Translation for information purposes only

VRANCART S.A.

Individual financial statements
as at December 31st, 2017

Drawn up in accordance with
the Order of the Minister 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.

Individual statement of financial position

for the financial year ended on December 31st, 2017

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

	Note	December 31st, 2017	December 31st, 2016
ASSETS			
Tangible assets	5	234.894.331	180.855.000
Intangible assets		184.069	372.026
Financial assets	6	35.209.097	6.657.600
Receivables related to deferred profit tax	16	-	800.666
Total fixed assets		**270.287.497**	**188.685.292**
Stocks	7	36.348.609	27.750.242
Trade receivables	8	50.541.065	39.695.711
Prepaid expenses		664.619	739.398
Restricted cash	9	-	8.899.753
Cash and cash equivalents	9	1.901.568	24.287.793
Receivables related to current profit tax		1.002.646	-
Other receivables	10	140.508	400.809
Total current assets		**90.599.015**	**101.773.706**
TOTAL ASSETS		**360.886.512**	**290.458.998**
EQUITY			
Share capital	11	103.168.355	103.168.355
Reserves	11	74.618.850	46.537.915
Retained earnings		14.787.355	16.433.985
Total equity		**192.574.560**	**166.140.255**
LIABILITIES			
Long-term loans	14	36.158.067	34.619.168
Long-term loans from bond issues		37.232.800	-
Deferred revenues	17	17.878.001	20.904.331
Long-term provisions	15	376.015	291.803
Debts related to deferred profit tax	16	3.397.797	-
Other long-term loans	13	1.017.200	-
Total long-term liabilities		**96.059.880**	**55.815.302**
Short-term trade liabilities	12	24.564.192	17.089.495
Short-term loans	14	31.485.882	41.605.434
Deferred revenues	17	3.026.330	3.026.330
Debts related to current profit tax		-	494.330
Other liabilities	13	13.175.668	6.287.852
Total current liabilities		**72.252.072**	**68.503.441**
TOTAL LIABILITIES		**168.311.952**	**124.318.743**
TOTAL EQUITY AND LIABILITIES		**360.886.512**	**290.458.998**

The financial statements were approved by the Board of Administrators on March 21st, 2018.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 42 are an integrant part of the financial statements.

	Note	2017	2016
Income from turnover	18	260.003.622	227.104.099
Other revenues	19	3.249.175	3.777.526
Variation of finished products stocks and production in progress		300.749	3.440.578
Expenses related to raw materials and consumables	20	(137.251.472)	(122.640.475)
Expenses related to commodities		(3.172.455)	(3.713.755)
Third party expenses		(19.124.258)	(18.011.163)
Personnel-related expenses	22	(51.463.150)	(39.562.402)
Expenses related to the amortisation and depreciation of tangible assets	5	(19.882.617)	(17.661.821)
Other expenses	21	(5.966.824)	(8.873.940)
Operating result		**26.692.770**	**23.858.647**
Financial revenues	23	1.202.113	(65.911)
Financial expenses	23	(2.956.489)	(1.421.758)
Profit before taxation		**24.938.394**	**22.370.978**
Profit tax expenses	24	(2.609.941)	(2.170.584)
Profit for the year		**22.328.453**	**20.200.394**
Other comprehensive income items			
Increases of the reserve from the revaluation of tangible assets, net of deferred tax		18.136.748	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets		(666.280)	(294.305)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**39.798.921**	**19.906.089**
Earnings per share			
Profit (loss) attributable to ordinary shareholders	25	22.328.453	20.200.394
Weighted average number of ordinary shares		1.031.683.547	877.715.056
Base earnings per share		**0,022**	**0,023**

The financial statements were approved by the Board of Administrators on March 21st, 2018.

General Manager	Financial Manager
Ionel-Marian Ciucioi	Monica Vasilica Arsene

The notes from page 5 to page 42 are an integrant part of the financial statements.

Vrancart S.A.

Statement of changes in equity

for the financial year ended on December 31st, 2017

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

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2016	**86.371.792**	**26.655.768**	**14.498.624**	**15.389.511**	**142.915.695**
Total comprehensive income for the period					
Net profit/loss for the year	-	-	-	20.200.394	20.200.394
Other comprehensive income items					
Capital increase	16.796.563	-	-	-	16.796.563
Distribution from retained earnings	-	-	5.630.739	(19.450.226)	(13.819.487)
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	47.089	-	-	47.089
Transfer of the revaluation reserve to retained earnings following the sale of tangible assets	-	(294.305)	-	294.305	-
Total other comprehensive income items	**16.796.563**	**(247.216)**	**5.630.739**	**(19.155.921)**	**3.024.165**
Total comprehensive income for the period	**16.796.563**	**(247.216)**	**5.630.739**	**1.044.474**	**23.224.560**
Balance as at December 31st, 2016	**103.168.355**	**26.408.552**	**20.129.363**	**16.433.985**	**166.140.255**
Balance as at January 1st, 2017	**103.168.355**	**26.408.552**	**20.129.363**	**16.433.985**	**166.140.255**
Total comprehensive income for the period					
Net profit/loss for the year	-	-	-	22.328.453	22.328.453
Other comprehensive income items					
Distribution from retained earnings	-	-	10.610.467	(24.641.363)	(14.030.896)
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	18.136.748	-	-	18.136.748
Transfer of the revaluation reserve to retained earnings following the sale of tangible assets	-	(666.280)	-	666.280	-
Total other comprehensive income items	**-**	**17.470.468**	**10.610.467**	**(23.975.083)**	**4.105.852**
Total comprehensive income for the period	**-**	**17.470.468**	**10.610.467**	**(1.646.630)**	**26.434.305**
Balance as at December 31st, 2017	**103.168.355**	**43.879.020**	**30.739.830**	**14.787.355**	**192.574.560**

The notes from page 5 to page 42 are an integrant part of the financial statements.

	Note	2017	2016
Cash flows from the operating activity			
Collections from customers		291.364.214	262.398.978
Payments to suppliers		(189.194.533)	(168.064.805)
Payments to employees		(39.840.847)	(31.988.071)
Payments to the state budget		(30.865.839)	(27.357.386)
Profit tax paid		(3.236.156)	(2.915.528)
Net cash flow from operating activities		**28.226.839**	**32.073.188**
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets	5	(50.661.376)	(38.741.803)
Letters of credit for the purchase of tangible assets		-	10.786.408
Escrow account for the purchase of financial assets	9	8.899.753	(8.899.753)
Payments for the purchase of financial assets	6	(23.790.688)	-
Collections from the sale of tangible assets		84.962	283.700
Interests collected		1.193	3.701
Net cash flow from investment activities		**(65.466.156)**	**(36.567.747)**
Net cash flow from financing activities			
Collections from loans		21.664.726	47.198.334
Collections from bonds	14	38.250.000	-
Capital increase		-	16.796.783
Interests paid and loans reimbursed		(31.275.435)	(22.999.981)
Dividends paid	11	(13.786.199)	(13.533.159)
Net cash flow from financing activities		**14.853.092**	**27.461.977**
Net increase/ (reduction) of cash and cash flows		**(22.386.225)**	**22.967.418**
Cash and cash equivalents at the financial year beginning	9	**24.287.793**	**1.320.375**
Cash and cash flows at the financial year end	9	**1.901.568**	**24.287.793**

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 42 are an integrant part of the financial statements.

1. The entity reporting

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 opened in the following localities: Bucharest, Iași, Focșani, Bacău, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Baia Mare, Târgu Mureș, Craiova, Calimănești and Brăila.

The company's main object of activity is represented by the manufacture and trading of the following products:

- single-wall, double-wall and double-double wall corrugated cardboard, corrugated cardboard with micro-flutes;
- corrugated cardboard boxes of various formats, die-cut and printed;
- paperboards;
- tissue papers in various assortments.

The company's shares are listed to the Bucharest Stock Exchange, standard category, with the indicative VNC, starting from July 15th, 2005 and the company posts its individual financial statements on its website **www.vrancart.ro.**

As at December 31st, 2017, the company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

The evidence of shares and shareholders is kept according to law by S.C. Depozitarul Central S.A. Bucharest.

2. Basis for preparation

(a) Statement of conformity

The individual financial statements are drawn up by the Company 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 company adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and expenditures 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.

(c) The functional and presentation currency

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

2. Basis for preparation (continued)

(d) Basis for evaluation

The individual financial statements were prepared based on the historical cost, except for tangible assets from the category of land, constructions and technological equipments 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.

As at December 31st, 2017, the Company recorded a net profit amounting to 22.328.453 lei (2016: 20.200.394 lei), the net working capital is positive, amounting to 18.346.943 lei (2016: positive, 33.270.265 lei).

The Company's management has established its medium term strategy, and the estimates provide annual increases of sales and cost reductions as a result of the effective use of resources.

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

The company had a negative cash flow of 22.386.225 in 2017 (positive in 2016: 22.967.418 lei) and does not have any outstanding debts to the public budgets or to its private partners. The negative cash flow is due to the payment for the purchase of 85% of the shares of Rom Paper S.R.L., in the amount of 23.790.688 lei. The cash and cash equivalents as at December 31st, 2017 are positive, in the amount of 1.901.568 lei.

Based on these analyses, the management considers that the Company will be able to continue its business in the foreseeable future, but not limited to the following 12 months, 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 individual financial statements in accordance with the Public Finances Minister Order no. 2844/2016 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 expenditures. 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 Company. 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.

3. Significant accounting policies

(a) Transactions in foreign currencies

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

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

The exchange rates of the main foreign currencies were:

Currency	December 31st, 2017	December 31st, 2016	Variation
Euro (EUR)	4.6597	4.5411	+2,61%
American dollars (USD)	3.8915	4.3033	-9,57%

(b) 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).

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 preparation of the individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31st, 2003. The fixed assets held by the Company are accounted using the re-evaluation model for the category of land, constructions and technological equipments.

(c) Financial instruments

Non-derivative financial instruments

The company 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 Company becomes part of the contractual conditions of the instrument.

3. Significant accounting policies (continued)

The classification depends on the nature and purpose of the financial instruments and it 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 company derecognises a financial asset 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 Company neither transfers, nor retains substantially all the risks and benefits related to the ownership and continues to control the transferred asset, the Company recognises its interest retained in the asset and the related liability for the amounts that it would have to pay. If the Company does not retain substantially all the risks and benefits related to the ownership of a transferred financial asset, then the Company 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 Company 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 Company does not retain the control), the Company 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.

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 Company 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 Company'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 Company 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 value of impairment losses.

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

3. Significant accounting policies (continued)

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.

The 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 Company 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.

Share capital – ordinary shares

Ordinary shares are classified as part of equity. The additional costs directly attributable to the issue 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.

3. Significant accounting policies (continued)

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.

(d) Tangible assets

(i) Recognition and evaluation

Tangible assets recognised as assets are initially evaluated at cost by the Company. 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 company 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 company 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 company 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.

The land, constructions and equipments 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.

The 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 last re-evaluation of patrimony took place on December 31st, 2017.

3. Significant accounting policies (continued)

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 company 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 company’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.

(e) Intangible assets

(i) Recognition and evaluation

The intangible assets purchased by the Company that have determined useful lifetimes are evaluated at cost less the cumulated amortisation and the cumulated impairment losses.

(ii) Research and development

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

3. Significant accounting policies (continued)

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 Company 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 incurred.

(iii) 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.

(iv) 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. The estimated useful lifetimes for the current period and for the comparative periods are as follows:

– Software applications 3 years

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

(f) 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 fixed 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.

(g) Stocks

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

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

3. Significant accounting policies (continued)

(h) Impairment of assets

The book values of the company'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.

The company has defined impairment adjustment policies for trade receivables and stocks, as follows:

Impairment adjustments for trade receivables

The company analyses on an individual basis the need to record an impairment adjustment for the customers whose balances as at the year end exceed 100.000 lei 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 company 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 company's historical experience on the degree of recoverability of overdue balances from each length interval used for analysis is allotted to each length interval.

3. Significant accounting policies (continued)

Impairment adjustments for inventories

By the nature of its object of activity, the company 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 company 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 company 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).

(i) 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.

(j) 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 company has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2017.

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.

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.

3. Significant accounting policies (continued)

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 company recorded a liability related to deferred tax related to this re-evaluation difference that is included in the fixed asset amount.

(k) Legal reserves

Legal reserves 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 company's liquidation.

(l) 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.

(m) 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 company makes payments on behalf of its own employees to the pension system in Romania, to health insurances and the unemployment fund during the progress of normal activity.

All of the company'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 company has no additional liabilities.

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

(iii) Long-term benefits of employees

3. Significant accounting policies (continued)

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

(n) Provisions

A provision is recognised if, after a previous event, the company 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.

(o) Revenues

(i) The sale of goods

The revenues from the sale of goods during the current activities are evaluated at the fair value of the counterperformance collected or to be collected, less the returns, trade discounts and rebates for volume. The revenues are recognised when there is convincing evidence, usually in the form of a sales contract concluded and the risks and advantages arising out of the ownership of the goods are transferred to a significant extent to the buyer, the recovery of counterperformance is likely, the related costs and the possible returns of goods can be credibly estimated, the entity is no longer involved in managing the goods sold and the amount of revenues can be credibly evaluated.

If it is likely that some discounts or rebates are granted and their value can be credibly evaluated, then they are recognised as a reduction of revenues as the sales are recognised.

(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 that accompany the invoices, the reception protocols or other documents certifying the stage of completion of the services provided.

(p) Financial revenues and expenses

Financial revenues include the interest-related revenues corresponding to the funds invested and other financial revenues. Interest-related revenues are 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.

3. Significant accounting policies (continued)

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.

(q) Profit tax

The expenses related to profit tax 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

The 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.

For the financial year ended on December 31st, 2017, the profit tax rate was 16% (December 31st, 2016: 16%).

(ii) Deferred tax

Deferred tax is determined by the company 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 individual financial statements.

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 company 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.

3. Significant accounting policies (continued)

(iii) Fiscal exposures

To determine the amount of the current and deferred tax, the company 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 company 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.

(r) Earnings per share

The company 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 company'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.

(s) 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 company will meet the related conditions. The subsidies that compensate the company'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 company are recognised in the statement of comprehensive income, in "Other income" systematically during the same periods when the expenses are recognised.

(t) 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.

(u) Subsequent events

The financial statements reflect the events subsequent to the year end, that provide additional information on the company'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.

(v) Comparative statements

The financial statements drawn up as at December 31st, 2017 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.

3. Significant accounting policies (continued)

(w) New standards and interpretations, that are not in force yet

The European Union adopted a series of standards the application of which is not mandatory yet, for the year ended on December 31st, 2017, that were not applied in the drafting of these individual financial statements:

IFRS 9 Financial Instruments

This standard replaces the provisions of IAS 39, *Financial instruments*: *Recognition and evaluation* without the exception of IAS 39 related to hedging against the risks of exposure to interest rate of the fair value of a portfolio of financial assets or financial liabilities in order to protect the fair value of a rate exposure, and the entities also have the possibility to choose as the accounting policy the application of the requirements of hedging accounting in IFRS 9 or to continue applying the requirements of hedging accounting existing in IAS 39 for all risk hedging accounting, until the effectiveness of the standard resulting from the IASB project in the field of hedging macroeconomic accounting.

Although the bases for evaluation admitted for financial assets – amortised cost, fair value, through other comprehensive income items (FVOCI) and fair value through the profit and loss account (FVTPL) – are similar to IAS 39, the criteria for categorisation under the adequate evaluation category are different to a significant extent.

A financial asset is evaluated at amortised cost if the following two conditions are met:

- the assets are held in a business model whose objective is to hold assets for the purpose of collecting contractual cash flows; and,
- its contractual terms give rise t the stated times to cash flows representing exclusively the payment of principal and of the interests related to the unpaid principal.

Otherwise, for example in case of equity instruments of other entities, a financial asset will be evaluated at fair value.

Gains and losses from the revaluation of financial assets at fair value are recognised in the profit and loss account, except for the assets held within a business model whose objective is reached both through the collection of the contractual cash flows and through the sale of financial assets – these revaluation gains or losses are recognised in other comprehensive income items.

Moreover, for a non-traded equity instrument, a company may choose to present irrevocably the subsequent changes in fair value (including the gains and losses caused by currency exchange) in other comprehensive income items. These are not reclassified in the profit and loss account in any case.

In case of debt instruments evaluated at FVOCI, interest income, expected impairment losses and currency exchange gains or losses are recognised in the profit or loss account the same way as in case of assets measured at amortised cost. Other gains and losses are recognised in other comprehensive income items and are reclassified in the profit and loss account at the time of derecognition.

The impairment model in IFRS 9 replaces the "incurred losses" model of IAS 39 by a model of "expected credit losses" (ECL), which means that it will no longer be necessary for a loss event to occur before the recognition of an impairment adjustment.

The new impairment model will apply to the financial assets measured at amortised cost or FVOCI, except for investments in equity instruments and contractual assets.

3. Significant accounting policies (continued)

In accordance with IFRS 9, provisions for losses will be measured according to one of the following bases:

- 12 months ECL: these ECL result from the possible non-payment events within 12 months from the reporting date;
- lifetime ECL: these ECL result from all the possible non-payment events throughout the expected lifetime of a financial instrument.

IFRS 9 includes a general new model of hedging accounting, that brings closer hedging accounting to risk management. The types of hedging relations – fair value, cash flows and net investments in foreign activities – remain unchanged, but an additional professional reasoning will be required.

The Standard comprises new requirements to achieve, continue and discontinue the hedge accounting and allows for additional exposures to be designated as covered items. Also, additional information is required on the entity's risk management and hedging activities.

The Company does not consider that the new requirements, if applied on 31 December 2017, would have had a significant impact onto the financial statements.

IFRS 15 Income from contracts with customers

The new standard provides a framework that replaces existing income recognition provisions in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and to what value. The new model specifies that revenue should be recognized when (or as) an entity transfers control over goods or services to a customer at the amount the entity expects to be entitled to. If certain criteria are met, revenue is recognized:

• over time, in a manner that describes the performance of the entity; or

• at a given time, when control over the goods or services is transferred to the client.

IFRS 15 also sets out the principles that an entity will apply in order to provide qualitative and quantitative information useful to users of the financial statements regarding the nature, amount, planning and uncertainty of cash flows and income associated with a contract with a client.

The Company intends to adopt IFRS 15 in the financial statements for the year ended on December 31st, 2018 using the retrospective approach. Therefore, the Company will apply all IFRS 15 requirements for each comparative period presented and will adjust its financial statements. The Company has begun a detailed analysis of the impact of applying IFRS 15.

Following the initial assessment of the potential impact of IFRS 15 onto the financial statements as at December 31st, 2017, it resulted that the new standard, when applied for the first time, will not have a material impact onto the Company's financial statements due to the nature of the operations performed by the company and the types of revenue it obtains.

3. Significant accounting policies (continued)

IFRS 16 Leasing

IFRS 16 replaces IAS 17 Leasing and the related interpretations. The standard eliminates the current accountancy model for lessees and instead requires companies to bring most of the leasing agreements into the balance sheet within a single model, eliminating the distinction between operating and financial leasing. IFRS 16 is applicable for annual periods starting on or after January 1st, 2019, early adoption being permitted for entities that apply IFRS 15 on or before the date of the initial application of IFRS 16.

In accordance with IFRS 16, a contract is or contains a lease if it transmits the right to control the use of an asset identified for a period of time, in return for a mandatory payment. For this type of contracts, the new model requires a lessee to recognize an asset with the right of use and a lease liability. The asset with the right of use is depreciated and debt accrues interest. This will result in a higher payment model at the beginning of the lease term for most leases, even when the lessee pays constant annual rents.

The new standard introduces a number of exceptions from the scope for users that include:
- lease agreements with a lease period of 12 months or less and which do not include acquisition options, and
- lease agreements where the underlying asset has a low value ("low-value" leasing transactions).

The Company has reviewed all existing operating leases for vehicles concluded with leasing companies and considers that for all of these contracts, IFRS 16 does not apply, based on the exception for underlying assets of a low value.
The Company also reviewed all rental contracts for the rental of machinery (containers and presscontainers), storage facilities held for waste paper collection and logistic warehouses for finished product delivery. The contracts are considered to have a rental period of more than 12 months, although they usually include clauses allowing them to be terminated within less than 12 months by either party. The company considers that a possible termination of the lease contract is unlikely.

If IFRS 16 were adopted during the current financial year, the asset with right of use thus recognized would increase the total amount of assets by a certain amount not yet determined, while lease liabilities would increase the total liabilities by the same amount. The company is in the process of determining the impact of applying the new standard onto the assets, liabilities and net income.

Amendments brought to IAS 12

The recognition of deferred tax assets for unrealized losses. It will become applicable for annual periods beginning on or after January 1st, 2018; it is applicable prospectively and it is allowed to be applied before that date. This finding is not yet endorsed by the EU.

The amendments clarify how and when to record deferred tax assets in certain situations and clarify how future taxable income should be determined for the purpose of measuring and recognizing deferred tax assets. The entity expects that the amendments, when applied for the first time, will not have a material impact onto the presentation of the entity's financial statements as the entity already assesses the future taxable profit in accordance with the Amendments.

4. Fair value determination

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

The company 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 company 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.

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, 2016	**9.328.754**	**32.820.909**	**153.879.025**	**4.673.621**	**200.702.309**
Purchases	314.685	-	176.183	42.862.291	43.353.160
Transfers from fixed assets in progress	-	9.306.682	34.934.543	(44.241.225)	-
Transfers to intangible assets	-	-	-	(110.195)	(110.195)
Outflows	-	-	(1.020.263)	-	(1.020.263)
As at December 31st, 2016	**9.643.439**	**42.127.591**	**187.969.488**	**3.184.492**	**242.925.010**
Cumulated amortisation and impairment losses					
As at January 1st, 2016	**437.503**	**2.093.742**	**42.823.133**	**-**	**45.354.378**
Depreciation expenses	218.752	1.120.967	16.138.076	-	**17.477.795**
Outflows	-	-	(762.163)	-	(762.163)
Revaluations	-	-	-	-	-
As at December 31st, 2016	**656.255**	**3.214.709**	**58.199.047**	**-**	**62.070.010**
Net book value					
As at December 31st, 2016	**8.987.184**	**38.912.882**	**129.770.442**	**3.184.492**	**180.855.000**

5. Tangible assets (continued)

	Land and land improvements	**Special buildings and constructions**	**Equipment and other fixed assets**	**Tangible assets in progress**	**Total**
Cost or revaluated value					
As at January 1st, 2017	**9.643.439**	**42.127.591**	**187.969.488**	**3.184.492**	**242.925.010**
Purchases	-	-	-	42.379.196	42.379.196
Transfers from fixed assets in progress	931.155	2.528.892	27.810.393	(31.270.440)	-
Transfers to intangible assets	-	-	-	(54.742)	(54.742)
Outflows	-	-	(1.026.895)	(279.265)	1.306.160
Revaluations	419.076	5.779.973	15.265.401	-	21.464.450
Cumulated amortisation reduced according to revaluated value	1.189.895	(7.216.367)	(51.797.422)	-	(57.823.894)
As at December 31st, 2017	**12.183.565**	**43.220.089**	**178.220.965**	**13.959.241**	**247.583.860**
Cumulated amortisation and impairment losses					
As at January 1st, 2017	**656.255**	**3.214.709**	**58.199.046**	**-**	**62.070.010**
Depreciation expenses	251.096	1.509.855	18.077.500	-	**19.838.451**
Outflows	-	-	(975.649)	-	**(975.649)**
Revaluation expenses/ (income)	(2.097.246)	2.491.803	(593.090)	-	(198.533)
Cumulated amortisation reduced according to revaluated value	1.189.895	(7.216.367)	(51.797.422)	-	(57.823.894)
As at December 31st, 2017	**-**	**-**	**22.910.385**	**-**	**22.910.385**
Net book value					
As at December 31st, 2017	**12.183.565**	**43.220.089**	**155.310.580**	**13.959.241**	**224.673.475**

Tangible assets include the down-payments made for tangible assets related to the investment projects for the production divisions, whose balance as at December 31st, 2017 was 10.220.856 lei.

5. Tangible assets (continued)

The total value of the fixed assets purchased through government subsidies received until December 31st, 2017 is 100.062.715 lei (see note 17) (December 31st, 2016: 99.338.611 lei).

As at December 31st, 2017, based on a report drafted by an authorised appraiser, the Company recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines amounting to 21.464.450 lei and a net increase amounting to 198.533 lei (in expenses). 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, 2013.

A part of the Company's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to 136.295 thousand lei as at December 31st, 2017 (December 31st, 2016: 110.991 thousand lei). The net book value of the assets purchased through financial leasing is 985 thousand lei as at December 31st, 2017 (December 31st, 2016: 3.262 thousand lei).

If the land, constructions and production lines had not been revaluated, their value as at December 31st, 2017 would have been as follows:

	Cost	Cumulated amortisation	Net book value
Land and land improvements	17.013.501	1.378.656	15.634.845
Constructions and special buildings	47.091.776	13.867.596	33.224.181
Production lines	213.428.446	97.126.161	116.302.285
Total	**277.533.723**	**112.372.413**	**165.161.311**

6. Financial assets

	December 31st, 2017	December 31st, 2016
Giant Prodimpex S.R.L.	6.657.600	6.657.600
Rom Paper S.R.L.	28.551.497	-
Total	**35.209.097**	**6.657.600**

On July 17th, 2015, we completed the process related to the purchase of Giant Prodimpex S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders on April 29th/30th, 2015, through the Decision no. 7. Following the purchase, Vrancart owns 100% of the shares of Giant Prodimpex S.R.L.

Giant Prodimpex S.R.L. ("the 1st Branch") was established in 1994 and it is a Romanian privately-owned company, whose object of activity is represented by the production of corrugated cardboard packaging.

On January 20th, 2017, we completed the process related to the purchase of the majority stake of Rom Paper S.R.L., a purchase that was approved by the Ordinary General Meeting of the Shareholders.

Rom Paper S.R.L. ("the 2nd Branch") 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.

6. Financial assets (continued)

The purchase contract provided for the first stage the sale of 70% of the shares of Rom Paper S.R.L. The company has the option to buy the remaining shares as follows: 15% of the shares in 2017 (call 1 option) and 15% of the shares in 2018 (call 2 option).

If the company does not exert its option to buy the remaining shares, the sellers of Rom Paper S.R.L. have the option to sell these to the Company as follows: 15% of the shares in 2017 (put 1 option) and 15% of the shares in 2018 (put 2 option).

During the period when the option rights can be exerted by both parties, the distribution of dividends by Rom Paper S.R.L. is forbidden. The price at which the seller's options, respectively the buyer's options, will be exerted is based on an EBITDA multiplier corresponding to the latest financial year ended previously to the periods during which the options may be exerted.

As at December 31st, 2017, the Company holds 85% of the shares of Rom Paper S.R.L., following exertion of the call 1 option for the purchase of 15% of the shares of Rom Paper S.R.L. in 2017. As at the same date, the value of call 2 option is presented in other current receivables (see Note 10) and the value of put 2 option is presented in other current liabilities (see Note 13).

The value of the investment in Rom paper S.R.L. as at December 31st, 2017 is formed of the equivalent value of the payments made in 2017 for the investment (23.790.688 lei) and the initial value of the put 2 option, for 15% of the shares that have not been purchased yet as at this date (4.760.809 lei). The current net value of the put 2 option is presented in other liabilities (see Note 13).

The company analysed the need to establish some value adjustments in relation to the investments in branches and considered that such adjustments are not necessary.

7. Stocks

	December 31st, 2017	December 31st, 2016
Raw materials and consumables	24.078.834	16.511.454
Finished products and goods	6.048.433	4.685.102
Production in progress	5.706.999	6.924.908
Advances paid for stocks	885.565	-
Adjustments for the impairment of stocks	(371.222)	(371.222)
Total	**36.348.609**	**27.750.242**

8. Trade receivables

	December 31st, 2017	December 31st, 2016
Customers	55.193.986	47.027.524
Suppliers - debtors for goods/ services	718.062	1.579.292
Other receivables	92.463	79.563
Adjustments for the impairment of receivables – customers	(5.463.446)	(8.990.668)
Total	**50.541.065**	**39.695.711**

9. Cash, cash equivalents and restricted cash

	December 31st, 2017	December 31st, 2016
Current accounts at banks and other values	1.885.230	24.268.075
Petty cash	16.338	19.718
Total cash and cash equivalents	**1.901.568**	**24.287.793**
Escrow account	-	8.899.753
Total restricted cash	**-**	**8.899.753**

The escrow account amounting to Euro 2.000.000 was opened based on the stock package of 70% of the shares of Rom Paper S.R.L. Brasov, a purchase that was finalised at the beginning of 2017 (see Note 6).

10. Other receivables

	December 31st, 2017	December 31st, 2016
Other personnel-related receivables	107.158	18.123
Sundry debtors	331.581	427.459
Supplier-debtors	-	389.768
Call 2 option (Note 6)	136.310	-
Adjustments for the impairment of other receivables	(434.541)	(434.541)
Total	**140.508**	**400.809**

11. Share capital

Company's shareholding structure

December 31st, 2017	**Number of shares**	**Amount (lei)**	**(%)**
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%**

December 31st, 2016	**Number of shares**	**Amount (lei)**	**(%)**
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%**

During the period between January 1st, 2017 – December 31st, 2017, there were no changes in the share capital and the shareholding structure remained the same.

11. Share capital (continued)

Dividends

Through the Decision no. 4 dated April 26th, 2017, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2016, amounting to 14.030.896 lei, respectively a gross amount of a dividend of 0,0136 lei/share.

Other reserves

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2017, the 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 established in 2017 related to reinvested profit is 9.333.273 lei (in 2016: 4.502.179 lei), the balance of this reserve as at December 31st, 2017 being 22.721.149 lei (December 31st, 2016: 13.387.875 lei).

According to the legal requirements, the Company 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, 2017 was 7.902.371 lei (December 31st, 2016: 6.625.176 lei). 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 whose fair value is greater than historical cost. Revaluation reserves are presented at value net of the related deferred tax (16%) - see Note 3 (j).

12. Trade liabilities

Short-term trade liabilities

	December 31st, 2017	December 31st, 2016
Trade liabilities	24.066.848	16.801.370
Advances received	497.343	288.125
Total	**24.564.192**	**17.089.495**

13. Other liabilities

	December 31st, 2017	December 31st, 2016
Debts to the state budget	4.158.830	3.014.859
Dividends to be paid	565.508	371.225
Amounts owed to employees	3.813.287	2.893.704
Sundry creditors	184.913	8.064
Put 2 option	4.453.130	-
Other short-term liabilities	**13.175.668**	**6.287.852**
Options related to bonds issued (Note 14)	1.017.200	-
Other long-term liabilities	**1.017.200**	**-**

13. Other liabilities (continued)

Put 2 option is a derivative financial instrument recognised following the contract for the purchase of the shares of Rom Paper S.R.L. (see Note 6).

As at December 31st, 2017, its value represents the estimate of the net current value of the Company's future payment obligation in the event that the sellers of Rom Paper S.R.L. exert this option, calculated based on the formula for price determination included in the agreement.

14. Loans

	December 31st, 2017	**December 31st, 2016**
Bank loans	35.019.906	32.733.289
Debts related to financial leasing agreements	1.138.161	1.885.879
Total long-term loans	**36.158.067**	**34.619.168**

	December 31st, 2017	**December 31st, 2016**
Bank loans	30.722.292	40.808.117
Debts related to financial leasing agreements	763.590	797.316
Total short-term loans	**31.485.882**	**41.605.434**

The company 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. All the financial and non-financial conditions related to the existing loan agreements as at December 31st, 2017 were complied with and there is no risk of early reimbursement.

No.	**Date of granting of the loan**	**Currency**	**Type of interest (fixed/ variable)**	**Nature**	**Final maturity date**	**Principal in balance as at December 31st, 2017 – lei equivalent**	**Principal in balance as at December 31st, 2016 – lei equivalent**
1	31.07.2017	RON EUR	variable	overdraft	30.07.2018	15.722.235	17.252.314
2	22.10.2007	RON	variable	long-term	20.10.2017	-	711.601
3	15.03.2017	RON	variable	overdraft	15.03.2018	2.399.461	815.599
4	25.02.2014	RON	variable	long-term	30.01.2017	-	328.211
5	28.10.2010	EUR RON	variable	long-term	31.05.2020	-	8.531.336
6	18.04.2014	RON EUR	variable	long-term	28.02.2019	-	3.472.645
7	27.07.2016	RON	variable	long-term	27.07.2023	14.154.530	11.969.945
8	08.07.2017	RON	variable	overdraft	08.07.2018	245.047	6.303.905
9	09.08.2016	RON	variable	long-term	31.07.2020	2.906.250	4.031.250
10	30.08.2016	RON	variable	long-term	31.08.2021	12.519.372	7.473.276

11	18.09.2014	RON	variable	long-term	14.09.2018	872.718	2.036.298
12	23.05.2016	RON	variable	long-term	30.04.2021	3.743.054	2.307.333
13	26.03.2015	RON	variable	long-term	31.12.2020	6.230.768	8.307.692
14	03.01.2017	RON	variable	long-term	29.11.2023	6.948.763	-
	Total					**65.742.199**	**73.541.406**

The interest rate for loans in RON is determined as ROBOR + the margin that ranges between 1% - 4%. The interest rate for loans in EUR is determined as Euribor + the margin ranging between 1% - 4%.

14. Loans (continued)

To guarantee the loans, the company 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, 2017, tangible assets are mortgaged in favour of banks (see Note 5).

Bonds

During the first months of 2017, the Company issued a number of 382.500 bonds with a nominal value of 100 lei/bond. The bond issuance was entirely subscribed and the Company collected 38.250.000 lei 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, 2017, SIF Banat-Crișana holds 96.4% of the bonds.

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IAS 39, as none of the options are strictly connected to the bond contract (see in Note 13 the value of the composed derivative financial instrument).

15. Provisions

	December 31st, 2017	December 31st, 2016
Balance as at the beginning of the period	291.803	1.854.555
Provisions established during the period	140.876	2.041.130
Provisions used during the period	(56.664)	(3.603.882)
Balance as at the end of the period	**376.015**	**291.803**

15. Provisions (continued)

Provisions are established for:

- Disputes: 40.608 lei as at December 31st, 2017 (December 31st, 2016: 40.608 lei)
- Benefits given to employees: 335.407 lei as at December 31st, 2017 (December 31st, 2016: 251.195 lei)

Provisions are estimated according to the likelihood that some economic resources need to be consumed in the future to extinguish this liability.

16. Debts or receivables related to deferred tax

Deferred tax is generated by the elements detailed in the following tables:

December 31st, 2017	**Liabilities**	**Assets**	**Net**
Tangible assets	29.995.713	-	29.995.713
Provisions and impairment adjustments (stocks, clients)	-	8.759.485	(8.759.485)
	29.995.713	**8.759.485**	**21.236.228**
Net temporary differences - 16% level			**21.236.228**
Debts related to deferred profit tax			**3.397.797**

December 31st, 2016	**Liabilities**	**Assets**	**Net**
Tangible assets	6.758.726	-	6.758.726
Provisions and impairment adjustments (stocks, clients)	-	11.762.883	(11.762.883)
	6.758.726	**11.762.883**	**(5.004.157)**
Net temporary differences - 16% level			**(5.004.157)**
Receivables related to deferred profit tax			**800.666**

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.

17. Deferred revenues

Deferred revenues categorised as short terms liabilities represent the part of the government subsidies received that are to be recognised as income the following financial year. Deferred revenues categorised as long term liabilities represent 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, 2017	December 31st, 2016
The Ministry of Economy and Research II	9.869.020	11.495.902
The Environmental Fund Administration	3.236.128	3.411.805
Innovation Norway 1	3.475.959	4.383.543
Innovation Norway 2	4.019.033	4.300.051
The European Bank for Reconstruction and Development	304.190	339.360
Total	**20.904.331**	**23.930.661**

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 is initially 18.500.000 lei. The company has completed the stage for the project implementation and is currently in the project monitoring phase, until January 2017. The financing agreement includes a series of indicators that must be met by the end of the monitoring period. If, on that date, the indicators are not entirely met, the non-reimbursable financing in the amount of 18.500.000 lei can be proportionally withdrawn, except for technically justified cases. Although the indicator related to the number of employees was not met as at the end of 2017 and 2016, the company considers that the impact related to the failure to meet this indicator will be insignificant.

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of 4.509.517 lei. 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 477.767 lei. 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 company requested and received through the Innovation Norway 2 project reimbursements in the amount of 3.111.923 lei as at December 31st, 2016, representing 70% of the total grant amount.

18. Income from turnover

	2017	2016
Income from the sale of finished products	247.206.767	216.446.824
Income from the sale of goods	5.204.490	5.522.641
Income from services provided	7.563.457	5.115.074
Income from royalties, locations under management and rents	20.647	16.630
Income from various activities	8.261	2.931
Total	**260.003.622**	**227.104.099**

19. Other income

	2017	2016
Income from investment subsidies	3.026.330	2.784.559
Income from compensations, fines and penalties	204.767	742.038
Net income from the sale of tangible assets	(90.893)	151.125
Other operating revenues	108.971	99.804
Total	**3.249.175**	**3.777.526**

20. Expenses related to raw materials and consumables

	2017	2016
Expenses related to raw materials	74.842.476	64.923.559
Expenses related to consumables and auxiliary materials	28.960.550	23.458.132
Expenses related to fuels	16.406.493	15.916.477
Expenses related to water and electricity	14.872.288	14.770.462
Expenses related to spare parts	2.169.665	3.571.845
Total	**137.251.472**	**122.640.475**

21. Other expenses

	2017	2016
Expenses related to commissions and fees	282.085	2.065.063
Operating expenses related to provisions	84.212	-
Expenses related to royalties, locations under management and rents	1.649.267	1.597.080
Expenses related to bank services and similar	490.150	563.092
Expenses related to insurance premiums	962.920	954.819
Other taxes, duties and similar payments	1.821.596	831.517
Expenses related to donations made	633.649	849.673
Expenses related to travels, secondments and transfers	497.990	352.809
Postage and telecommunications fees	193.554	206.872
Expenses related to entertainment, advertising and publicity	184.408	157.337
Expenses related to compensations, fines and penalties	7.038	85.715
Value adjustments on stocks	-	(87.013)
Value adjustments on receivables	(1.554.359)	1.057.479
Other operating expenses	714.314	239.497
Total	**5.966.824**	**8.873.940**

22. Personnel-related expenses

	2017	2016

Salary expenses	39.934.233	30.436.764
Expenses related to insurance and social protection	9.101.251	7.106.179
Expenses related to luncheon vouchers given	2.427.666	2.019.459
Total	**51.463.150**	**39.562.402**

In 2017, the average number of Employees of the Company was of 1072 (2016: 939).

23. Financial revenues and expenses

	2017	**2016**
Interest revenues	3.170	6.274
Other financial revenues	1.198.943	-
Total revenues	**1.202.113**	**6.274**
Interest-related expenses	2.108.174	1.421.758
Expenses related to currency exchange	93.360	72.185
Other financial expenses	754.955	-
Total expenses	**2.956.489**	**1.493.943**

24. Profit tax expense

	2017	**2016**
Expenses related to current profit tax	1.739.180	2.661.027
Expenses related to deferred profit tax	870.761	(490.443)
Total	**2.609.941**	**2.170.584**

	2017	**2016**
Loss/ Profit before taxation	**24.938.394**	**22.370.979**
Tax according to the statutory taxation rate of 16% (2016: 16%)	**3.990.143**	**3.579.357**
The effect onto the profit tax of:		
The legal reserve	(204.351)	(180.570)
The non-deductible expenses	2.973.561	3.138.982
The fiscal amortisation	(3.013.458)	(2.453.223)
Exemptions for sponsorships	(434.795)	(665.257)
The recording of temporary differences	870.761	(490.443)
Reinvested profit – tax credit	(1.571.920)	(758.262)
Profit tax	**2.609.941**	**2.170.584**

25. 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:

	2017	2016
Profit attributable to ordinary shareholders	22.328.453	20.200.394
Weighted average number of ordinary shares	1.031.683.547	877.715.056
Basic earnings per share	**0,022**	**0,023**

The diluted earnings per share equal to the basic earnings per share, as the Company has not issued any potential ordinary shares.

26. 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 as affiliated parties.

In 2017, there were no changes of the Board of Administrators.

The list of persons that were part of the Board of Administrators as at December 31st, 2017:

Ciucioi Ionel-Marian	General Manager and Chairman of the Board of Administrators
Bîlteanu Dragoș-George	Member of the Board of Administrators
Najib El Lakis	Member of the Board of Administrators
Drăgoi Bogdan Alexandru	Member of the Board of Administrators
Avrămoiu Octavian	Member of the Board of Administrators

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

As at December 31st, 2017: not applicable.

As at December 31st, 2016: not applicable.

Transactions with the key management personnel:

	2017	2016
The remuneration of the members of the Board of Administrators	1.320.000	1.100.000

Transactions with affiliated parties:

Affiliated party		Transactions* 2017	Transactions* 2016	Balance 2017	Balance 2016
Napomar S.A.	Supplier	-	174	-	174
Somplast S.A.	Client	-	24.600	-	-
SIF Banat Crisana S.A.	Supplier	2.055	-	-	-
Rom Paper/ branch	Supplier	827.435	732.268	3.435	7.770
Rom Paper/ branch	Client	2.421.321	798.088	928.928	297.639
Giant / branch	Supplier	12.017	137.508	918	130
Giant / branch	Client	5.117.979	5.192.691	1.760.529	1.277.607

Uniteh S.A.	Supplier	93.462	98.941	2.223	2.379
Biofarm S.A.	Client	65.599	77.058	15.511	67.562
Biofarm S.A.	Supplier	2.032	2.439	128	419
Semtest Craiova S.A.	Supplier	74.631	138.566	7.258	11.365
Sifi CJ Logistic S.A.	Supplier	84.104	99.033	2.111	1.798
Administrare Imobiliare S.A.	Supplier	14.034	18.056	1.379	-
Industrial Energy	Supplier	13.919.340	8.037.148	1.428.355	1.264.657
Industrial Energy	Supplier-debtor	840.336	-	840.336	-

*Note: The values include VAT.

26. Affiliated parties (continued)

Other operations:

Affiliated party		Transactions 2017	Transactions 2016	Balance 2017	Balance 2016
SIF Banat Crișana SA	the payment of the dividends distributed during the year	10.532.058	10.325.547	-	-
ARIO Bistrița	Debtor	-	-	300.000	300.000

27. Commitments

As at December 31st, 2017, the Company had concluded payment commitments for future purchases of fixed assets in the amount of 15.167.324 lei, that is the equivalent of 3.255.000 euro.

28. Contingent assets and liabilities

The company did not have any contingent assets or liabilities as at December 31st, 2017 (December 31st, 2016: zero).

29. Events subsequent to the balance sheet date

There are no major events to report until this date.

30. Financial risk management

Overview

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

– credit risk;

30. Financial risk management (continued)

– liquidity risk;
– market risk.

These notes provide information on the company's exposure to each of the abovementioned risks, the company'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 company's policies for risk management are defined so as to provide the identification and analysis of the risks that the company 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 company's activities. The company, 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 company 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 company'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, 2017**	**December 31st, 2016**
Trade receivables and other receivables	50.681.573	40.096.520
Cash and cash equivalents	1.901.568	24.287.793
Restricted cash	-	8.899.753
Total	**52.583.141**	**73.284.066**

The company's exposure to credit risk is mainly influenced by the individual characteristics of every 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 company'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 company can make transactions with it only after making an advance payment.

The goods are sold with a title retention clause, so that in case of the customer's failure to make the payment, the company benefits from a guarantee for the amounts claimed. The company does not request any security interests for trade receivables and other receivables.

30. Financial risk management (continued)

The company 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, 2017	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	49.469.746	533.320
Outstanding receivables between 31 and 60 days	1.004.404	18.113
Outstanding receivables between 61 and 90 days	510.970	12.895
Outstanding receivables between 91 and 180 days	914.290	653.509
Outstanding receivables between 181 and 360 days	659.290	659.290
Outstanding receivables for more than 360 days	4.020.860	4.020.860
Total	**56.579.560**	**5.897.987**

December 31st, 2016	**Gross value**	**Impairment**
Current and outstanding receivables between 0 and 30 days	33.700.899	1.366.451
Outstanding receivables between 31 and 60 days	5.033.224	526.724
Outstanding receivables between 61 and 90 days	385.626	6.266
Outstanding receivables between 91 and 180 days	3.607.805	1.137.014
Outstanding receivables between 181 and 360 days	874.918	797.925
Outstanding receivables for more than 360 days	5.919.256	5.590.829
Total	**49.521.729**	**9.425.209**

(b) Liquidity risk

Liquidity risk is the company'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 company'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 company's reputation.

In general, the company 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:

30. Financial risk management (continued)

December 31st, 2017	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	67.643.949	73.119.223	34.528.675	38.590.547	-
Trade liabilities and other liabilities	38.757.060	38.757.060	37.739.860	1.017.200	-
Total	**106.401.009**	**111.876.283**	**72.268.535**	**39.607.747**	**-**

Financial liabilities include the loans from bond issuance described in Note 14. 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.

December 31st, 2016	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Bank loans	76.224.602	78.229.544	42.719.414	35.510.130	-
Trade liabilities and other liabilities	23.871.678	23.871.678	23.871.678	-	-
Total	**100.096.280**	**102.101.222**	**66.591.092**	**35.510.130**	**-**

(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 company'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 company was:

Instruments with variable rate	December 31st, 2017	December 31st, 2016
Bank loans	65.742.198	73.541.406
Loans from bond issuance	37.232.800	-
Debts related to leasing agreements	1.901.751	2.683.196
Total	**104.876.749**	**76.224.602**

(ii) Fair value sensitivity analysis for fixed interest rate instruments

The company does not account for fixed interest rate financial assets and liabilities at fair value through the profit or loss account or availabilities for sale. Therefore, a change in the interest rates on the reporting date would not affect the profit or loss account or the company's equity.

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

30. Financial risk management (continued)

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by 1.048.767 lei (762.246 lei as at December 31st, 2016). 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.

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 risk*

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

December 31st, 2017	**TOTAL**	**RON**	**EUR**	**USD**	**Other currencies**
Trade receivables and other receivables	50.681.573	35.014.137	15.589.221	78.216	-
Cash and cash equivalents	1.901.568	1.161.498	75.737	662.720	1.612
Financial assets	**52.583.141**	**36.175.635**	**15.664.958**	**740.936**	**1.612**
Loans	104.876.749	95.564.382	9.312.367	-	-
Trade liabilities and other liabilities	38.757.060	31.881.082	6.844.689	29.304	1.986
Financial liabilities	**143.633.809**	**127.445.464**	**16.157.056**	**29.304**	**1.986**
Total net financial assets/ (liabilities)	**(91.050.668)**	**(91.269.829)**	**(492.098)**	**711.632**	**(374)**

30. Financial risk management (continued)

December 31st, 2016	**TOTAL**	**RON**	**EUR**	**USD**	**Other currencies**
Trade receivables and other receivables	40.096.520	36.385.935	3.272.492	438.092	-
Restricted cash	8.899.753	8.899.753	-	-	-

Cash and cash equivalents	24.287.793	21.283.803	2.849.837	151.276	2.877
Financial assets	**73.284.066**	**66.569.492**	**6.122.329**	**589.369**	**2.877**
Loans	76.224.602	66.342.742	9.881.859	-	-
Trade liabilities and other liabilities	23.871.678	20.114.535	3.736.746	20.398	-
Financial liabilities	**100.096.280**	**86.457.277**	**13.618.605**	**20.398**	**-**
Total net financial assets/ (liabilities)	**(26.812.214)**	**(19.887.785)**	**(7.496.276)**	**568.971**	**2.877**

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, 2017: +21.916 lei: (December 31st, 2016: -692.443 lei). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A depreciation by 10 percentage points of EURO as at December 31st, 2017 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 company 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.

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

30. Financial risk management (continued)

(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.

(g) Business environment

The risk re-evaluation process performed during the period between 2007 and 2010 on the international financial markets affected to a significant extent the performance of these markets, including that of the financial market in Romania and led to the occurrence of an increasing uncertainty related to the future economic development.

The global credit and liquidity crisis that started in mid 2007 caused, among others, a reduced level and the difficult accession of capital market funds, a reduced level of the liquidity in the entire banking sector in Romania and high values of instalments of inter-bank loans. The significant losses incurred on the international financial market could affect the company’s ability to obtain new loans and to refinance its existing loans under the terms and conditions corresponding to previous transaction.

The company’s debtors can also be affected by the low level of liquidity, that could impair their ability to reimburse the outstanding debts. The worsening of the financial conditions under which the debtors conduct their business might also have an impact onto the management of cash flow forecasts and onto the evaluation of financial and non-financial assets depreciation. To the extent that the information was available, the management included revised estimates of future cash flows in its depreciation policy.

The fears that the worsening of the financial conditions might contribute in the future to the lowering of trust have led to common efforts from governments and central banks to adopt some measures to counteract the vicious circle of increasing risk aversion and to help in the reduction of financial crisis effects and, finally, to reinstate the operation under normal market conditions.

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 company’s financial statements.

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

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;
- monitoring the cash inflow and outflow (on a daily basis), assessing the effects onto debtors, of limited access to financing and onto the development of businesses in Romania.

(h) Capital adequacy

The company’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 company’s future development.

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