assess whether there are any significant inconsistencies between the Consolidated administrators' report and the consolidated financial statements, whether the Consolidated administrators' report includes, in all significant aspects, the information required by OMFP no. 2844/2016, points 26-27 of the Accounting regulations compliant with the International Financial Reporting Standards and whether based on our knowledge and understanding obtained in the course of auditing the consolidated financial statements related to the Group and to its environment, the information included in the Consolidated administrators' report is significantly erroneous. We are requested to report on these aspects. Based on the activity performed, we report that:

- a) in the Consolidated administrators' report, we have not identified any information that is not compliant, in all significant aspects, with the information presented in the accompanying consolidated financial statements;
- b) The abovementioned Consolidated administrators' report includes, in all significant aspects, the information required by OMFP no. 2844/2016, points 26-27 of the Accounting regulations compliant with the International Financial Reporting Standards.

Moreover, based on our knowledge and understanding obtained during the auditing of the consolidated financial statements for the financial year ended on December 31<sup>st</sup>, 2016 related to the Group and its environment, we have not identified any information included in the Consolidated administrators' report that is significantly erroneous.

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

The Company's management has the responsibility to draft consolidated 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 consolidated financial statements free from significant misrepresentations, whether due to fraud or error.

In the drafting of the consolidated financial statements, the management has the responsibility to assess the Group'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 to liquidate the entity 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 Group's financial reporting process.

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

Our objectives consist of obtaining reasonable assurance on the extent in which the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or to error, we design and perform audit procedures in response to the various 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 Group'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, if there is a significant uncertainty in relation to any events or conditions that may generate significant doubts on the Group'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 consolidated financial statements or, if these presentations are inadequate, we must change our 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 Group 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 consolidated financial statements, including of the presentation of information and the extent to which the consolidated financial statements reflect the transactions and the events underlying these in a manner that results in a fair presentation.
- We obtain sufficient and adequate audit evidence in relation to the financial information of the entities or to the business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the coordination, the supervision and performing of the Group's auditing. We are exclusively responsible for our audit opinion.

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 consolidated 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.

#### *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 this report or 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 17<sup>th</sup>, 2017