

Translation for information purpose only

VRANCART S.A.

Financial statements
as at December 31st, 2014

prepared in accordance with
Order of Public Finances Minister no. 1286/2012
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 SA

Statement of financial position

for the financial year ended on December 31st, 2014

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

	Note	December 31st, 2014	December 31st, 2013
ASSETS			
Tangible assets	5	153.374.631	160.726.155
Intangible assets		60.214	6.277
Total intangible assets		153.434.845	160.732.432
EQUITY			
Stocks	6	19.469.560	20.061.141
Trade receivables	7	43.095.280	38.067.929
Accrued expenses		265.492	441.572
Cash and cash equivalents	8	2.352.952	1.467.002
Other receivables	9	1.418.235	208.780
Total current assets		66.601.519	60.246.424
TOTAL ASSETS		220.036.364	220.978.856
LIABILITIES			
Long term trade liabilities	11	871.768	2.616.822
Long term loans	13	20.566.606	17.305.918
Deferred revenues	16	18.780.826	19.280.991
Debts related to deferred income tax	15	490.922	1.410.609
Total long term liabilities		40.710.122	40.614.340
Short term trade liabilities	11	20.224.856	18.046.803
Short term loans	13	24.841.887	47.438.227
Deferred revenues	16	1.834.478	1.421.579
Provisions	14	1.782.133	1.942.873
Other liabilities	12	3.314.369	2.989.118
Total current liabilities		51.997.723	71.838.600
TOTAL LIABILITIES		92.707.845	112.452.940
TOTAL EQUITY AND LIABILITIES		220.036.364	220.978.856

The financial statements were approved by the Management Board on 11.03.2015.

General Manager
Ionel-Marian Ciucioi



Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 38 are integrant part of the financial statements.

Vrancart SA

Statement of comprehensive income

as at December 31st, 2014

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

	Note	2014	2013
Income from turnover	17	197.475.915	183.993.448
Other income	18	2.536.433	2.514.415
Variation of finished products stock and production in progress		(192.597)	(3.017.842)
Expenses related to raw materials and consumables		(105.699.903)	(102.878.421)
Expenses related to commodities		(2.402.057)	(2.467.493)
Expenses related to services provided by third parties		(16.887.803)	(16.940.797)
Personnel-related expenses	20	(27.688.051)	(28.186.194)
Expenses related to amortisation and from re-evaluation	5	(16.570.097)	(26.708.221)
Other expenses	19	(7.724.807)	(11.512.775)
Operating result		22.847.033	(5.203.881)
Financial revenues	21	7.965	17.941
Financial expenses	21	(1.888.441)	(4.136.676)
Profit (loss) before taxation		20.966.557	(9.322.616)
Income tax revenue/ (expense)	22	(2.001.332)	2.499.884
Profit (loss) for the year		18.965.225	(6.822.732)
Other comprehensive income items			
Increases of the reserve from the re-evaluation of tangible assets, net of deferred tax		-	23.166.736
Transfer of the reserve from the re-evaluation of returned earnings as a result of the cassation of tangible assets		(121.559)	(25.265)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18.843.666	16.318.739
Earnings per share			
Profit (loss) attributable to ordinary shareholders	23	18.965.225	(6.822.732)
Weighted average number of ordinary shares		863.717.920	823.935.188
Base earnings per share		0,022	(0,008)

The financial statements were approved by the Management Board on 11.03.2015.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 38 are integrant part of the financial statements.

Vrancart SA

Statement of changes in equity

for the financial year ended on December 31st, 2014

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

	Share capital	Share capital adjustments	Reserves from the re-evaluation of tangible assets	Other reserves	Retained earnings	Retained earnings from the first adoption of IAS 29	Total equity
Balance as at January 1st, 2013	79.551.859	199.227.374	3.727.602	6.519.211	6.874.422	(199.227.374)	96.673.094
Total comprehensive income for the period							
Net profit/ loss for the year	-	-	-	-	(6.822.732)	-	(6.822.732)
Other comprehensive income items							
Distribution from retained earnings	6.819.933	-	-	-	(6.819.933)	-	-
Correction related to fixed assets (Note 5)			3.911.052	-	(4.656.015)	-	(744.962)
Other corrections					164.833	-	164.833
Changes in the reserve from the re-evaluation of tangible assets, net of deferred tax	-	-	19.255.684	-	-	-	19.255.684
Transfer of re-evaluation reserve to retained earnings as a result of the sale of tangible assets	-	-	(25.265)	-	25.265	-	-
Total other comprehensive income items	6.819.933	-	23.141.471	-	(11.285.850)	-	18.675.555
Total comprehensive income for the period	6.819.933	-	23.141.471	-	(18.108.582)	-	11.852.822
Balance as at December 31st, 2013	86.371.792	199.227.374	26.869.073	6.519.211	(11.234.160)	(199.227.374)	108.525.916
Balance as at January 1st, 2014	86.371.792	199.227.374	26.869.073	6.519.211	(11.234.160)	(199.227.374)	108.525.916
Total comprehensive income for the period							
Net profit/ loss for the period	-	-	-	-	18.965.225	-	18.965.225
Other comprehensive income items							
Distribution from retained earnings	-	-	-	4.812.212	(4.812.212)	-	-
Other changes (Note 10b)	-	(199.227.374)	-	-	(182.071)	199.227.374	(182.071)
Changes in the reserve from the re-evaluation of tangible assets, net of deferred tax	-	-	19.449	-	-	-	19.449
Transfer of re-evaluation reserve to retained earnings as a result of the sale of tangible assets	-	-	(121.559)	-	121.559	-	-
Total other comprehensive income items	-	(199.227.374)	(102.110)	4.812.212	(4.872.724)	199.227.374	(162.622)
Total comprehensive income for the period	-	(199.227.374)	(102.110)	4.812.212	14.092.501	199.227.374	18.802.603
Balance as at December 31st, 2014	86.371.792	-	26.766.963	11.311.423	2.858.341	-	127.328.519

The notes from page 5 to page 38 are integrant part of the financial statements.



Vrancart SA

Statement of cash flows

for the financial year ended on December 31st, 2014

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

	Note	2014	2013
Cash flows from operating activities:			
Collections from customers		231.285.036	219.989.647
Payments to suppliers		(146.030.631)	(150.966.257)
Payments to employees		(21.246.718)	(20.615.376)
Payments to the state budget		(24.640.963)	(22.137.458)
Income tax paid		(2.612.563)	(928.529)
Net cash flows from operating activities		36.754.161	25.342.027
Cash flows from investment activities:			
Payments for the purchase of fixed assets		(14.390.439)	(4.803.999)
Collections from the sale of tangible assets		94.102	89.780
Interest collected		1.593	9.792
Net cash flows from investment activities		(14.294.744)	(4.704.428)
Cash flows from financing activities:			
Collections from loans		16.936.771	10.264.404
Interest paid and reimbursement of loans		(38.510.162)	(29.870.217)
Dividends paid		(76)	(900.319)
Net cash flows from financing activities		(21.573.467)	(20.506.131)
		885.950	131.468
Net increase/ (reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	8	1.467.002	1.335.534
Cash and cash equivalents at the financial year end	8	2.352.952	1.467.002



The notes from page 5 to page 38 are integrant part of the financial statements.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

1. The Reporting Entity

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: Bucharest, Iasi, Focsani, Ploiesti, Botosani, Sibiu, Constanta, Arad, Brasov, Pitesti, Timisoara and Cluj.

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

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

The company’s shares are listed to the Bucharest Stock Exchange, 2nd category, with the indicative VNC, starting from July 15th, 2005.

As at December 31st, 2014, the company is owned 74,72% by SIF Banat – Crisana S.A. and 25,28% by other shareholders.

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

2. Basis for preparation

(a) Statement of conformity

The individual financial statements are drawn up by the Company in accordance with the requirements of the Finance Minister Order no. 1286 of 2012 for the approval of the Accounting regulations compliant with the International Financial Reporting Standards, applicable to trade companies whose values are admitted to trading on a regulated market, with the subsequent amendments (OMFP 1286). 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 individual financial statements are presented in accordance with the provisions of IAS 1 “Submission of financial statements”. The company adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

(c) The functional and presentation currency

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

2. Basis for preparation (continued)

(d) Basis for evaluation

The individual financial statements were prepared based on the historical cost, except for tangible assets that are assessed using the re-assessment model.

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

As at December 31st, 2014, the Company recorded a net profit of 18.965.225 lei, the net working capital is positive, in the amount of 14.603.796 lei (2013: negative, -11.592.176 lei) and the net cash flows from the operating activity does not cover the Company's current liabilities.

The Company's management has established its medium term strategy, and the estimates provide annual increases of sales and cost reductions as a result of the effective usage of resources, that shall finally lead to positive profit margins.

The company gives special importance to profitability indicators, by optimizing the operational and liquidity processes, through the restructuring of some short term credit lines. In February 2014, the company concluded agreements for the restructuring of short term loans (a part of these were converted into medium term loans) and this shall lead to the significant improvement of liquidity.

The company had a positive cash flow of 885.950 lei in 2014 (2013: 131.468 lei) and has no outstanding debts to the public budgets or to its private partners.

The company's management considers that the EBITDA operating margins clearly reflect that the Company is profitable.

The management considers that the Company will continue to carry out its activity for the next 12 months from the release of the financial statements.

Based on these analyses, the management considers that the Company will be able to continue its business in the foreseeable future, therefore the application of the business continuity principle in the preparation of the financial statements is justified.

(e) Usage of estimates and judgements

The preparation of the individual financial statements in accordance with the Public Finances Minister Order no. 1286 requires the usage 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 estimates.

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

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***3. Significant accounting policies****(a) Transactions in foreign currency**

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

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

The exchange rates of the main foreign currencies were:

Currency	December 31st, 2014	December 31st, 2013	Variation
Euro (EUR)	4,4821	4,4847	-0,06%
American dollar (USD)	3,6868	3,2551	+13,26%

(b) Accounting of the effect of hyperinflation

In accordance with IAS 29 “Financial reporting in hyperinflationary economies”, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current measurement unit on the balance closure 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 continuous reduction of the rate of inflation and other factors related to the characteristics of the economic environment in Romania indicates that the economy whose functional currency was adopted by the Company has ceased to be hyperinflationary, with an effect onto the financial periods 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.

(c) Financial instruments*Non-derivative financial instruments*

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

Our company recognises initially the non-derivative financial liabilities on the date of trading, when the Company becomes part of the contractual conditions of the instrument. These are initially recognised at fair value plus any trading costs directly attributable. After the initial recognition, these financial liabilities are evaluated at amortised cost using the effective interest rate method.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

The company derecognises a financial asset when the contractual rights on the cash flows generated by the assets expire or it transfers the rights to collect the contractual cash flows of the financial asset in a transaction in which substantially all the risks and benefits of ownership on the financial asset are transferred. Any interest in the financial asset transferred that is created or retained by the Company is recognised separately as an asset or a liability.

The company derecognises a financial liability when the contractual obligations are paid or cancelled or expire.

The financial assets and liabilities are offset and the net value is presented in the statement of financial position only when the company has the legal right to offset the values and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The company holds the following non-derivative financial assets: trade receivables, cash and cash equivalents and financial assets available for sale.

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. Subsequent to the initial recognition, the receivables are evaluated at amortised cost using the effective interest rate method less the value of impairment losses.

The receivables include trade receivables and other receivables.

Cash and cash equivalents

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

Financial assets 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.

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 deduction of equity at value net of tax effects.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(d) Tangible assets

(i) Recognition and evaluation

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

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

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

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 company's tangible assets as at December 31st, 2013 and December 31st, 2014 is presented in detail in note 5.

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

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

All tangible assets 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 losses accumulated from depreciation.

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.

Re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR). The frequency of re-evaluations is given by the dynamics of the markets to which the land and buildings held by the Company belong. The last re-evaluation of patrimony took place on 31.12.2013.

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(ii) Subsequent expenses

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

(iii) Amortisation

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

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

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

Land 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 company's management on every reporting date and are adjusted, if necessary.

(vi) The sale/ cassation of tangible assets

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

(e) Intangible assets

(i) Recognition and evaluation

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

(ii) Research and development

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

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

(iii) Subsequent expenses

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

(iv) Amortisation of intangible assets

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill from the date of availability for use. The estimated useful lifetimes for the current period and for the comparative periods are as follows:

- Software 3 years

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

(f) Stocks

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

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

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

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

(g) Impairment of assets

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

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 between the usage value and its fair value, less the costs for the sale of that asset or unit.

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

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

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

The company has defined specific provisions policies for trade receivables and current assets, as follows:

Provisions for trade receivables

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

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

Impairment of inventories

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

- For inventories older than 180 days, impairment is established after an individual analysis, for each product, performed by a commission formed of representatives of the marketing-sales and production departments.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

- For all finished products, the company compares the cost of inventories with the sale prices of 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 (f).

(h) 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.

(i) Re-evaluation reserves

Re-evaluations are made with sufficient frequency, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. To this respect, the company has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2013.

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

(j) Legal reserves

The legal reserves are formed 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 income tax and are not distributable except for the case of the company's liquidation.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(k) Affiliated parties

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, as defined by IAS 24 "Submission of information on affiliated parties".

(l) 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. The liabilities related to short term benefits of employees are not updated and are recognised as expenses when the services are provided.

(ii) Determined contribution plans

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

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

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

(iii) Long-term benefits of employees

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

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

(m) Provisions

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(n) Revenues

(i) The sale of goods

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

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

(ii) The provision of services

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

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

(o) 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.

All the costs of indebtedness that are not directly attributable to the purchase, construction or generation of assets with a long manufacturing cycle are recognised in the profit or loss account using the actual interest method.

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.

(p) Income tax

The expenses related to income tax include the current and deferred tax.

Income tax is recognised in the statement of comprehensive income or in other items of comprehensive income if the tax is related to capital items.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(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, 2014, the income tax rate was 16% (December 31st, 2013: 16%).

(ii) Deferred tax

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

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

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

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

The receivable related to deferred tax is revised at each financial year end and is 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 company takes into consideration the impact of the uncertain fiscal positions and the likelihood of occurrence of additional taxes and interests.

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

(q) Earnings per share

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

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

3. Significant accounting policies (continued)

(r) Government subsidies

Government subsidies for investments are initially recognised as deferred revenues, at fair value when there is the certainty that they will be received and the company will meet the related conditions. The subsidies that compensate the company's expenses related to the cost of an asset are recognised in the profit or loss account systematically throughout the useful lifetime of an asset. The subsidies that compensate the expenses incurred by the company are recognised at profit or loss as other income systematically during the same periods when the expenses are recognised.

(s) 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.

(t) Subsequent events

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

(u) Comparative figures

The statement of financial position for the financial year ended on December 31st, 2014 is comparable to the statement of financial position for the period concluded on December 31st, 2013. The statement of comprehensive income for the financial year ended on December 31st, 2014 is comparable to the statement of comprehensive income as at December 31st, 2013.

(v) New standards and interpretations

New standards, amendments to standards and interpretations were issued; they are not effective yet for the financial year ended on December 31st, 2014 or have not been adopted by the European Union (EU) and were not applied in the preparation of these financial statements. None of these standards affect to a significant extent the company's financial statements.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

4. Fair value determination

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

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

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

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

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

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

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

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

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***5. Tangible assets**

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or revalued amount</i>					
As at January 1st, 2013	16.245.320	33.683.204	172.779.614	1.485.073	224.193.210
Purchases	-	-	-	4.012.096	4.012.096
Transfers from fixed assets in progress	-	579.227	4.005.443	(4.584.670)	-
Transfers from intangible assets	-	-	-	(12.029)	(12.029)
Outflows	-	(357.780)	(1.040.761)	(181.472)	(1.580.013)
Revaluations	(32.788)	9.226.369	13.729.852	-	22.923.433
Cumulated amortisation reduced in correlation with the revalued amount	(7.086.041)	(11.862.058)	(56.230.936)	-	(75.179.035)
As at December 31st, 2013	9.126.491	31.268.963	133.243.212	718.998	174.357.662
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2013	518.263	9.613.030	53.303.531	-	63.434.825
Depreciation expenses	218.752	646.454	11.981.142	-	12.846.348
Outflows	-	(357.780)	(974.724)	-	(1.332.504)
Expenses from revaluation of intangible assets ¹	6.349.026	1.960.354	5.552.494	-	13.861.874
Cumulated amortisation reduced in correlation with the revalued amount	(7.086.041)	(11.862.058)	(56.230.936)	-	(75.179.035)
As at December 31st, 2013	-	-	13.631.507	-	13.631.507
<i>Net book value</i>					
As at December 31st, 2013	9.126.491	31.268.963	119.611.705	718.998	160.726.155

¹ Until December 31st, 2012, the method of linear amortization of fixed assets was not applied for certain non-productive periods of time, therefore amortization expenses in the amount of 4.800 thousand lei were not recorded, out of which the amount of 620 thousand lei corresponds to the financial year ended on December 31st, 2012 and the amount of 4.180 thousand lei corresponds to the previous periods. As at December 31st, 2013, the company made the correction of amortization and retained earnings and reflected the effect of this correction accordingly in the re-evaluation reserve registered as at December 31st, 2013. The company's management did not retreat the corresponding figures as at December 31st, 2012.

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***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 revalued amount</i>					
As at January 1st, 2014	9.126.491	31.268.963	133.243.212	718.998	174.357.662
Purchases	-	-	-	9.681.709	9.681.709
Transfer from fixed assets in progress	-	127.983	6.815.207	(6.943.190)	-
Transfers from intangible assets	-	-	-	(91.699)	(91.699)
Outflows	-	(11.685)	(1.705.897)	(357.846)	(2.075.428)
As at December 31st, 2014	9.126.491	31.385.261	138.352.522	3.007.972	181.872.246
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2014	-	-	13.631.507	-	13.631.507
Expenses related to amortisation	218.752	1.035.095	15.286.836	-	16.540.683
Outflows	-	(3.699)	(1.670.876)	-	(1.674.575)
Revaluations	-	-	-	-	-
As at December 31st, 2014	218.752	1.031.396	27.247.467	-	28.497.615
<i>Net book value</i>					
As at December 31st, 2014	8.907.739	30.353.865	111.105.055	3.007.972	153.374.631

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***5. Tangible assets (continued)**

As a result of the re-evaluation performed on December 31st, 2013, the company recorded a revaluation surplus in the amount of 22.923.433 lei and a loss of value in the amount of 13.837.947 lei (in expenses). The fair value of fixed assets that were subject to revaluation was determined by applying the market comparison method where there was market information, respectively by the net replacement cost method.

The total amount (cost) of the fixed assets purchased with the governmental subsidies received by December 31st, 2014 is 51.368.927 lei (see note 16).

A part of the Company's tangible assets are mortgaged or pledged to guarantee the loans granted by banks. The net book value of these pledged or mortgaged fixed assets is of 103.468 thousand lei as at December 31st, 2014 (December 31st, 2013: 108.902 thousand lei) the net book value of the fixed assets purchased through financial leasing is of 2.283 thousand lei as at December 31st, 2014 (December 31st, 2013: 3.404 thousand lei).

6. Stocks

	December 31st, 2014	December 31st, 2013
Raw materials and consumables	12.666.581	13.235.651
Finished products	3.158.962	3.650.084
Production in progress	3.913.892	3.731.738
Goods and packaging	47.048	128.413
Adjustments for impairment of inventories	(316.923)	(684.744)
Total	19.469.560	20.061.141

7. Trade receivables

	December 31st, 2014	December 31st, 2013
Customers	46.082.588	43.540.999
Doubtful or disputed customers	1.952.736	1.953.026
Suppliers – debtors	4.020.774	580.536
Customers – invoices to be issued	34.208	1.422
Advances made for tangible assets	8.652	6.505
Adjustments for the impairment of receivables – customers	(9.003.678)	(8.014.559)
Total	43.095.280	38.067.929

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***8. Cash and cash equivalents**

	December 31 st , 2014	December 31 st , 2013
Current accounts at banks	2.321.388	1.426.282
Petty cash	28.574	51.060
Other values	2.990	(10.340)
Total	2.352.952	1.467.002

9. Other receivables

	December 31 st , 2014	December 31 st , 2013
Discounts from operations under clarification	(135)	139.392
Other personnel-related receivables	87.266	-
Sundry debtors	95.940	69.388
Subsidies to be received	1.229.510	-
Suppliers – debtors/ tangible assets	440.195	-
Adjustments for the depreciation of receivables	(434.541)	-
Total	1.418.235	208.780

10. Share capital**(a) The company's shareholding structure**

December 31 st , 2014	Number of shares	Amount (lei)	(%)
SIF Banat Crisana	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%

December 31 st , 2013	Number of shares	Amount (lei)	(%)
SIF Banat Crisana	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%

Following the General Meeting of the Shareholders of April 17th, 2013, the increase of the company's share capital by the issuance of a number of 68.199.330 shares, with a nominal value of 0,1 lei per share was approved. The share capital was increased by incorporating the net profit for 2011 and 2012. The shares were distributed free of charge to the existing shareholders, in direct proportion to the number of shares held by them on that date. All the shares issued are ordinary shares.

There were no changes in the company's share capital in 2014.

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***(b) Share capital reconciliation**

	December 31st, 2014	December 31st, 2013
Nominal share capital	86.371.792	86.371.792
The effect of hyperinflation - IAS 29	-	199.227.374
Retreated share capital	86.371.792	285.599.166

In 2014, the company convened the Extraordinary General Meeting of the Shareholders on April 28th, 2014 to compensate the accounting loss carried forward from the application of IFRS by the equity resulting from the recording of the hyperinflation effect according to IAS 29.

(c) Dividends

The company has not declared any dividends in 2014.

(d) Other reserves

Other reserves in the statement of changes in equity include the legal reserves and the reserves established from tax facilities. In 2014, the Company benefited of exemption of taxation for reinvested profit, according to the provisions of the Tax Code (art. 19^{^4}).

According to the legal provisions, the company establishes legal reserves in the amount of 5% of the profit recorded up to 20% of the share capital. The value of legal reserve as at December 31st, 2014 is 4.455.625 lei (December 31st, 2013: 3.407.297 lei). The legal reserves cannot be distributed to 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.

(e) 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%).

11. Trade payables**(a) Short term trade liabilities**

	December 31st, 2014	December 31st, 2013
Trade payables	18.051.667	15.914.738
Short term supplier credit	1.743.537	1.744.548
Advances received	429.652	387.517
Total	20.224.856	18.046.803

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***(b) Long term trade liabilities**

	December 31st, 2014	December 31st, 2013
Long term supplier credit	871.768	2.616.822
Total	871.768	2.616.822

The company has purchased two production lines from an external supplier. The payment of the debt to the external supplier shall be made in accordance with the payment schedule attached to the purchase agreement and the last payment is due in April 2016.

12. Other liabilities

	December 31st, 2014	December 31st, 2013
Debts to the state budget	1.759.590	1.550.780
Dividends to be paid	116.121	116.197
Amounts owed to employees	653.368	645.963
Sundry creditors	114.514	132.177
Current income tax	670.776	544.001
Total	3.314.369	2.989.118

13. Loans

	December 31st, 2014	December 31st, 2013
Long term bank loans	20.526.016	16.959.638
Debts related to long term financial leasing agreements	40.590	346.280
Total	20.566.606	17.305.918

	December 31st, 2014	December 31st, 2013
Short term bank loans	24.305.720	45.977.553
Debts related to short term financial leasing agreements	536.167	1.460.674
Total	24.841.887	47.438.227

Vrancart SA

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

13. Loans (continued)

The company has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long term loans obtained from Raiffeisen Bank and BRD Groupe Societe Generale can lead to the declaration of the early maturity and other sanctions.

The company obtained the long term loan from UniCredit Tiriac for the financing of the “Upgrade and development of the technological line for paper manufacturing” project concluded with the Ministry of Economy. The company complied with the financial and non-financial conditions attached to this loan.

No.	Bank/ Creditor	Date of granting of the loan	Currency	Interest type (fixed/ variable)	Nature	Final maturity date	Main amount in balance as at 31.12.2014 – equivalent amount in lei	Main amount in balance as at 31.12.2013 – equivalent amount in lei
1	Raiffeisen Bank	08.05.2003	RON	Variable	Overdraft	30.04.2015	10.472.683	20.521.663
2	Raiffeisen Bank	22.10.2007	RON	Variable	Long term loan	20.10.2017	2.420.401	3.274.801
3	Unicredit Tiriac	22.03.2010	EUR RON	Variable	Overdraft	15.03.2015	4.482.096	15.873.139
4	Unicredit Tiriac	25.02.2014	EUR RON	Variable	Long term loan	30.01.2017	8.205.248	-
5	Unicredit Tiriac	28.10.2010	EUR RON	Variable	Long term loan	29.05.2020	13.358.930	16.050.765
6	Unicredit Tiriac	18.04.2014	EUR	Variable	Long term loan	28.02.2019	1.616.514	-
7	BRD Groupe Societe Generale	16.06.2011	EUR	Variable	Long term loan	20.06.2016	989.231	1.663.264
8	BRD Groupe Societe Generale	27.09.2011	EUR	variable	overdraft	25.09.2014	-	5.553.560
9	ING	19.09.2014	RON	Variable	Long term loan	14.09.2018	3.286.633	-
	Total						44.831.736	62.937.191

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

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

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***13. Loans (continued)**

To guarantee the loans, the company established in favour of the banks the following security interests: onto the inventories of 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 real estate assets brought as guarantee. Also, as at December 31st, 2014, tangible assets with a net book value of 103.468 thousand lei are mortgaged in favour of banks.

14. Provisions

	December 31st, 2014	December 31st, 2013
Balance at the beginning of the period	1.942.873	1.653.160
Provisions established during the period	2.662.077	937.019
Provisions used during the period	(2.788.277)	(647.306)
Balance at the end of the period	1.782.133	1.942.873

The provisions are established for:

- Disputes: 40.608 lei as at December 31st, 2014 (December 31st, 2013: 952.824 lei)
- Benefits granted to employees: 1.741.525 lei as at December 31st, 2014 (December 31st, 2013: 990.049 lei)

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

15. Debts related to deferred tax

The debts related to deferred tax as at December 31st, 2014 are presented in detail in the table below:

	Liabilities	Assets	Net
Tangible assets	14.605.536	-	14.605.536
Provisions and depreciation adjustments (inventories, customers)		11.537.275	(11.537.275)
	14.605.536	11.537.275	3.068.261
Net temporary differences - 16% share			3.068.261
Debts related to deferred income tax			490.922

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***15. Debts related to deferred tax (continued)**

Debts related to deferred tax as at December 31st, 2013 are presented in detail in the following table:

	Liabilities	Assets	Net
Tangible assets	31.989.800	-	31.989.800
Impairment of tangible assets		13.861.874	(13.861.874)
Provisions and impairment adjustments		9.311.620	(9.311.620)
	31.989.800	23.173.494	8.816.306
Net temporary differences - 16% share			8.816.306
Debts related to deferred income tax			1.410.609

Deferred income 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.

Deferred income tax related to the re-evaluation of fixed assets and recognised directly through the reduction of re-evaluation reserves (equity) is 5.098.476 lei as at December 31st, 2014 (December 31st, 2013: 5.117.925 lei). Deferred income tax related to provisions and impairment adjustments is in the total amount of 4.182.850 lei and was recognised in relation to the profit and loss/ revenues accounts (31.12.2013: 3.777.115 lei).

16. 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 year. Deferred revenues categorised as long term liabilities represent the part of the government subsidies received that do not refer to the current period.

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

	December 31st, 2014	December 31st, 2013
The Ministry of Economy and Research II	14.749.666	16.363.172
The Environmental Fund Administration	3.746.909	3.878.721
Innovation Norway	1.709.031	-
The European Bank for Reconstruction and Development	409.698	444.851
Euritmic	-	15.826
Total	20.615.304	20.702.570

The subject of the subsidy received from the Ministry of Economy and Research is represented by the financing of the upgrade and development of the technological line for paper manufacturing and the non-reimbursable eligible amount is 18.500.000 lei. The company has completed the stage for the project implementation and is currently in the project monitoring phase, until January 2017. The financing agreement includes a series of indicators that 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 a part of these indicators were not met as at the end of 2014 and 2013, the company considers that it will be able to meet them entirely by the end of the monitoring period.

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)*

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 refers to the extension of the collection centres. The company requested reimbursements in the amount of 1.914.219 RON as at December 31st, 2014, representing 28,4% of the total amount of the grant.

17. Revenues from turnover

	2014	2013
Income from the sale of finished products	190.819.163	177.687.912
Income from the sale of goods	3.743.481	3.180.926
Income from the services provided	2.865.366	2.815.309
Income from royalties, locations under management and rents	40.445	66.826
Income from various activities	7.460	22.555
Income from studies and research	-	219.921
Total	197.475.915	183.993.448

18. Other revenues

	2014	2013
Income from investment subsidies	2.025.150	1.620.715
Income from compensations, fines and penalties	70.599	777.463
Net gains from the sale of tangible assets	146.057	46.657
Other operating revenues	294.627	69.580
Total	2.536.433	2.514.415

19. Other expenses

	2014	2013
Expenses related to commissions and fees	2.320.653	2.150.971
Operating expenses related to provisions	(160.740)	79.664
Expenses related to royalties, locations under management and rents	1.099.028	1.156.412
Expenses related to bank services and similar	567.278	880.902
Expenses related to insurance premiums	634.257	474.219
Other taxes, duties and similar payments	657.377	429.581
Expenses related to donations made	627.550	314.240
Expenses related to travels, secondments and transfers	180.858	254.327
Postage and telecommunications fees	158.389	240.642
Expenses related to entertainment, advertising and publicity	49.718	136.609
Expenses related to compensations, fines and penalties	172.959	1.153.504

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)*

Expenses related to compensations, fines and penalties	172.959	1.153.504
Value adjustments on stocks	(233.279)	935.126
Value adjustments on receivables	989.117	2.764.134
Other operating expenses	661.642	542.444
Total	7.724.807	11.512.775

20. Personnel-related expenses

	2014	2013
Salary expenses	20.366.454	20.306.349
Expenses related to insurance and social protection	5.429.291	5.721.141
Expenses related to luncheon vouchers given	1.892.306	2.158.704
Total	27.688.051	28.186.194

In 2014, the average number of employees of the company was 903 (2013: 1.033).

21. Financial revenues and expenses

	2014	2013
Interest revenues	7.965	17.941
Total	7.965	17.941
Interest expenses	2.083.528	3.663.834
Expenses/ (revenues) from exchange rate differences	(195.087)	472.842
Total	1.888.441	4.136.676

22. Income tax expense

	2014	2013
Expenses related to current income tax	2.853.570	1.277.231
Revenue related to deferred income tax	(852.238)	(3.777.115)
Total	2.001.332	(2.499.884)

	2014	2013
Profit/ loss before taxation	19.684.381	(9.129.801)
Tax in accordance with the statutory taxation rate of 16% (2013: 16%)	3.149.501	(1.460.768)
The effect onto the income tax of:		
The legal reserves	(150.270)	-
The non-deductible expenses	3.154.731	3.683.283
The fiscal amortisation	(2.108.418)	(729.424)

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)*

The elements of the nature of expenses	-	-
Exemptions for sponsorships	(558.057)	(215.860)
The recording of temporary differences	(852.238)	(3.777.115)
Reinvested profit	(633.917)	
Income tax	2.001.332	(2.499.884)

23. 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:

	2014	2013
Profit (loss) attributable to ordinary shareholders	18.965.225	(6.822.732)
Weighted average number of ordinary shares	863.717.920	823.935.188
Basic earnings per share	0,022	(0,008)

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

24. Affiliated parties

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

The following changes to the Management Board took place in 2014:

- on April 29th, 2014, following the General Meeting of the Shareholders, the Management Board was re-elected; its composition has not suffered any other changes until the end of 2014.

The list of persons that form part of the Management Board as at December 31st, 2014:

Ciucioi Ionel-Marian	General Manager and President of the Management Board
Bîlteanu Dragoş-George	Member of the Management Board
Najib El Lakis	Member of the Management Board
Cuzman Ioan	Member of the Management Board
Grigore Aurelia Gabriela	Member of the Management Board

The list of persons that formed part of the Management Board as at December 31st, 2013:

Ciucioi Ionel-Marian	General Manager and President of the Management Board
Bîlteanu Dragoş-George	Member of the Management Board
Botez Mihai Marcel	Member of the Management Board
Cuzman Ioan	Member of the Management Board
Grigore Aurelia Gabriela	Member of the Management Board

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***24. Affiliated parties (continued)**

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

as at December 31st, 2014:

Cuzman Ioan	158.337 shares
Grigore Aurelia Gabriela	88.346 shares

as at December 31st, 2013:

Botez Mihai Marcel	178.492 shares
Cuzman Ioan	158.337 shares
Grigore Aurelia Gabriela	88.346 shares
Mitrofan Tatiana	931.873 shares

Transactions with the key management personnel:

	2014	2013
The remuneration of the Management Board members:	330.000	216.123

Transactions with affiliated parties:

Affiliated party		Transactions	Transactions	Balance	Balance
		2014	2013	as at 2014	as at 2013
Napomar SA	Supplier	834	118.582	502	-
Napomar SA	Customer	806	-	-	-
Somplast SA	Supplier	98.380	18.546	17.443	1.758
Somplast SA	Customer	71.577	12.366	31.886	6.546
Calipso S.A.	Supplier	1.206	-	594	-

Other operations:

Affiliated party		Transactions	Transactions	Balance	Balance
		2014	2013	2014	2013
SIF Banat Crisana SA	Payment of dividends distributed in 2004	-	900.000	-	-
ARIO Bistrita	Debtor	-	-	300.000	300.000

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

25. Commitments

As at December 31st, 2014, the company had concluded payment commitments for future purchases of fixed assets in the amount of 12.847.500 lei, representing the equivalent of 2.855.000 euro for contracts related to the project for the development of the integrated centres with non-reimbursable funds under the Green Industry Innovation programme.

26. Contingent assets and liabilities

The company did not have any contingent assets or liabilities as at December 31st, 2014 (December 31st, 2013: 0).

27. Events subsequent to the balance sheet date

On March 4th, 2015, Vrancart received the approval for the “Increase of efficiency and added value for cardboard waste” project consisting of the purchase of machinery for corrugated cardboard converting. The project is developed through Norway Grants and has a total value of 3 mil Euro, our of which 1 mil Euro is the amount of non-reimbursable financing.

28. Financial risk management

General presentation

The company is exposed to the following risks arising out of the usage of financial instruments:

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

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

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

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***28. Financial risk management (continued)****(a) Credit risk**

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

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

Book value	December 31st, 2014	December 31st, 2013
Trade receivables and other receivables	44.513.515	38.276.709
Cash and cash equivalents	2.352.952	1.467.002
Total	46.866.467	39.743.711

The company's exposure to the credit risk is mainly influenced to the individual characteristics of every customer.

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

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

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

Impairment losses

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

December 31st, 2014	Gross value	Depreciation
Current and outstanding receivables between 0 and 30 days	39.406.445	236.619
Outstanding receivables between 31 and 60 days	2.928.291	323.942
Outstanding receivables between 61 and 90 days	1.950.674	31.695
Outstanding receivables between 91 and 180 days	711.595	399.835
Outstanding receivables between 181 and 360 days	1.740.272	1.264.326
Outstanding receivables for more than 360 days	7.214.456	7.181.801
Total	53.951.733	9.438.218

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***28. Financial risk management (continued)**

December 31st, 2013	Gross value	Depreciation
Current and outstanding receivables between 0 and 30 days	28.687.702	194.191
Outstanding receivables between 31 and 60 days	6.024.290	41.945
Outstanding receivables between 61 and 90 days	3.900.420	581.871
Outstanding receivables between 91 and 180 days	1.135.749	666.675
Outstanding receivables between 181 and 360 days	252.991	239.762
Outstanding receivables for more than 360 days	6.290.116	6.290.116
Total	46.291.269	8.014.560

(b) Liquidity risk

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

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

In general, the company makes sure that it has sufficient cash to cover the 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 interest:

December 31st, 2014	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Loans	45.408.493	47.344.298	25.575.002	21.769.296	-
Trade liabilities and other liabilities	24.410.993	24.475.504	23.590.833	884.671	-
Total	69.819.486	71.819.802	49.165.835	22.653.967	-

December 31st, 2013	Book value	Contractual cash flows	less than 1 year	1 - 5 years	over 5 years
Loans	64.744.145	71.785.672	50.911.960	15.832.855	5.040.856
Trade liabilities and other liabilities	23.652.744	22.922.113	21.006.068	1.916.044	-
Total	88.396.888	94.707.785	71.918.029	17.748.900	5.040.856

(c) Market risk

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

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***28. Financial risk management (continued)*****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 company was:

Fixed rate instruments	December 31st, 2014	December 31st, 2013
Supplier credit	2.615.305	4.361.371
Total	2.615.305	4.361.371
Variable rate instruments	December 31st, 2014	December 31st, 2013
Financial liabilities	45.408.493	64.744.145
Total	45.408.493	64.744.145

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

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

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

A 1% increase of the interest rates on the reporting date would have led to a profit or loss reduction by 454.085 lei (647.441 lei as at December 31st, 2013). 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.

Notes to the financial statements*for the financial year ended on December 31st, 2014**(all the amounts are expressed in lei, unless otherwise specified)***28. Financial risk management (continued)***Currency risk*

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

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

December 31st, 2014	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	44.513.515	38.797.117	5.187.674	528.724	-
Cash and cash equivalents	2.352.952	1.596.832	745.816	9.222	1.082
Financial assets	46.866.467	40.393.949	5.933.490	537.946	1.082
Loans	45.408.493	21.984.520	23.423.973	-	-
Trade liabilities and other liabilities	24.410.993	18.958.525	5.412.325	-	40.143
Financial liabilities	69.819.486	40.943.045	28.836.298	-	40.143
Total net financial assets/ (liabilities)	(22.953.019)	(549.096)	(22.902.808)	537.946	(39.061)

December 31st, 2013	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	38.067.929	32.673.818	5.077.113	316.998	-
Cash and cash equivalents	1.467.002	995.557	223.294	245.792	2.358
Financial assets	39.534.931	33.669.375	5.300.407	562.791	2.358
Loans	64.744.145	22.558.914	44.185.231	-	-
Trade liabilities and other liabilities	23.652.744	21.568.033	2.084.711	-	-
Financial liabilities	88.396.888	42.126.947	46.269.941	-	-
Total net financial assets/ (liabilities)	(48.861.957)	(8.457.572)	(40.969.534)	562.791	2.358

Sensitivity analysis

An appreciation by 10 percentage points of the RON against the currencies presented would have led to an increase (decrease) of the profit or loss as follows: December 31st, 2014: 2.240.392 lei; (December 31st, 2013: 4.040.439 lei).

This analysis assumes that all the other variables, particularly the interest rates, remain constant.

Notes to the financial statements

for the financial year ended on December 31st, 2014

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

A depreciation by 10 percentage points of the Euro as at December 31st compared to the other currencies 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.

(d) Taxation risk

Starting from January 1st, 2007, following Romania's accession to the EU, the company has had to comply with the tax regulations of the European Union and to implement the changes brought by the European legislation. The modality in which the company has implemented these changes remains open to the fiscal audit for five years.

The interpretation of the text and of the procedures for the practical implementation of the new EU tax regulations that became effective may vary and there is a risk that certain transactions, for example, are perceived differently by the tax authorities compared to the treatment applied by the company.

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

(e) Business environment

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

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

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

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

The management cannot foresee all the events that would have an impact onto the financial sector in Romania and therefore, what are the effects that they would have onto these financial statements, if the case.

Notes to the financial statements

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

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 company's financial statements.

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

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

(f) Capital adequacy

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

The company's equity include the share capital, various types of reserves and the retained earnings.

The company is not subject to any capital requirements imposed from the exterior.