

Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2016

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

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Vrancart S.A.

Consolidated statement of financial position

for the financial year ended on December 31st, 2016

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

	Note	December 31 st , 2016	December 31 st , 2015
ASSETS			
Tangible assets	5	184.159.320	158.579.593
Intangible assets		1.364.307	1.689.432
Financial assets	6	845	
Goodwill	6	3.380.811	3.380.811
Receivables related to deferred profit tax	16	427.686	-
Total fixed assets		189.332.969	163.649.836
Stocks	7	27.979.866	23.043.868
Trade receivables	8	39.692.123	37.604.047
Accrued expenses		760.687	508.203
Restricted cash	9	8.899.753	10.786.408
Cash and cash equivalents	9	24.932.865	1.537.938
Other receivables	10	400.809	5.883.961
Total current assets		102.666.103	79.364.425
TOTAL ASSETS		291.999.072	243.014.261
EQUITY			
Share capital	11	103.168.355	86.371.792
Reserves	11	46.411.085	41.090.977
Retained earnings		16.856.244	15.462.139
Total equity		166.435.684	142.924.908
LIABILITIES			
Long-term loans	14	34.619.168	15.266.804
Deferred revenues	17	20.936.397	21.003.234
Long-term provisions		291.803	-
Debts related to deferred profit tax	16	-	203.136
Total long-term liabilities		55.847.368	36.473.174
Short-term trade liabilities	12	17.838.095	16.648.504
Short-term loans	14	41.762.760	36.514.030
Deferred revenues	17	3.038.904	2.760.090
Short-term provisions	15	-	1.861.178
Debts related to current profit tax		515.975	768.976
Other liabilities	13	6.560.285	5.063.401
Total current liabilities		69.716.020	63.616.179
TOTAL LIABILITIES		125.563.388	100.089.354
TOTAL EQUITY AND LIABILITIES		291.999.072	243.014.261

The financial statements were approved by the Board of Administrators on March 17th, 2017.

General Manager
Ionel-Marian Ciucioi



Financial Manager
Monica Vasiliuca Arsene

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

Vrancart S.A.

Consolidated statement of comprehensive income

as at December 31st, 2016

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

	Note	2016	2015
Income from turnover	18	232.281.259	211.556.477
Other revenues	19	3.792.801	2.699.061
Variation of finished products stocks and production in progress		3.412.447	1.373.122
Expenses related to raw materials and consumables	20	(124.538.127)	(111.349.432)
Expenses related to commodities		(3.891.729)	(2.898.217)
Third party expenses		(18.282.006)	(17.012.033)
Personnel-related expenses	22	(41.137.727)	(33.790.145)
Expenses related to the amortisation and depreciation of tangible assets	5	(18.442.224)	(18.069.311)
Other expenses	21	(8.967.110)	(10.559.001)
Operating result		24.227.583	21.950.521
Financial revenues	23	(72.137)	488.206
Financial expenses	23	(1.431.746)	(1.486.709)
Profit before taxation		22.723.699	20.952.018
Profit tax expenses	24	(2.238.669)	(2.669.084)
Profit for the year		20.485.031	18.282.934
Other comprehensive income items			
Increases of the reserve from the revaluation of tangible assets, net of deferred tax		-	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets		(369.798)	(207.869)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20.115.232	18.075.065
Earnings per share			
Profit/ (loss) attributable to ordinary shareholders	25	20.485.031	18.282.934
Weighted average number of ordinary shares		877.715.056	863.717.920
Base earnings per share		0,023	0,021

The financial statements were approved by the Board of Administrators on March 17th, 2017.

General Manager
Ionel-Marian Ciucioi



Financial Manager
Monica Vasiliuca Arsene

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

Vrancart S.A.

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2016

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

	Share capital	Share capital adjustments	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Retained earnings from the first adoption of IAS 2:	Total equity
Balance as at January 1st, 2015	86.371.792	-	26.766.963	11.331.423	2.858.341	-	127.328.519
Total comprehensive income for the period							
Net profit/loss for the year	-	-	-	-	18.282.934	-	18.282.934
Other comprehensive income items							
Distribution from retained earnings	-	-	-	3.167.201	(5.758.355)	-	(2.591.154)
Other corrections	-	-	-	-	(128.650)	-	(128.650)
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	33.259	-	-	-	33.259
Transfer of the revaluation reserve to retained earnings following the sale of tangible assets	-	-	(207.869)	-	207.869	-	-
Total other comprehensive income items	-	-	(174.610)	3.167.201	(5.679.136)	-	(2.686.545)
Total comprehensive income for the period	-	-	(174.610)	3.167.201	12.603.798	-	15.596.389
Balance as at December 31st, 2015	86.371.792	-	26.592.353	14.498.624	15.462.139	-	142.924.908
Balance as at January 1st, 2016	86.371.792	-	26.592.353	14.498.624	15.462.139	-	142.924.908
Total comprehensive income for the period							
Net profit/ loss for the year	-	-	-	-	20.485.031	-	20.485.031
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)
Other corrections	-	-	-	-	(10.496)	-	(10.496)
Changes in the reserve from the revaluation of tangible assets, net of deferred tax	-	-	59.168	-	-	-	59.168
Transfer of the revaluation reserve to retained earnings following the sale of tangible assets	-	-	(369.798)	-	369.798	-	-
Total other comprehensive income items	16.796.563	-	(310.631)	5.630.739	(19.090.924)	-	3.025.747
Total comprehensive income for the period	16.796.563	-	(310.631)	5.630.739	1.394.107	-	23.510.778
Balance as at December 31st, 2016	103.168.355	-	26.281.723	20.129.363	16.856.243	-	166.435.684

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



Vrancart S.A.

Consolidated statement of cash flows

for the financial year ended on December 31st, 2016

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

	Note	2016	2015
Cash flows from operating activities			
Collections from customers		273.533.184	252.457.465
Payments to suppliers		(176.365.437)	(163.984.573)
Payments to employees		(33.120.018)	(26.606.294)
Payments to the state budget		(28.130.020)	(25.778.761)
Profit tax paid		(3.061.838)	(3.698.211)
Net cash flow from operating activities		32.855.871	32.389.626
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets		(38.776.718)	(23.080.621)
Net payments for the purchase of financial assets		-	(5.513.133)
Escrow account for the purchase of financial assets		(8.899.753)	-
Letters of credit for the purchase of tangible assets		10.786.408	(10.761.408)
Collections from the sale of tangible assets		283.700	395.130
Interests collected		3.701	313
Net cash flow from investment activities		(36.602.662)	(38.959.719)
Net cash flow from financing activities			
Collections from loans		47.198.334	22.358.591
Capital increase		16.796.783	-
Interests paid and loans reimbursed		(23.320.240)	(14.065.407)
Dividends paid		(13.533.159)	(2.513.105)
Net treasury from financing activities		27.141.718	5.780.079
		23.394.927	(790.014)
Net increase/(reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	9	1.537.938	2.327.952
Cash and cash equivalents at the financial year end	9	24.932.865	1.537.938
Restricted cash at the financial year end		8.899.753	10.786.408

General Manager
Ionel-Mațian Ciucior



Financial Manager
Monica Vasilica Arsene

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

1. The entity reporting

The Vrancart Group (“the Group”) includes the company Vrancart SA, having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County, and its branch Giant Prodimpex SRL, based in Ungheni locality, Str. Principală No. 161/J, Mureș County. The consolidated financial statements of the Group for the financial year ended on December 31st, 2016 are formed of the financial statements of Vrancart S.A. and of its branch, that form together the Group.

Branch	Field of activity	Shareholding as at	Shareholding as at
		December 31 st , 2016	December 31 st , 2015
Giant Prodimpex SRL	Manufacturing of corrugated cardboard packaging	100%	100%

The Group operates in the paper and corrugated cardboard industry dulat.

VRANCART SA

Vrancart SA (“the Company”) is a joint-stock trade company operating in Romania under the provisions of Law no. 31/1990 on trade companies.

The company is based in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea County.

The company has working points for waste paper collection opened in the following localities: Bucharest, Iași, Focșani, Bacău, Ploiești, Botoșani, Sibiu, Constanța, Arad, Brașov, Pitești, Timișoara, Cluj, Baia Mare, Târgu Mureș, Craiova and Călimănești.

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

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

The company’s average number of employees as at December 31st, 2016 was 939 employees (December 31st, 2015: 902 employees).

The company’s shares are listed to the Bucharest Stock Exchange, 2nd category, with the indicative VNC, starting from July 15th, 2005. The Group posts its consolidated financial statements on its website www.vrancart.ro.

As at December 31st, 2016, 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.

GIANT PRODIMPEX SRL

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

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

1. The entity reporting (continued)

Giant Prodimpex SRL (“the Branch”) was established in 1994 and it is a Romanian private company. The continuous investments in technology, production areas and not least, for personnel, shortly turned Giant into one of the most important corrugated cardboard processors in Romania.

Identification data of the company purchased

Name – Giant Prodimpex SRL

Registered Office – Ungheni locality, Ungheni City, No. 161/J, Mureş County

Registered with the Trade Registry under no.: J26/1305/1994

Tax Identification Number – 6564319

Object of activity – manufacturing of corrugated cardboard packaging

The average number of employees of the Branch as at December 31st, 2016 was of 39 employees (December 31st, 2015: 34 employees).

2. Basis for preparation

(a) Statement of conformity

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

(b) Submission of financial statements

The financial statements are presented in accordance with the provisions of IAS 1 “Submission of financial statements”. The Group adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and 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 Group’s management considers that the functional currency, as defined by IAS 21 “The effects of exchange rate variation” is the Romanian leu (lei). The consolidated financial statements are presented in lei, rounded to the closest amount in lei.

(d) Basis for evaluation

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

2. Basis for preparation (continued)

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, 2016, the Group recorded a net profit of 20.485.031 lei, and the net working capital is positive, in the amount of 32.950.083 lei.

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

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

(e) The use of estimates and judgements

The preparation of the consolidated financial statements in accordance with OMFP 2844 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and 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 Group. The revisions of the accounting estimates are recognised during the period when the estimates are revised, if the revisions affect only that period, or during the period when the estimates are revised and the next periods if the revisions affect both the current period and the next periods.

The significant accounting policies have been consistently applied by the Group entities during the financial years presented in these consolidated financial statements.

3. Significant accounting policies

(a) Basis for consolidation

(i) Combinations of entities

Combinations of entities are accounted for through the acquisition method on the date when the Group obtains control over the purchased entity. The control requires exposure or rights onto the variable results of the entity invested in, as well as the capacity to influence those results by exercising authority on that entity.

The Group evaluates goodwill on the purchase date as follows:

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***3. Significant accounting policies (continued)**

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

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

(ii) Branches

Branches are entities controlled by the Group. The financial statements of the branches are included in the consolidated financial statements from the date when control starts to be exercised until the date when it ceases.

(iii) Loss of control

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

(iv) Transactions removed from consolidation

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

(b) Transactions in foreign currencies

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

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

The currency exchange rates of the main foreign currencies were:

Currency		December 31 st , 2016	December 31 st , 2015	Variation
Euro (EUR)		4,5411	4,5245	+0,37%
American (USD)	dollar	4,3033	4,1477	+3,75%

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(c) Accounting of the effect of hyperinflation

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

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 base 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 lands, constructions and technological equipments.

(d) Financial instruments

Non-derivative financial instruments

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part that 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 Group manages these investments and makes purchase or sales decisions based on fair value in accordance with the investment and risk management strategy described in the Group's documentation. The attributable trading costs are recognised in the profit and loss account when incurred. The financial instruments at fair value in the profit and loss account are evaluated at fair value and the subsequent changes that consider any income from dividends is recognised in the profit and loss account.

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

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

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 Group to manage short-term commitments.

Financial assets available 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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

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.

(e) Tangible assets

(i) Recognition and evaluation

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

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

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

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

The value of the Group's tangible assets as at December 31st, 2015 and December 31st, 2016 is presented in detail in note 5.

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

- lands;
- constructions;
- equipment, technical installations and machines;
- means of transport;
- other tangible assets.

The lands, 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).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

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

(ii) Subsequent expenses

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

(iii) Amortisation

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

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

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

Lands are not subject to amortisation.

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

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

(iv) The sale/ cassation of tangible assets

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

(f) Intangible assets

(i) Recognition and evaluation

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(ii) Research and development

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

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

(iii) Brands and commercial relations

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

(iv) Subsequent expenses

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

(v) Amortisation of intangible assets

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill, from the date of availability for use. The estimated useful lifetime for software applications is 3 years. Brands and commercial relations are amortised for the period remained according to the brand registration certificate, respectively the period estimated by the assessor related to commercial relations. The amortisation methods, the useful lifetime durations and the residual values are revised at the end of each financial year and are adjusted if necessary.

(g) Financial assets

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

The initial evaluation – 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.

(h) Inventories

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

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

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

(i) Impairment of assets

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

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

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

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

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

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

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

Impairment adjustments for trade receivables

The Group analyses on an individual basis the need to record an impairment adjustment for the customers whose balances at the year end exceed 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 Group calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

Impairment adjustments for inventories

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

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

(j) 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.

(k) 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.

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, if 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.

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(l) 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 Group's liquidation.

(m) 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.

(n) Employee benefits

(i) Short-term benefits

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

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

(ii) Determined contribution plans

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

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

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

(iii) Long-term benefits of employees

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(o) Provisions

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

(p) Income

(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.

(q) Financial revenues and expenditures

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.

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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(r) 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, 2016, the profit tax rate was 16% (December 31st, 2015: 16%).

(ii) Deferred tax

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

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

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

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

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

(iii) Fiscal exposures

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

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

(s) Earnings per share

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

(t) Government subsidies

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

(u) 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.

(v) Subsequent events

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

(w) Comparative statements

The financial statements drawn up as at December 31st, 2016 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.

(x) 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, 2016, that were not applied in the drafting of these consolidated financial statements:

- IFRS 9 „Financial Instruments”. IFRS 9 is applicable for the annual periods starting with or after January 1st, 2018, early adoption being allowed. The Group intends to apply IFRS 9 for the first time from January 1st, 2018. The impact of applying IFRS 9 to the Group's consolidated financial statements starting from 2018 is not known and cannot be reasonably estimated, as it will depend on the financial instruments that the Group will have and on the economic situation on that date, as well as on the selection of the accounting treatments and judgements that it will make in the future. The Group does not believe that the new requirements, if they had been applied since December 31st, 2016, would have had a significant impact onto the financial statements.
- IFRS 15 „Income from contracts with customers”. IFRS 15 introduces a common model for the recognising and evaluation of income. The standard replaces the criteria for the recognising of income, replacing the standards IAS 18 Income, IAS 11 Constructions agreements and IFRIC 13 Customers loyalty programs. IFRS 15 applies for the annual periods starting at or after January 1st, 2018, early adoption being allowed.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

3. Significant accounting policies (continued)

The Group has not entirely completed yet the initial assessment of the potential impact of IFRS 15 onto the entity's financial statements and the management does not expect the new standard, when applied for the first time, to have a significant impact onto the entity's financial statements. Most likely, the time of recognising and the modality to measure the entity's income will not change following the adoption of IFRS 15, due to the nature of the entity's operations and to the types of income that it achieves.

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

- IFRS 16 Leasing" is applicable for the yearly periods starting on or after January 1st, 2019. It can be applied before this date if the entity applies IFRS 15 as well. IFRS 16 replaces IAS 17 Leasing and the related interpretations. The standard eliminates the current accounting model for lessees and in exchange requires that the companies bring most of the leasing agreements in balance within a single model, removing the distinction between operational and financial leasing.

It is expected that the new standard, when applied for the first time, to have a significant impact onto the financial statements, since it will require the entity to recognise in the statement of financial position (SFP) assets and liabilities related to operational leasing agreements within which the Entity is a lessee.

- Amendments to IAS 12: The recognising of assets related to deferred tax for unachieved losses. It will become effective for the yearly periods starting on or after January 1st, 2018; it is applicable prospectively and can be applied prior to this date. This pronouncing has not been approved by the EU yet.

The amendments clarify how and when the assets related to deferred tax must be recorded in certain statements and clarifies how future taxable income should be determined for the evaluation and recognising of assets related to deferred tax. The entity expects that the amendments, when applied for the first time, will not have a significant impact onto the submission of the Entity's financial statements, as the Entity it already evaluating the future taxable profit in accordance with the Amendments.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

4. Fair value determination

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

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

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

Upon the evaluation of assets or liabilities at fair value, the Group 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 Group can access at the evaluation date;
- 2nd level: entry data, other than quoted prices included in 1st level, that is observable for assets or liabilities, directly or indirectly;
- 3rd level: unobservable entry data for assets or liabilities.

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

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

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

Vrncart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

5. Tangible assets

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2015	9.126.491	31.385.261	138.352.522	3.007.972	181.872.246
Purchases	202.263	-	60.007	20.159.507	20.421.777
Transfers from fixed assets in progress	738.846	1.575.902	3.711.676	10.000	6.036.424
Transfers from intangible assets	-	1.446.541	16.472.078	(17.918.619)	-
Outflows	-	-	-	(575.239)	(575.239)
As at December 31st, 2015	-	(60.692)	(1.032.346)	-	(1.093.038)
<i>Cost or re-evaluated value</i>					
As at January 1st, 2015	10.067.600	34.347.012	157.563.937	4.683.621	206.662.170
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2015	218.752	1.031.396	27.247.467	-	28.497.615
Depreciation expenses	218.751	1.133.469	16.455.257	-	17.807.477
Outflows	-	298.953	2.271.557	-	2.570.510
Revaluations	-	(4.875)	(788.150)	-	(793.025)
As at December 31st, 2015	-	-	-	-	-
<i>Net book value</i>					
As at December 31st, 2015	9.630.097	31.888.069	112.377.806	4.683.621	158.579.593

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

5. Tangible assets (continued)

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2016	10.067.600	34.347.012	157.563.937	4.683.621	206.662.170
Purchases	314.685	-	740.745	42.923.991	43.979.421
Transfers from fixed assets in progress	-	-	-	-	-
Transfers from intangible assets	-	9.306.682	34.934.543	(44.241.225)	-
Outflows	-	-	-	(110.195)	(110.195)
As at December 31st, 2016	-	-	(1.020.263)	-	(1.020.263)
<i>Cost or re-evaluated value</i>					
As at January 1st, 2016	10.382.285	43.653.694	192.218.962	3.256.192	249.511.133
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2016	437.503	2.458.943	45.186.131	-	48.082.577
Depreciation expenses	218.752	1.318.591	16.494.057	-	18.031.400
Outflows	-	-	-	-	-
Revaluations	-	-	(762.163)	-	(762.163)
As at December 31st, 2016	-	-	-	-	-
<i>Net book value</i>					
As at December 31st, 2016	9.726.030	39.876.160	131.300.937	3.256.192	184.159.320

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

5. Tangible assets (continued)

The total value (cost) of the fixed assets purchased through government subsidies received until December 31st, 2016 is of 99.763.046 lei (see note 17) (December 31st, 2015: 81.659.069 lei).

A part of the Group's tangible assets are mortgaged or pledged to guarantee the loans granted by banks. The net book value of these mortgaged or pledged assets is of 115.187 thousand lei as at December 31st, 2016 (December 31st, 2015: 110.642 thousand lei). The net book value of the assets purchased through financial leasing is of 3.262 thousand lei as at December 31st, 2016 (December 31st, 2015: 503 thousand lei).

6. Goodwill

Goodwill	2016	2015
Fair value of transferred counterperformance	6.657.600	6.657.600
Fair value of the net purchased asset	(3.276.789)	(3.276.78)
Goodwill at the time of purchase	3.380.811	3.380.811

Goodwill is generated by the acquisition of the branch Giant Prodimpex S.R.L. by Vrancart S.A. on July 17th, 2015. As at December 31st, 2016 and December 31st, 2015, the Group's management believes that it is not necessary to recognise an impairment loss for goodwill, having regard to the fact that the transaction was performed under normal market conditions, and the value of the net asset as at the acquisition date was recognised based on a report for the purchase price allotment drawn up on a recent date by authorised assessors, members of ANEVAR.

7. Stocks

	December 31 st , 2016	December 31 st , 2015
Raw materials and consumables	16.697.873	15.243.191
Finished products and goods	4.728.307	5.643.016
Production in progress	6.924.908	2.615.896
Adjustments for impairment of inventories	(371.222)	(458.235)
Total	27.979.866	23.043.868

8. Trade receivables

	December 31 st , 2016	December 31 st , 2015
Customers	47.108.884	46.944.895
Suppliers - debtors for goods/ services	1.580.871	772.018
Customers – invoices to be issued	-	15.285
Other receivables	80.554	72.472
Adjustments for the impairment of receivables – customers	(9.078.186)	(10.200.623)
Total	39.692.123	37.604.047

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***9. Cash, cash equivalents and restricted cash**

	<u>December 31st, 2016</u>	<u>December 31st, 2015</u>
Current accounts at banks and other values	24.911.595	1.518.380
Petty cash	21.270	19.558
Total cash and cash equivalents	24.932.865	1.537.938
Letters of credit	-	10.786.408
Escrow account for the purchase of financial assets	8.899.753	-
Total restricted cash	8.899.753	10.786.408

The letter of credit in the amount of 2.384.000 Euro was issued on November 23rd, 2015, to guarantee the payment to an Italian equipment supplier, in relation to the projects financed with non-reimbursable funds from Norway Grants 2. The expiry date of the letter of credit was April 30th, 2016.

The escrow account in the amount of 2.000.000 Euro was opened based on the agreement for the purchase of 70% of the shares of Rom Paper S.R.L. Braşov, a purchase that was finalised in 2017 (Note 29).

10. Other receivables

	<u>December 31st, 2016</u>	<u>December 31st, 2015</u>
Other personnel-related receivables	18.123	33.235
Sundry debtors	427.459	155.969
Subsidies to be received	-	1.343.341
Suppliers – debtors	389.768	4.785.957
Adjustments for the depreciation of other receivables	(434.541)	(434.541)
Total	400.809	5.883.961

11. Share capital**Group's shareholding structure**

December 31st, 2016	Number of shares	Amount (lei)	(%)
SIF Banat Crişana	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, 2015	Number of shares	Amount (lei)	(%)
SIF Banat Crişana	645.346.712	64.534.671	74,72%
Other shareholders	218.371.208	21.837.121	25,28%
Total	863.717.920	86.371.792	100%

In 2016, the parent-company's share capital was increased by 16.796.563 lei. A number of 167.965.627 shares with a nominal value of 0,10 lei/share were issued.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***Dividends**

Through the Decision no. 4 from 2016, the Ordinary General Meeting of the Shareholders decided to distribute dividends, from the net profit for the financial year ended on December 31st, 2015, in the amount of 13.819.487 lei, respectively a gross amount of a dividend of 0,016 lei/share.

Other reserves

Other reserves in the statement of changes in equity include the legal reserves and the reserves established from tax facilities. In 2016, the Group benefited of exemption of taxation for reinvested profit, according to the provisions of the Tax Code (art. 19[^]4). The amount of the reserve related to reinvested profit as at December 31st, 2016 is of 13.504.187 lei (December 31st, 2015: 9.002.008 lei).

According to the legal provisions, the Group establishes legal reserves in the amount of 5% of the profit recorded up to 20% of the share capital. The value of the legal reserve as at December 31st, 2016 is 6.625.176 lei (December 31st, 2015: 5.496.616 lei). The legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax corresponding to the reinvested profit and other reserves, established in accordance with the legal provisions in force.

Reserves from the revaluation of tangible assets

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

12. Trade liabilities**(a) Short-term trade liabilities**

	December 31st, 2016	December 31st, 2015
Trade liabilities	17.542.462	15.552.303
Short term supplier credit	-	880.015
Advances received	295.633	216.186
Total	17.838.095	16.648.504

13. Other liabilities

	December 31st, 2016	December 31st, 2015
Debts to the state budget	3.126.714	4.037.224
Dividends to be paid	371.225	152.884
Amounts owed to employees	3.054.281	869.645
Sundry creditors	8.065	3.648
Total	6.560.285	5.063.401

Vrancart S.A.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

14. Loans

	December 31st, 2016	December 31st, 2015
Long-term bank loans	32.733.289	15.204.361
Debts related to long-term financial leasing agreements	1.885.879	62.443
Total	34.619.168	15.266.804

	December 31st, 2016	December 31st, 2015
Short-term bank loans	40.965.444	36.329.873
Debts related to short-term financial leasing agreements	797.316	184.157
Total	41.762.760	36.514.030

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

14. Loans (continued)

The Group has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans can lead to the declaring of early maturity and other sanctions. All the financial and non-financial conditions related to the existing loan agreements as at December 31st, 2016 were met and there is no risk of early reimbursement. In the case of a loan agreement, a non-financial condition is not met, but the management believes that there are no risks related to this, as the balance of this loan was already categorised as short-term in the financial statements.

No.	Bank/ Creditor	Date of granting of the loan	Currency	Type of interest (fixed/ variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2016 – lei equivalent	Principal in balance as at December 31 st , 2015 – lei equivalent
1	Raiffeisen Bank	30.06.2016	EUR RON	variable	overdraft	30.07.2017	17.252.314	16.045.541
2	Raiffeisen Bank	22.10.2007	RON	variable	short term	20.10.2017	711.601	1.566.001
3	Unicredit Bank	15.03.2016	RON	variable	overdraft	15.03.2017	815.599	2.859.792
4	Unicredit Bank	28.10.2010	EUR RON	variable	long term	31.05.2010	8.531.336	10.990.147
5	Unicredit Bank	25.02.2014	RON	variable	short term	31.01.2017	328.211	4.266.729
6	Unicredit Bank	18.04.2014	EUR RON	variable	long term	28.02.2019	3.472.645	5.071.082
7	BRD	16.06.2011	EUR	variable	long term	20.06.2016	-	332.863
8	BRD	08.07.2016	RON	variable	overdraft	08.07.2017	6.303.905	6.749.881
9	ING	18.09.2014	RON	variable	long term	14.09.2018	2.036.298	3.199.878
10	ING	23.05.2016	RON	variable	long term	30.04.2021	2.307.333	-
11	ING	26.03.2015	RON	variable	long term	31.12.2020	8.307.692	-
12	BRD	30.08.2016	RON	variable	long term	31.08.2021	7.473.276	-
13	BRD	09.08.2016	RON	variable	long term	31.07.2020	4.031.250	-
14	Unicredit Bank	27.07.2016	RON	variable	long term	27.07.2023	11.969.945	-
15	BCR	08.06.2006	EUR	variable	long term	02.06.2016	-	29.527
16	BCR	11.06.2007	EUR	variable	short term	05.07.2017	157.326	422.792
17	BCR	24.11.2015	RON	variable	overdraft	25.11.2016	-	-
	Total						73.698.733	51.534.234

The interest rate for the loans in RON is determined as Robor + the margin that varies in the range 1%- 4%.

The interest rate for the loans in Euro is determined as Euribor + the margin that varies in the range 1%- 4%.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***14. Loans (continued)**

To guarantee the loans, the Group established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising from current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2016, tangible assets are mortgaged in favour of banks (Note 5).

15. Provisions

	December 31st, 2016	December 31st, 2015
Balance at the beginning of the period	1.861.178	1.782.133
Provisions established during the period	2.041.130	6.850.662
Provisions used during the period	(3.610.505)	(6.771.617)
Balance at the end of the period	291.803	1.861.178

The provisions are established for:

- Disputes: 40.608 lei as at December 31st, 2016 (December 31st, 2015: 40.608 lei)
- Employee benefits: 251.195 lei as at December 31st, 2016 (December 31st, 2015: 1.820.570 lei)

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

16. Receivables/debts related to deferred tax

Deferred tax as at December 31st, 2016 is generated by the elements detailed in the following table:

	Liabilities	Assets	Net
Tangible assets	9.244.080	-	9.244.080
Provisions and impairment adjustments (inventories, customers)	-	11.917.116	(11.917.116)
	9.244.080	11.917.116	(2.673.036)
Net temporary differences - 16% share			(2.673.036)
Receivables related to deferred profit tax			427.686

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***16. Receivables/debts related to deferred tax (continued)**

Debts related to deferred tax as at December 31st, 2015 are detailed in the table below:

	Liabilities	Assets	Net
Tangible assets	14.426.124	-	14.426.124
Provisions and impairment adjustments (inventories, customers)	-	13.156.527	(13.156.527)
	14.426.124	13.156.527	1.269.597
Net temporary differences - 16% share			1.269.597
Debts related to deferred profit tax			203.136

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, 2016	December 31st, 2015
The Ministry of Economy and Research II	11.495.902	13.122.784
The Environmental Fund Administration	3.416.680	3.593.982
Innovation Norway 1	4.383.543	5.291.127
Innovation Norway 2	4.300.051	1.327.668
The European Bank for Reconstruction and Development	339.360	374.529
The National Agency for SMEs	39.766	53.234
Total	23.975.301	23.763.324

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 parent-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 need to 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 2016 and 2015, the parent-company considers that it will be able to meet them entirely by the end of the monitoring period.

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 parent-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.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***18. Income from turnover**

	2016	2015
Revenues from the sale of finished products	221.223.866	204.535.400
Revenues from the sale of goods	5.778.801	4.651.844
Revenues from services provided	5.240.777	2.281.807
Income from royalties, locations under management and rents	16.630	16.181
Revenues from various activities	21.185	20.126
Revenues from studies and researches	-	51.119
Total	232.281.259	211.556.477

19. Other income

	2016	2015
Revenues from investment subsidies	2.799.833	2.518.421
Revenues from compensations, fines and penalties	742.038	88.236
Net revenues from the sale of tangible assets	151.125	17.309
Other operating revenues	99.805	75.095
Total	3.792.801	2.699.061

20. Expenses related to raw materials and consumables

	2016	2015
Expenses related to raw materials	66.637.436	55.931.974
Expenses related to consumables and auxiliary materials	23.574.255	18.564.021
Expenses related to fuels	15.916.477	17.627.249
Expenses related to water and electricity	14.838.114	15.273.881
Expenses related to spare parts	3.571.845	3.952.307
Total	124.538.127	111.349.432

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***21. Other expenses**

	2016	2015
Expenses related to commissions and fees	2.065.243	2.248.190
Operating expenses related to provisions	-	79.045
Expenses related to royalties, locations under management and rents	1.600.020	1.400.418
Expenses related to bank services and similar	576.952	616.852
Expenses related to insurance premiums	975.368	702.289
Other taxes, duties and similar payments	859.027	644.192
Expenses related to donations made	849.673	944.653
Expenses related to travels, secondments and transfers	362.357	281.356
Postage and telecommunications fees	217.991	187.646
Expenses related to entertainment, advertising and publicity	162.388	194.699
Expenses related to compensations, fines and penalties	86.078	1.442.497
Value adjustments on stocks	(78.340)	141.311
Value adjustments on receivables	1.050.856	1.641.227
Other operating expenses	239.497	34.626
Total	8.967.110	10.559.001

22. Personnel-related expenses

	2016	2015
Salary expenses	31.642.013	25.872.320
Expenses related to insurance and social protection	7.384.960	5.998.876
Expenses related to luncheon vouchers given	2.110.754	1.918.949
Total	41.137.727	33.790.145

In 2016, the Group's average number of employees was 978 (2015: 936).

23. Financial revenues and expenses

	2016	2015
Interest revenues	6.274	12.575
Net currency exchange revenues/ expenses	(78.411)	475.631
Total revenues	(72.137)	488.206
Interest expenses	1.431.746	1.486.709
Total expenses	1.431.746	1.486.709

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***24. Profit tax expense**

	2016	2015
Expenses related to current profit tax	2.810.324	3.433.396
Income related to deferred profit tax	(571.655)	(764.312)
Total	2.238.669	2.669.084
	2016	2015
Profit/ loss before taxation	22.723.699	20.952.018
Tax in accordance with the statutory taxation rate of 16% (2015: 16%)	3.635.792	3.352.323
The effect onto the profit tax of:		
The legal reserves	(180.570)	(166.559)
The non-deductible expenses	3.243.923	3.588.734
The fiscal amortisation	(2.465.302)	(2.353.456)
Exemptions for sponsorships	(665.257)	(629.548)
The recording of temporary differences	(571.655)	(764.311)
Reinvested profit	(758.262)	(358.099)
Profit tax	2.238.669	2.669.084

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:

	2016	2015
Profit attributable to ordinary shareholders	20.485.031	18.282.934
Weighted average number of ordinary shares	877.715.056	863.717.920
Basic earnings per share	0,023	0,021

The diluted earnings per share equals to the basic earnings per share, as the Group 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, together with the other companies controlled by it are considered as affiliated parties.

In 2016, there were no changes of the Board of Administrators.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***26. Affiliated parties (continued)**

The list of persons that were part of the Board of Administrators as at December 31st, 2016:

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, 2016: not applicable.

As at December 31st, 2015: not applicable.

Transactions with the key management personnel:

	2016	2015
The remuneration of the members of the Board of Administrators	1.100.000	450.000

Transactions with affiliated parties:

Affiliated party		Transactions in 2016	Transactions in 2015	Balance in 2016	Balance in 2015
Napomar SA	supplier	174	1.684	174	1.426
Napomar SA	customer	-	-	-	-
Somplast SA	supplier	-	63.750	-	2.019
Somplast SA	customer	24.600	381.005	-	281
Calipso S.A.	supplier	-	665	-	665
SIF Hoteluri	supplier	2.168	-	-	-
Uniteh S.A.	supplier	98.941	-	2.379	-
Biofarm S.A.	customer	77.058	-	67.562	-
Biofarm S.A.	supplier	2.439	-	419	-
Semtest Craiova S.A	supplier	138.566	-	11.365	-
Sifi CJ Logistic S.A.	supplier	99.033	-	1.789	-
Administrare Imobiliare S.A.	supplier	18.056	-	-	-
Industrial Energy	supplier	8.037.148	-	1.264.657	-

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***26. Affiliated parties (continued)**

Other operations:

Affiliated party		Transactions in 2016	Transactions in 2015	Balance in 2016	Balance in 2015
SIF Banat Crişana S.A.	payment of the dividends distributed during the year	10.325.547	1.936.040	-	-
ARIO S.A.Bistriţa	Debtor	-	-	300.000	300.000

27. Commitments

As at December 31st, 2016, the Group had concluded payment commitments for future purchases of fixed assets in the amount of 5.569.768 lei, that is the equivalent of 1.237.726 Euro.

28. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at December 31st, 2016 (December 31st, 2015: zero).

29. Events subsequent to the balance sheet date

On January 19th, 2017, the process related to the purchase of 70% of the shares of the company Rom Paper S.R.L. Brasov was completed. The purchase contract provided the possibility for Vrancart to purchase 100% of the shares within the next 2 (two) years, at a final price ranging between 4,2 and 6,5 million Euro, according to the financial results obtained during this period by the company ROM PAPER S.R.L.

The financing sources for this purchase consist both of the company's own sources and bank loans.

Through the Decision no. 156/01.02.2017, the Financial Supervisory Authority approved the Prospectus for the issuing of bonds in the amount of 38.250.000 lei, with a ROBOR 3m+2% interest, maturity in 7 years. On March 13th, 2017, the issuance process through the subscription in a proportion of 100% of the issued bonds was finalised.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***30. Financial risk management****Overview**

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

- the credit risk;
- the liquidity risk;
- the market risk.

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

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

(a) Credit risk

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

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

Book value	December 31st, 2016	December 31st, 2015
Trade receivables and other receivables	40.092.932	43.488.008
Cash and cash equivalents	24.932.865	1.537.938
Restricted cash	8.899.753	10.786.408
Total	73.925.550	55.812.354

The Group's exposure to the 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 Group's standard payment and delivery conditions. Purchase limits are established for each individual customer. The customers that fail to meet the conditions established by the Group can make transactions with it only after making an advance payment.

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***30. Financial risk management (continued)**

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

Impairment losses

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

December 31st, 2016	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	33.688.790	1.366.451
Outstanding receivables between 31 and 60 days	5.041.992	526.724
Outstanding receivables between 61 and 90 days	392.495	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	5.999.528	5.678.347
Total	49.605.528	9.512.726

December 31st, 2015	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	39.292.541	1.244.461
Outstanding receivables between 31 and 60 days	2.518.800	24.300
Outstanding receivables between 61 and 90 days	668.228	10.858
Outstanding receivables between 91 and 180 days	2.502.698	1.239.418
Outstanding receivables between 181 and 360 days	1.183.585	835.742
Outstanding receivables for more than 360 days	7.957.320	7.280.385
Total	54.123.172	10.635.164

(b) Liquidity risk

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***30. Financial risk management (continued)**

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

In general, the Group makes sure that it has sufficient cash to cover the operational 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:

December 31st, 2016	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Loans	76.381.928	78.389.592	42.879.462	35.510.130	-
Trade liabilities and other liabilities	24.914.355	24.914.355	24.914.355	-	-
Total	101.296.283	103.303.947	67.793.797	35.510.130	-

December 31st, 2015	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Loans	51.780.834	53.200.181	37.383.868	15.816.313	-
Trade liabilities and other liabilities	22.480.881	22.493.905	22.493.905	-	-
Total	74.261.715	75.694.086	59.877.773	15.816.313	-

(c) Market risk

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

Interest rate risk*(i) The risk exposure profile*

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

Fixed rate instruments	December 31st, 2016	December 31st, 2015
Supplier credit	-	880.015
Total	-	880.015
Variable rate instruments	December 31st, 2016	December 31st, 2015
Financial liabilities	76.381.928	51.780.834
Total	76.381.928	51.780.834

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***30. Financial risk management (continued)***(ii) Fair value sensitivity analysis for fixed interest rate instruments*

The Group 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 Group's equity.

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

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by 763.819 lei (517.808 lei as at December 31st, 2015). 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

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

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

December 31st, 2016	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	40.092.932	36.382.351	3.272.489	438.093	-
Restricted cash	8.899.753	8.899.753	-	-	-
Cash and cash equivalents	24.932.865	21.904.114	2.874.598	151.276	2.877
Financial assets	73.925.550	67.186.218	6.147.087	589.369	2.877
Loans	76.381.928	66.342.742	10.039.186	-	-
Trade liabilities and other liabilities	24.914.355	21.141.880	3.752.076	20.398	-
Financial liabilities	101.296.283	87.484.622	13.791.262	20.398	-
Total net financial assets/ (liabilities)	(27.370.733)	(20.298.404)	(7.644.175)	568.971	2.877

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2016**(all the amounts are expressed in lei, unless otherwise stated)***30. Financial risk management (continued)**

December 31st, 2015	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	43.488.008	33.692.703	9.536.265	259.040	-
Restricted cash	10.786.408	-	10.786.408	-	-
Cash and cash equivalents	1.537.938	749.339	283.567	503.645	1.387
Financial assets	55.812.354	34.442.042	20.606.240	762.685	1.387
Loans	51.780.834	33.422.233	18.358.601	-	-
Trade liabilities and other liabilities	22.480.881	18.377.124	3.532.259	571.498	-
Financial liabilities	74.261.715	51.799.357	21.890.860	571.498	-
Total net financial assets/ (liabilities)	(18.449.361)	(17.357.315)	(1.284.620)	191.187	1.387

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, 2016: 707.233 lei; (December 31st, 2015: 109.205 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, 2016 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, considering that all the other variables remain constant.

e) The risk related to taxation

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

30. Financial risk management (continued)

The amounts declared to the State for taxes and duties remain open for fiscal audit for five years. The Romanian fiscal authorities performed inspections related to the calculation of taxes and duties until December 31st, 2014 in case of the Company and until May 31st, 2014 in case of the Branch.

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

f) Transfer price

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

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

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 Group's ability to obtain new loans and to refinance its existing loans under the terms and conditions corresponding to previous transaction.

The Group'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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2016

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

30. Financial risk management (continued)

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 and of the stock markets onto the Group's financial statements.

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

- constantly monitoring liquidity;
- preparing short term forecasts on net liquidity;
- monitoring the cash 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 Group's policy is to maintain a sound capital basis necessary in order to maintain the trust of investors, creditors and of the market and in order to support the entity's future development.

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