Translation for information purpose only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2015

Drawn up in accordance with the Order of the Public Finance 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

Contents

Vrancart SA

Consolidated statement of financial position

For the financial year ended on December 31st, 2015

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

	Note	December 31st, 2015	December 31st, 2014
ASSETS			
Tangible assets	5	158.579.593	153.374.631
Intangible assets		1.689.432	60.214
Goodwill	6	3.380.811	-
Total fixed assets		**163.649.836**	**153.434.845**
Inventories	7	23.043.868	19.469.560
Trade receivables	8	37.604.047	43.095.280
Accrued expenses		508.203	265.492
Restricted cash	9	10.786.408	25.000
Cash and cash equivalents	9	1.537.938	2.327.952
Other receivables	10	5.883.961	1.418.235
Total current assets		**79.364.425**	**66.601.519**
TOTAL ASSETS		**243.014.261**	**220.036.364**
EQUITY			
Share capital	11	86.371.792	86.371.792
Reserves	11	41.090.977	38.098.386
Retained earnings		15.462.139	2.858.341
Total equity		**142.924.908**	**127.328.519**
LIABILITIES			
Long-term trade liabilities	12	-	871.768
Long-term loans	14	15.266.804	20.566.606
Deferred income	17	21.003.234	18.780.826
Debts related to deferred profit tax	16	203.136	490.922
Total long-term liabilities		**36.473.174**	**40.710.122**
Short-term trade liabilities	12	16.648.504	20.224.856
Short-term loans	14	36.514.030	24.841.887
Deferred income	17	2.760.090	1.834.478
Provisions	15	1.861.178	1.782.133
Debts related to current profit tax		768.976	670.775
Other liabilities	13	5.063.401	2.643.594
Total current liabilities		**63.616.179**	**51.997.723**
TOTAL LIABILITIES		**100.089.354**	**92.707.845**
TOTAL EQUITY AND LIABILITIES		**243.014.261**	**220.036.364**

The financial statements were approved by the Board of Administrators on 14.03.2016.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

SOCIETATE PE ACTIUNI
Vrancart
J 39/239/1991
RO 145 48 46
ADJUD

The notes from page 5 to page 40 are integrant part of the financial statements.

Vrancart SA

Consolidated statement of comprehensive income

as at December 31st, 2015

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

	Note	2015	2014
Income from turnover	18	211.556.477	197.475.915
Other income	19	2.699.061	2.536.433
Variation of inventories of finished products and production in progress		1.373.124	(192.597)
Expenses related to raw materials and consumables	20	(111.349.432)	(105.699.903)
Expenses related to commodities		(2.898.217)	(2.402.057)
Expenses related to services provided by third parties		(17.012.033)	(16.887.803)
Personnel-related expenses	22	(33.790.145)	(27.688.051)
Expenses related to the amortisation and depreciation of tangible assets	5	(18.069.311)	(16.570.097)
Other expenses	21	(10.559.001)	(7.724.807)
Operating result		**21.950.521**	**22.847.033**
Financial revenues	23	488.206	203.052
Financial expenses	23	(1.486.709)	(2.083.528)
Profit before taxation		**20.952.018**	**20.966.557**
Expense related to profit tax	24	(2.669.084)	(2.001.332)
Profit for the year		**18.282.934**	**18.965.225**
Other comprehensive income items			
Increases of the reserve from the re-evaluation of tangible assets, net of deferred tax		-	-
Transfer of the re-evaluation reserve to retained earnings following the cassation of tangible assets		(207.869)	(121.559)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18.075.065**	**18.843.666**
Earnings per share			
Profit attributable to ordinary shareholders	25	18.282.934	18.965.225
Weighted average number of ordinary shares		863.717.920	863.717.920
Base earnings per share		**0,021**	**0,022**

The financial statements were approved by the Board of Administrators on 14.03.2016.

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Financial Manager
Monica Vasilica Arsene

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Vrancart SA

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2015

(all the amounts are stated 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, 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 year	-				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**	**11.331.423**	**2.858.341**	-	**127.328.519**
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 period	-	-	-	-	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 re-evaluation of tangible assets, net of deferred tax	-	-	33.259	-	-	-	33.259
Transfer of re-evaluation reserve to retained earnings as a result of the sale of tangible assets	-	-	(207.869)	-	207.869	-	-
Total other comprehensive income items	**-**	**-**	**(174.610)**	**3.167.201**	**(5.679.137)**	**-**	**(2.686.545)**
Total comprehensive income for the period	**-**	**-**	**(174.610)**	**3.167.201**	**12.603.797**	**-**	**15.596.389**
Balance as at December 31st, 2015	**86.371.792**	**-**	**26.592.353**	**14.498.624**	**15.462.138**		**142.924.908**

The notes from page 5 to page 40 are integrant part of the financial statements.

SOCIETATE PE ACTIUNI Vrancart ADJUD J39/239/1991 RO 445 48 46

Vrancart SA

Consolidated statement of cash flows

for the financial year ended on December 31st, 2015

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

	Nota	2015	2014
Cash flows from the operating activity:			
Collections from customers		252.457.465	231.285.036
Payments to suppliers		(163.984.573)	(146.030.631)
Payments to employees		(26.606.294)	(21.246.718)
Payments to the state budget		(25.778.761)	(24.640.963)
Profit tax paid		(3.698.211)	(2.612.563)
Net cash flows from operating activities		**32.389.626**	**36.754.161**
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets		(23.080.621)	(14.390.439)
Net payments for the purchase of branches, net of purchased cash		(5.513.133)	-
Letters of credit for the purchase of tangible assets		(10.761.408)	(25.000)
Collections from the sale of tangible assets		395.130	94.102
Interests collected		313	1.593
Net cash flows from investment activities		**(38.959.719)**	**(14.319.744)**
Cash flows from financing activities			
Collections from loans		22.358.591	16.936.771
Interests paid and reimbursements of loans		(14.065.407)	(38.510.162)
Dividends paid		(2.513.105)	(76)
Net cash flows from financing activities		**5.780.079**	**(21.573.467)**
Net increase/ (decrease) of cash and cash equivalents		**(790.014)**	**860.950**
Cash and cash equivalents at the financial year beginning	9	**2.327.952**	**1.467.002**
Cash and cash equivalents at the financial year end	9	**1.537.938**	**2.327.952**

General Manager
Ionel-Marian Ciucioi

SOCIETATE PE ACTIUNI Vrancart J39/239/1991 RO 145 48 46 ADJUD

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 40 are integrant part of the financial statements.

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, Mureş County. The consolidated financial statements of the Group for the financial year ended on December 31st, 2015 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 December 31st, 2015	Shareholding as at December 31st, 2014
Giant Prodimpex SRL	Manufacturing of corrugated cardboard packaging	100%	-

The Group operates in the paper and corrugated cardboard industry.

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, Iaşi, Focşani, Ploieşti, Botoşani, Sibiu, Constanţa, Arad, Braşov, Piteşti, Timişoara, Cluj, Baia Mare, Târgu Mureş and Craiova.

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, 2015 was 902 employees (December 31st, 2014: 903 employees).

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, 2015, 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.

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.

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, 2015 was of 34 employees (December 31st, 2014: 35 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 Order of the Vice-prime Minister, of the Minister of Public Finances 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, 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.

Differences between the IFRS financial statements and the statutory financial statements

The branch keeps its accounting records in accordance with the Order of the Minister of Public Finances no. 1802/2014 for the approval of the Accounting regulations on the individual annual financial statements and the consolidated annual financial statements, with the subsequent amendments ("OMFP 1802"). These accounting records of the Branch are hereinafter referred to as statutory accounts.

These accounts were retreated in order to reflect the differences existing between the statutory accounts and OMFP 1286. Correspondingly, these accounts have been adjusted, if necessary, in order to harmonise these consolidated financial statements, in all significant aspects, with the International Financial Reporting Standards.

The most significant changes brought to the statutory financial statements of the Branch so that they would comply with the requirements of OMFP 1286 are:

- the establishment of deferred tax (IAS 12)
- the submission of the required information in accordance with IFRS (IAS 1).

(b) Submission of financial information

The financial statements are presented in accordance with the provisions of IAS 1 "Submission of financial statements". The company adopted a presentation based on liquidity within the statement of financial position and a presentation of revenues and expenditures according to their nature within the statement of comprehensive income, considering that these presentation methods provide information that is credible and more relevant than the information that would have been presented based on other methods allowed by IAS 1.

2. Basis for preparation (continued)

(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 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.

(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.

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, 2015, the Group recorded a net profit of 18.282.934 lei, and the net working capital is positive, in the amount of 15.748.246 lei.

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

The group's management considers that the EBITDA operating margins clearly reflect that the Group is profitable.

The management considers that the Group will continue to carry out its activity in the next 12 months from the release of the consolidated financial statements, without going into liquidation or significant reduction of its activity.

Based on these analyses, the management considers that the Group will be able to continue its business in the foreseeable future 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 the Public Finance 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 the estimates.

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

3. Significant accounting policies

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

(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 conuterperformance 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

The profit from a purchase under advantageous conditions is immediately recognised in the profit and loss account when the fair value of the transferred counteperformance is higher than the recognised net value of the identifiable assets acquired. The transferred counterperformance 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 counterperformance owed is evaluated at fair value as at the purchase date. If the contingent counterperformance 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 counterperformance 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.

3. Significant accounting policies (continued)

(b) Transactions in foreign currency

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 31st, 2015**	**December 31st, 2014**	**Variation**
Euro (EUR)	4,5245	4,4821	+0,95%
American dollars (USD)	4,1477	3,6868	+12,5%

(c) 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 Group recognises initially the non-derivative financial liabilities on the date of trading, when the Group 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.

The Group derecognises a financial asset when the contractual rights on the cash flows generated by the assets expire or when 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 Group is recognised separately as an asset or a liability.

The Group 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 Group has the legal right to offset the values and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group 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. 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.

3. Significant accounting policies (continued)

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, that are subject to an insignificant risk of change in their fair value and are used by the Group to manage its 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 reduction of equity at value net of tax effects.

(d) 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 of any costs that can be directly attributable to bringing the asset to the location and under the conditions necessary for it to be used for the purpose intended by the management, such as: employee-related expenses resulting directly from the construction or purchase of the asset, the costs of site preparation, the initial delivery and handling costs, the costs related to erection and assembly, professional fees.

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

- the cost of materials and direct personnel-related expenses;
- other costs directly attributable to bringing the assets to the state necessary for the intended use;
- when the 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 the 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 Group's tangible assets as at December 31st, 2014 and December 31st, 2015 is presented in detail in note 5.

3. Significant accounting policies (continued)

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

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

The 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 subsequently and any losses accumulated from depreciation.

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.

The 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 Group belong.

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 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

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 on every reporting date and are adjusted, if necessary.

3. Significant accounting policies (continued)

(iv) The sale/ cassation of tangible assets

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

(e) Intangible assets

(i) Recognition and evaluation

The intangible assets purchased by the 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 can not be subsequently reversed.

(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) Brand and customer relations

These have been recognised following the purchase of the branch and quantified through the re-evaluation performed by an assessor authorised by the National Association of Authorized Assessors of Romania (ANEVAR) and will be amortised for the period remained according to the brand registration certificate, respectively for the period estimated by the assessor in reference to customer relations.

(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 lifetimes for the current period and for the comparative periods are as follows:

– Software applications 3 years

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

3. Significant accounting policies

(f) Financial assets

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

(g) 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.

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.

(h) 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:

3. Significant accounting policies (continued)

Impairment adjustments for trade receivables

The company 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 company calculates a collective impairment adjustment for the risk of non-collection of receivables, using the impairment adjustment percentages established based on historical data.

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

Impairment adjustments for inventories

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

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

(i) Dividends to be distributed

Dividends are treated as a distribution of profit during the period when they were declared and approved by the General Meeting of the Shareholders. The dividends declared before the reporting date are registered as liabilities as at the reporting date.

(j) Re-evaluation reserves

Re-evaluations are made with sufficient regularity, 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, it there was not a previous reduction recognised as an expense related to that asset or as an income that would compensate the expense related to the decrease previously recognised for that asset.

3. Significant accounting policies (continued)

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.

(k) Legal reserves

Legal reserves are established in a proportion of 5% of the gross profit as at the year end until the total legal reserves reach 20% of the paid-up nominal share capital in accordance with the legal provisions. These reserves are deductible at the calculation of the profit tax and are not distributable except for the case of the company's liquidation.

(l) Affiliated parties

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".

(m) Employee benefits

(i) Short term benefits

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

Short term benefits of employees include salaries, premiums and social security contributions. 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 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 company has no additional liabilities.

3. Significant accounting policies (continued)

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 the 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.

(n) 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 it is likely that an outflow of economic benefits is required to extinguish the liability. Provisions are determined by updating the future forecasted cash flows using a rate before taxation that reflects the current market evaluations in relation to the value of money over time and the risks specific to the liability. The amortisation of the update is recognised as a financial expense.

(o) Revenues

(i) The sale of goods

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

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

(ii) The provision of services

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

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

3. Significant accounting policies (continued)

(p) 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 borrowing 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.

(q) Profit tax

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

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

(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, 2015, the profit tax rate was 16% (December 31st, 2014: 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 individual financial statements.

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

Deferred tax receivables and liabilities are offset only if there is the legal right to offset the current liabilities and receivables by the tax and if they are related to the tax collected by the same 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.

3. Significant accounting policies (continued)

(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 assumptions 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.

(r) Earnings per share

The Group 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 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.

(s) Government subsidies

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

(t) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements. They are presented, except for the case when the likelihood of a resource outflow that represents economic benefits is removed. A contingent asset is not recognised in the financial statements, but is presented when an inflow of economic benefits is likely.

(u) Subsequent events

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

(v) Comparative figures

The statement of financial position for the financial year ended on December 31st, 2015 is comparable to the statement of financial position for the period ended on December 31st, 2014. The statement of comprehensive income for the financial year ended on December 31st, 2015 is comparable to the statement of comprehensive income as at December 31st, 2014.

3. Significant accounting policies (continued)

(w) 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, 2015 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 Group's financial statements.

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 active markets for identical 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, either 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 categorised on several levels of the fair value hierarchy, the evaluation at fair value is categorised 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.

5. Tangible assets

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or revalued amount					
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
Transfers from assets in progress	-	127.983	6.815.207	(6.943.190)	-
Transfers to 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**
Cumulated amortisation and impairment losses					
As at January 1st, 2014	-	-	**13.631.507**	-	**13.631.507**
Depreciation expenses	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**
Net book value					
As at December 31st, 2014	**8.907.739**	**30.353.865**	**111.105.055**	**3.007.972**	**153.374.631**

5. Tangible assets (continued)

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or re-evalued amount					
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
Gross amounts taken over upon the purchase of the Branch	738.846	1.575.902	3.711.676	10.000	6.036.424
Transfers from assets in progress	-	1.446.541	16.472.078	(17.918.619)	-
Transfers to intangible assets	-	-	-	(575.239)	(575.239)
Outflows	-	(60.692)	(1.032.346)	-	(1.093.038)
As at December 31st, 2015	**10.067.600**	**34.347.012**	**157.563.938**	**4.683.621**	**206.662.170**
Cumulated amortisation and impairment losses					
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
Cumulated depreciation taken over at the Branch purchase		298.953	2.271.557	-	2.570.510
Outflows	-	(4.875)	(788.150)	-	(793.025)
As at December 31st, 2015	**437.503**	**2.458.942**	**45.186.131**	-	**48.082.577**
Net book value					
As at December 31st, 2015	**9.630.097**	**31.888.069**	**112.377.806**	**4.683.621**	**158.579.593**

5. Tangible assets (continued)

The total value (cost) of the fixed assets purchased through government subsidies received until December 31st, 2015 is of 81.659.069 (see note 17) (31.12.2014: 68.527.368 lei).

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 mortgaged or pledged assets is of 110.642 thousand lei as at 31.12.2015 (31.12.2014: 103.468 thousand lei). The net book value of the assets purchased through financial leasing is of 503 thousand lei as at 31.12.2015 (31.12.2014: 2.283 thousand lei).

6. Goodwill

Fair value of the transferred counterperformance	6.657.600
Fair value of the net asset acquired	(3.276.789)
Goodwill	**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, 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.

The fair value of the net asset acquired is detailed in the following table:

	Fair values
Tangible assets	3.465.913
Intangible assets	1.311.926
Total assets	**4.777.839**
Inventories	180.012
Trade receivables	1.217.910
Accrued expenses	23.652
Cash and cash equivalents	49.940
Total current assets	**1.471.514**
TOTAL ASSETS	**6.249.353**
LIABILITIES	
Long-term loans	572.452
Long-term deferred income	59.371
Debts related to deferred profit tax	509.784
Total long-term liabilities	**1.141.607**
Short-term trade liabilities	1.667.478
Short-term loans	34.671
Other liabilities	128.808
Total current liabilities	**1.830.957**
TOTAL LIABILITIES	**2.972.564**
TOTAL NET ASSETS	**3.276.789**

6. Goodwill (continued)

The line of intangible assets in the following table is composed of the following:

Intangible assets	**Fair values**
Brand	745.462
Customer relations	565.662
Other intangible assets	802
Total intangible assets	**1.311.926**

7. Inventories

	December 31st, 2015	**December 31st, 2014**
Raw materials and consumables	15.243.191	12.666.581
Finished products and commodities	5.643.016	3.206.010
Production in progress	2.615.896	3.913.892
Adjustments for impairment of inventories	(458.235)	(316.923)
Total	**23.043.868**	**19.469.560**

8. Trade receivables

	December 31st, 2015	**December 31st, 2014**
Customers	46.944.895	48.035.324
Suppliers/debtors for goods/ services	772.018	4.020.774
Customers – invoices to be issued	15.285	34.208
Other receivables	72.472	8.652
Adjustments for the impairment of receivables – customers	(10.200.623)	(9.003.678)
Total	**37.604.047**	**43.095.280**

9. Cash, cash equivalents and restricted cash

	December 31st, 2015	December 31st, 2014
Current accounts at banks and other values	1.518.380	2.299.378
Petty cash	19.558	28.574
Total cash and cash equivalents	**1.537.938**	**2.327.952**
Letters of credit	10.786.408	25.000
Total restricted cash	**10.786.408**	**25.000**

The letter of credit in the amount of 2.384.000 Euro was issued on November 23rd, 2015, for the parent-company, for the purpose of guaranteeing the payment to an Italian equipment supplier, in relation to the project funded with non-reimbursable funds Norway Grants 2. The expiry term of the letter of credit is April 30th, 2016.

10. Other receivables

	December 31st, 2015	December 31st, 2014
Other personnel-related receivables	33.235	87.266
Sundry debtors	155.969	95.805
Subsidies to be received	1.343.341	1.229.510
Suppliers – debtors/ tangible assets	4.785.957	440.195
Adjustments for the depreciation of other receivables	(434.541)	(434.541)
Total	**5.883.961**	**1.418.235**

11. Share capital

The Company's shareholding structure

December 31st, 2015	**Number of shares**	**Amount (lei)**	**(%)**
SIF Banat Crișana	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 31st, 2014	**Number of shares**	**Amount (lei)**	**(%)**
SIF Banat Crișana	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%**

During the period between 2014 and 2015 there were no changes related to the Company's share capital.

11. Share capital (continued)

Dividends

Through the Decision no. 4 of 30.04.2015, the Ordinary General Meeting of the Shareholders decided to distribute dividends, from the net profit for the financial year ended on December 31st, 2014, in the amount of 2.591.154 lei, respectively a gross amount of a dividend of 0,003 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 2015, the Company benefited of exemption of taxation for reinvested profit, according to the provisions of the Tax Code (art. 19^4). The company has the obligation to maintain in its patrimony the technological equipment for which it benefited of the tax exemption for reinvested profit for a period at least equal to half of the economic usage duration, established in accordance with the applicable accounting regulations, but no more than 5 years. In the event of the failure to comply with these conditions, the profit tax is recalculated and ancillary tax liabilities are charged according to the Code of fiscal procedure, starting from the date of application of the facility, according to law.

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 amount of the legal reserve as at December 31st, 2015 is 5.496.616 lei (December 31st, 2014: 4.455.625 lei). The legal reserves cannot be distributed to shareholders.

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, 2015	December 31st, 2014
Trade liabilities	15.552.303	18.051.667
Short-term supplier credit	880.015	1.743.537
Advances received	216.186	429.652
Total	**16.648.504**	**20.224.856**

(b) Long-term trade liabilities

	31 decembrie 2015	31 decembrie 2014
Long-term supplier credit	-	871.768
Total	-	**871.768**

The Company purchased two production lines from an external supplier, from Italy. 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.

13. Other liabilities

	December 31st, 2015	December 31st, 2014
Debts to the state budget	4.037.224	1.759.590
Dividends to be paid	152.884	116.121
Amounts owed to employees	869.645	653.368
Sundry creditors	3.648	114.515
Total	**5.063.401**	**2.643.594**

14. Loans

	December 31st, 2015	December 31st, 2014
Long-term bank loans	15.204.361	20.526.016
Debts related to long-term financial leasing agreements	62.443	40.590
Total	**15.266.804**	**20.566.606**

	December 31st, 2015	December 31st, 2014
Short-term bank loans	36.329.873	24.305.720
Debts related to short-term financial leasing agreements	184.157	536.167
Total	**36.514.030**	**24.841.887**

14. 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 can lead to the declaration of the early maturity and to other sanctions.

No.	Bank/ Creditor	Date of granting of the loan	Currency	Interest type (fixed/ variable)	Nature	Final maturity date	Main amount in balance as at 31.12.2015 – equivalent amount in lei	Main amount in balance as at 31.12.2014 – equivalent amount in lei
1	Raiffeisen Bank	30.04.2015	RON EUR	Variable	overdraft	30.04.2016	16.045.541	10.472.683
2	Raiffeisen Bank	22.10.2007	RON	Variable	Long-term	20.10.2017	1.566.001	2.420.401
3	Unicredit Bank	13.03.2015	RON	Variable	overdraft	15.03.2016	2.859.792	4.482.096
4	Unicredit Bank	25.02.2014	EUR RON	Variable	Long-term	30.01.2017	4.266.729	8.205.248
5	Unicredit Bank	28.10.2010	EUR RON	Variable	Long-term	29.05.2020	10.990.147	13.358.930
6	Unicredit Bank	18.04.2014	EUR	Variable	Long-term	28.02.2019	5.071.081	1.616.514
7	BRD	16.06.2011	EUR	Variable	Long-term	20.06.2016	332.863	989.231
8	BRD	27.05.2015	RON EUR	Variable	overdraft	27.05.2016	6.749.881	-
9	ING	19.09.2014	RON	Variable	Long-term	14.09.2018	3.199.878	3.286.633
10	BCR	08.06.2006	EUR	Variable	Long-term	02.06.2016	29.527	-
11	BCR	11.06.2007	EUR	Variable	Long-term	05.07.2017	422.792	-
	Total						**51.534.234**	**44.831.736**

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%..

14. Loans (continued)

To guarantee the loans, the Group established in favour of 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, 2015, tangible assets with a net book value of 110.642 thousand lei are mortgaged in favour of banks.

15. Provisions

	December 31st, 2015	December 31st, 2014
Balance at the beginning of the period	1.782.133	1.942.873
Provisions established during the period	6.850.662	2.662.077
Provisions used during the period	(6.771.617)	(2.788.277)
Balance at the end of the period	**1.861.178**	**1.782.133**

The provisions are established for:

- Disputes: 40.608 lei as at December 31st, 2015 (December 31st, 2014: 40.608 lei)
- Benefits given to employees: 1.820.570 lei as at December 31st, 2015 (December 31st, 2014: 1.741.525 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 is generated by the elements detailed in the following tables:

December 31st, 2015	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 income tax			**203.136**

	Liabilities	Assets	Net
Tangible assets	14.605.536	-	14.605.536
Provisions and impairment 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**

16. Receivables/ debts related to deferred tax (continued)

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.

Deferred income tax related to the re-evaluation of fixed assets and recognised directly through the reduction of re-evaluation reserves (equity) is 5.077.296 lei as at December 31st, 2015 (December 31st, 2014: 5.098.476 lei). Deferred income tax related to provisions and impairment adjustments is in the total amount of 5.340.425 lei and was recognised in relation to the profit and loss/ revenues accounts (31.12.2014: 4.182.850 lei).

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 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, 2015	December 31st, 2014
The Ministry of Economy and Research II	13.122.784	14.749.666
The Environmental Fund Administration	3.593.982	3.746.909
Innovation Norway 1	5.291.127	1.709.031
Innovation Norway 2	1.327.668	-
The European Bank for Reconstruction and Development	374.529	409.698
The National Agency for SMEs	53.234	-
Total	**23.763.324**	**20.615.304**

The subsidies received from the Ministry of Environment 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 a part of these indicators were not met as at the end of 2015 and 2014, 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 was granted for energetic efficiency and was in the amount of 477.767 lei. The subsidy Innovation Norway 1 refers to the expansion of the collection centres and the subsidy Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. For the Innovation Norway 1 project, the company requested reimbursements in the amount of 4.755.790 RON as at December 31st, 2015, representing 71,6% of the total amount of the grant and for the Innovation Norway 2 project, the company requested reimbursements in the amount of 1.341.212 RON as at December 31st, 2015, representing 29,8% of the total grant amount.

18. Income from turnover

	2015	2014
Income from the sale of finished products	204.535.400	190.819.163
Income from the sale of goods	4.651.844	3.743.481
Income from services provided	2.281.807	2.865.366
Income from royalties, locations under management and rents	16.181	40.445
Income from various activities	20.126	7.460
Income from studies and researches	51.119	-
Total	**211.556.477**	**197.475.915**

19. Other income

	2015	2014
Income from investment subsidies	2.518.421	2.025.150
Income from compensations, fines and penalties	88.236	70.599
Net income from the sale of tangible assets	17.309	146.057
Other operating income	75.095	294.627
Total	**2.699.061**	**2.536.433**

20. Expenses related to raw materials and consumables

	2015	2014
Expenses related to raw materials	55.931.974	51.525.421
Expenses related to consumables and auxiliary materials	18.564.021	16.572.375
Expenses related to fuels	17.627.249	17.306.955
Expenses related to water and electricity	15.273.881	15.896.713
Expenses related to spare parts	3.952.307	4.398.439
Total	**111.349.432**	**105.699.903**

21. Other expenses

	2015	2014
Expenses related to commissions and fees	2.248.190	2.320.653
Operating expenses related to provisions	79.045	(160.740)
Expenses related to royalties, locations under management and rents	1.400.418	1.099.028
Expenses related to bank services and similar	616.852	567.278
Expenses related to insurance premiums	702.289	634.257
Other taxes, duties and similar payments	644.192	657.377
Expenses related to donations made	944.653	627.550
Expenses related to travels, secondments and transfers	281.356	180.858
Postage and telecommunications fees	187.646	158.389
Expenses related to entertainment, advertising and publicity	194.699	49.718
Expenses related to compensations, fines and penalties	1.442.497	172.959
Value adjustments on inventories	141.311	(233.279)
Value adjustments on receivables	1.641.227	989.117
Other operating expenses	34.626	661.642
Total	**10.559.001**	**7.724.807**

22. Personnel-related expenses

	2015	2014
Salary expenses	25.872.320	20.366.454
Expenses related to insurance and social protection	5.998.876	5.429.291
Expenses related to luncheon vouchers given	1.918.949	1.892.306
Total	**33.790.145**	**27.688.051**

In 2015, the average number of employees of the Group was of 936 (2014: 903).

23. Financial revenues and expenses

	2015	2014
Interest revenues	12.575	7.965
Currency exchange gains	475.631	195.087
Total revenues	**488.206**	**203.052**

	2015	2014
Interest expenses	1.486.709	2.083.528
Total expenses	**1.486.709**	**2.083.528**

24. Income tax expense

	2015	2014
Expenses related to current profit tax	3.433.396	2.853.570
Income related to deferred profit tax	(764.312)	(852.238)
Total	**2.669.084**	**2.001.332**

	2015	2014
Loss/ profit before taxation	**18.282.934**	**19.684.381**
Tax in accordance with the statutory taxation rate of 16% (2014: 16%)	**2.910.873**	**3.149.501**
The effect onto the profit tax of:		
The legal reserves	(166.559)	(150.270)
The non-deductible expenses	3.588.734	2.949.583
The fiscal amortisation	(2.353.456)	(2.108.418)
Exemptions for sponsorships	(629.548)	(558.057)
The recording of temporary differences	(764.311)	(852.238)
Reinvested profit	(358.099)	(633.917)
Profit tax	**2.669.084**	**2.001.332**

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:

	2015	2014
Profit attributable to ordinary shareholders	18.282.934	18.965.225
Weighted average number of ordinary shares	863.717.920	863.717.920
Basic earnings per share	**0,021**	**0,022**

The diluted earnings per share is equal 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 Board of Administrators 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 Board of Administrators took place in 2015:

- During the meeting held on 17.12.2015, the Board of Administrators took note of the resignation of Mrs. Grigore Aurelia Gabriela and of Mr. Cuzman Ioan from their positions as members of the Board of Administrators and Mr. Drăgoi Bogdan Alexandru and Mr. Avrămoiu Octavian were assigned as interim administrators, until the date of the General Meeting of the Shareholders.

26. Affiliated parties (continued)

The list of the persons that were part of the Board of Administrators as at December 31st, 2015:

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

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

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

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

As at December 31st, 2015: not applicable.

As at December 31st, 2014:

Cuzman Ioan	158.337 shares
Grigore Aurelia Gabriela	88.346 shares

Transactions with the key management personnel:

	2015	2014
The remuneration of the members of the Board of Administrators	450.000	330.000

Transactions with affiliated parties:

Affiliated party		Transactions in 2015	Transactions in 2014	Balance in 2015	Balance in 2014
Napomar SA	Supplier	1.684	834	1.426	502
Napomar SA	Customer	-	806	-	-
Somplast SA	Supplier	63.750	98.380	2.019	17.443
Somplast SA	Customer	381.005	71.577	281	31.886
Calipso S.A.	Supplier	665	1.206	665	594

26. Affiliated parties (continued)

Other operations:

Affiliated party		Transactions in 2015	Transactions in 2014	Balance in 2015	Balance in 2014
SIF Banat Crişana SA	payment of the dividends distributed during the year	1.936.040	-	-	-
ARIO Bistriţa	Debtor	-	-	300.000	300.000

27. Commitments

As at December 31st, 2015, the Company had concluded payment commitments for future purchases of fixed assets in the amount of 13.101.345 lei, that is the equivalent of 2.911.410 Euro, representing contracts related to the investment project "Increase of the effectiveness and of the added value for cardboard waste" with non-reimbursable funds, through the Green Innovation Norway 2 programme.

28. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at December 31st, 2015 (December 31st, 2014: zero).

29. Events subsequent to the balance sheet

Not applicable.

30. Financial risk management

Overview

The company 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.

30. Financial risk management (continued)

(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, 2015**	**December 31st, 2014**
Trade receivables and other receivables	43.488.008	44.513.515
Cash and cash equivalents	1.537.938	2.327.952
Restricted cash	10.786.408	25.000
Total	**55.812.354**	**46.866.467**

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.

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 groups of similar 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, 2015	**Gross value**	**Depreciation**
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	7.957.320	7.280.385
Outstanding receivables for more than 360 days	7.959.354	7.278.119
Total	**54.123.172**	**10.635.164**

30. Financial risk management (continued)

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**

(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.

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 interest:

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**	-

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**	-

(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.

30. 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, 2015**	**December 31st, 2014**
Supplier credit	880.015	2.615.305
Total	**880.015**	**2.615.305**

Variable rate instruments	**December 31st, 2015**	**December 31st, 2014**
Financial liabilities	51.780.834	45.408.493
Total	**51.780.834**	**45.408.493**

(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 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 517.808 lei (454.085 lei as at 31.12.2014). 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.

30. Financial risk management (continued)

(d) *Currency exchange 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, 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**

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	-
Restricted cash	25.000	25.000			
Cash and cash equivalents	2.327.952	1.571.832	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	23.740.218	18.287.750	5.412.325	-	40.143
Financial liabilities	**69.148.711**	**40.272.270**	**28.836.298**	**-**	**40.143**
Total net financial assets/ (liabilities)	**(22.282.244)**	**121.678**	**(22.902.808)**	**537.946**	**(39.061)**

Sensitivity analysis

An increase 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, 2015: 109.205 lei: (December 31st, 2014: 2.240.392 lei). This analysis assumes that all the other variables, particularly the interest rates, remain constant. A decrease by 10 percentage points of EURO as at December 31st, 2015 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.

30. Financial risk management (continued)

(e) Taxation risk

The fiscal system in Romania is undergoing consolidation and is constantly changing, and there can be different interpretations of the authorities in relation to the fiscal legislation, that could give rise to additional taxes, fees and penalties. If the state authorities find any violations of the Romanian legal provisions, these can lead, as applicable, to: the confiscation of the amounts in question, the imposing of additional tax obligations, the charging of fines, the charging of delay penalties (applied to the amounts that are actually unpaid). Therefore, the fiscal sanctions resulting from the violation of the legal provisions can reach 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.

The amounts declared to the State for taxes and duties remain opened to tax audit for five years. The Romanian tax authorities performed controls related to the calculation of the 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 have been paid or recorded as at the balance sheet date. The Group believes that it has paid all its taxes, duties, penalties and penalty interests, if applicable, entirely and in due time.

(f) The transfer price

In accordance with the relevant tax legislation, the fiscal evaluation of a transaction carried out with affiliated parties is based on the market price concept related to that transaction. Based on this concept, transfer prices must be adjusted so as to reflect the market prices that would have been established between entities that do not have an affiliation relation and 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) The 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 transactions.

30. Financial risk management (continued)

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.

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.

(g) 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.