

Translation for information purposes only

VRANCART S.A.

Consolidated financial statements
as at December 31st, 2018

drawn up in accordance with
the Order of the Ministry of Public Finances no. 2844/2016 for the approval of
the Accounting regulations compliant with the International Financial
Reporting Standards, applicable to trade companies whose securities are
admitted to trading on a regulated market

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Vrancart SA

Consolidated statement of financial position

for the financial year ended on December 31st, 2018

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

	Note	December 31 st , 2018	December 31 st , 2017
ASSETS			
Tangible assets	5	284.802.972	263.138.155
Intangible assets	6	8.052.663	9.230.006
Financial assets		34.756	-
Goodwill	6	8.526.391	8.526.391
Total non-current assets		301.416.782	280.894.552
Inventories	7	48.922.412	42.945.100
Trade receivables	8	68.673.849	66.016.628
Prepaid expenses		880.606	730.972
Restricted cash	9	-	4.130
Cash and cash equivalents	9	2.435.896	3.219.141
Receivables related to current profit tax		102.001	1.002.646
Other receivables	10	765.937	416.657
Total current assets		121.780.701	114.335.274
TOTAL ASSETS		423.197.483	395.229.826
EQUITY			
Share capital	11	103.168.355	103.168.355
Reserves	11	86.396.421	75.445.583
Retained earnings		12.949.042	18.129.505
Total equity		202.513.818	196.743.443
LIABILITIES			
Long-term loans	14	52.434.084	39.202.465
Long-term loans from bond issues	14	37.887.400	37.232.800
Deferred income	17	18.304.694	20.793.786
Long-term provisions		372.440	376.015
Debts related to deferred profit tax	16	5.143.692	5.987.434
Other long-term liabilities	13	362.600	1.017.200
Total long-term liabilities		114.504.910	104.609.700
Short-term trade liabilities	12	38.611.249	38.793.148
Short-term loans	14	53.202.034	37.554.938
Deferred income	17	2.740.289	3.212.452
Short-term provisions	15	-	72.393
Debts related to current profit tax		7.928	51.695
Other liabilities	13	11.617.255	14.192.057
Total current liabilities		106.178.755	93.876.683
TOTAL LIABILITIES		220.683.665	198.486.383
TOTAL EQUITY AND LIABILITIES		423.197.483	395.229.826

The financial statements were approved by the Board of Administrators.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 48 are an integrant part of the financial statements.

Vrancart SA

Consolidated statement of comprehensive income

as at December 31st, 2018

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

	Note	2018	2017
Income from turnover	18	355.414.633	324.981.015
Other income	19	3.698.375	3.413.470
Variation of finished products inventories and production in progress		4.027.368	319.306
Expenses related to raw materials and consumables	20	(180.295.883)	(172.309.913)
Expenses related to commodities		(19.669.707)	(10.352.008)
Third party expenses	21	(25.258.111)	(25.227.578)
Personnel-related expenses	23	(67.863.714)	(59.866.434)
Expenses related to amortisation and impairment of assets	5	(25.675.940)	(23.658.531)
Other expenses	22	(20.909.263)	(7.198.461)
Operating result		23.467.758	30.100.866
Financial income	24	1.115.264	1.035.689
Financial expenses	24	(6.803.610)	(3.072.728)
Profit before taxation		17.779.412	28.063.827
Profit tax expense	25	(960.844)	(2.624.873)
Profit for the year		16.818.568	25.438.954
Other comprehensive income items			
Increases in the reserve from revaluation of tangible assets, net of deferred tax		-	18.963.480
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets		(306.235)	(666.280)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		16.512.333	43.736.154
Earnings per share			
Profit attributable to ordinary shareholders	26	16.818.568	25.438.954
Weighted average number of ordinary shares		1.031.683.547	1.031.683.547
Base earnings per share		0,016	0,025

The financial statements were approved by the Board of Administrators.

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 48 are an integrant part of the financial statements.

Vrancart SA

Consolidated statement of changes in equity

for the financial year ended on December 31st, 2018

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

	Share capital	Reserves from the revaluation of tangible assets	Other reserves	Retained earnings	Total equity
Balance as at January 1st, 2017	103.168.355	26.281.723	20.129.362	16.856.244	166.435.684
Total comprehensive income for the year					
Net profit/loss for the year	-	-	-	25.438.954	25.438.954
Other comprehensive income items					
Distribution from retained earnings	-	-	10.610.467	(24.641.363)	(14.030.896)
Other corrections	-	126.831	-	(190.610)	(63.779)
Changes in the reserve from revaluation of tangible assets, net of deferred tax	-	18.963.480	-	-	18.963.480
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(666.280)	-	666.280	-
Total other comprehensive income items	-	18.424.031	10.610.467	(24.165.693)	4.868.805
Total comprehensive income for the year	-	18.424.031	10.610.467	1.273.261	30.307.759
Balance as at December 31st, 2017	103.168.355	44.705.754	30.739.829	18.129.505	196.743.443
Balance as at January 1st, 2018	103.168.355	44.705.754	30.739.829	18.129.505	196.743.443
Total comprehensive income for the year					
Net profit/loss for the year	-	-	-	16.818.568	16.818.568
Other comprehensive income items					
Distribution from retained earnings	-	-	11.257.073	(22.605.592)	(11.348.519)
Other corrections	-	-	-	300.326	300.326
Changes in the reserve from revaluation of tangible assets, net of deferred tax	-	-	-	-	-
Transfer of the revaluation reserve to retained earnings following the cassation of tangible assets	-	(306.235)	-	306.235	-
Total other comprehensive income items	-	(306.235)	11.257.073	(21.999.031)	(11.048.193)
Total comprehensive income for the year	-	(306.235)	11.257.073	(5.180.463)	5.770.375
Balance as at December 31st, 2018	103.168.355	44.399.519	41.996.902	12.949.042	202.513.818

The notes from page 5 to page 48 are an integrant part of the financial statements.

Vrancart SA

Consolidated statement of cash flows

for the financial year ended on December 31st, 2018

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

	Note	2018	2017
Cash flows from operating activities			
Collections from customers		404.327.883	368.881.379
Payments to suppliers		(270.709.827)	(252.220.327)
Payments to employees		(43.440.660)	(44.647.130)
Payments to the state budget		(50.716.673)	(35.356.586)
Profit tax paid		(1.731.783)	(3.380.501)
Net cash flows from operating activities		37.728.940	33.276.835
Cash flows from investment activities			
Payments for the purchase of tangible and intangible assets		(47.608.374)	(54.038.622)
Escrow account for the purchase of financial assets		-	8.899.753
Payments made to acquire Rom Paper SRL	6	(5.074.273)	(23.792.455)
Letters of credit for the purchase of tangible assets		(530.871)	-
Collections from the sale of tangible assets		1.518.567	105.302
Interests collected		33.481	1.221
Net cash flows from investment activities		(51.661.470)	(68.824.801)
Cash flows from financing activities			
Collections from loans		50.202.137	94.690.407
Capital increase		-	-
Interests paid and loans reimbursed		(25.893.772)	(67.069.966)
Dividends paid		(11.159.080)	(13.786.199)
net cash flows from financing activities		13.149.285	13.834.242
		(783.245)	(21.713.724)
Net increase/(reduction) of cash and cash equivalents			
Cash and cash equivalents at the financial year beginning	9	3.219.141	24.932.865
Cash and cash equivalents at the financial year end	9	2.435.896	3.219.141

General Manager
Ionel-Marian Ciucioi

Financial Manager
Monica Vasilica Arsene

The notes from page 5 to page 48 are an integrant part of the financial statements.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***1. The entity reporting**

Vrancart Group (“the Group”) includes the company Vrancart S.A., having its registered office in Adjud, 17 Ecaterina Teodoroiu Street, Vrancea county and its branches

1. Giant Prodimpex S.R.L., based in Ungheni locality, str. Principală No. 161/J, Mureș county
2. Rom Paper S.R.L., based in Cristian locality, DN73B, Brasov county.

The consolidated financial statements of the Group for the financial year ended on December 31st, 2018 are formed of the financial statements of Vrancart S.A. and of its branches, that form together the Group.

Branch	Field of activity	Shareholding as at December 31 st , 2018	Shareholding as at December 31 st , 2017
Giant Prodimpex SRL	Production of corrugated cardboard packaging	-	100%
Rom Paper SRL	Production of napkins and tissue paper products	100%	85%

The Group operates in the paper and corrugated cardboard industry.

The merger through absorption between Vrancart S.A. as absorbing company and its branch Giant S.R.L., as absorbed company, took place on September 1st, 2018.

VRANCART S.A.

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

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

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

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, 2018 was 1133 (December 31st, 2017: 1072 employees).

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

Vrancart SA

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

1. The entity reporting (continued)

As at December 31st, 2018, the company is owned 75% by SIF Banat – Crisana S.A. and 25% by other shareholders.

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.

Giant Prodimpex S.R.L. (“the 1st Branch”) was established in 1994 and it is a Romanian privately-owned 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 acquired

Name – Giant Prodimpex S.R.L.

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 number of employees of the 1st Branch as at September 1st, 2018 was 43 employees (December 31st, 2017: 41 employees).

ROM PAPER SRL

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

Rom Paper S.R.L. (“the 2nd Branch”) was established in 2002 and it is a Romanian privately-owned company, which produces napkins, folded paper towels, tissue paper, professional rolls, facial tissues and boxed tissues. Its products are traded in 7 countries, both on the territory of Romania, and abroad, by means of store chains (hypermarkets, supermarkets, cash and carry) and also by means of distributors.

The purchase contract provided for the first stage the sale of 70% of the shares of Rom Paper S.R.L.

The Group had the option to buy the remaining shares as follows: 15% of the shares in April 2017 (call 1 option) and 15% of the shares in April 2018 (call 2 option).

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

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

As at December 31st, 2018, the Group holds 100% of the shares of Rom Paper S.R.L., following exertion of the call 2 option for the purchase of 15% of the shares of Rom Paper S.R.L. in 2018.

Vrancart SA

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

1. The entity reporting (continued)

Identification data of the company acquired

Name – Rom Paper S.R.L.

Registered office – Cristian locality, DN73B, Brasov county

Registered with the Trade Registry under no.: J28/548/2002

Tax Identification Number – 14619270

Field of activity – production of corrugated cardboard packaging

The number of employees of the 2nd Branch as at December 31st, 2018 was 129 (December 31st, 2017: 134 employees).

2. Basis for preparation

(a) Statement of conformity

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

(b) Submission of financial statements

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

(c) The functional and presentation currency

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

(d) Basis for evaluation

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

2. Basis for preparation (continued)

In 2018, the Group recorded a net profit of RON 16.818.568 (2017: RON 25.438.954). As at December 31st, 2018, the net working capital was positive of RON 15.601.946 (December 31st, 2017: RON 20.458.591).

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

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

(e) The use of estimates and judgements

The preparation of the consolidated financial statements in accordance with OMFP 2844 requires the use by the management of some estimates, judgements and assumptions that affect the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenses. The judgements and assumptions associated to these estimates are based on the historical experience, as well as on other factors deemed reasonable in the context of these estimates.

The results of these estimates form the basis of the judgements relating to the accounting values of the assets and liabilities that cannot be obtained from other sources of information. The results obtained may be different from the values of the estimates.

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

The information on estimates, judgments and assumptions with increased risk of resulting in a material adjustment to the amount of assets and liabilities as at December 31st, 2018 is included in the following notes:

- Note 3 (a) (v), describing the accounting policy chosen by the Group to recognise the acquiring of Rom Paper S.R.L.
- Note 6, presenting:
 - the recognition of the fair values of the net assets purchased from Rom Paper S.R.L.
 - the recognition of the goodwill following the acquiring of Rom Paper
 - the allotment of some lifetimes for the intangibles purchased

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies

(a) Basis for consolidation

(i) Combinations of entities

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

The Group evaluates goodwill as at the purchase date as follows:

- the fair value of the counterperformance 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 counterperformance 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.

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.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***3. Significant accounting policies (continued)***(v) Non-controlling interests*

The Group has chosen as an accounting policy to apply the anticipated acquisition method in relation to the acquisition of Rom Paper S.R.L., where non-controlling interests have access to the benefits associated with their ownership.

Under the anticipated acquisition method, non-controlling interests of shareholders holding put options are cancelled and a liability with regard to put options is recognized. Therefore, non-controlling interests are presented as if they were already controlled by the Group, both in the consolidated statement of financial position and in the consolidated statement of comprehensive income, even though legally they remain non-controlling interests.

(b) Transactions in foreign currencies

The operations expressed in foreign currencies are recorded in lei at the official exchange rate on the date of discounting of the transactions. Monetary assets and liabilities recorded in foreign currencies on the date of preparation of the balance sheet are converted into 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, 2018	December 31st, 2017	Variation
Euro (EUR)	4.6639	4.6597	+0,09%
American dollars (USD)	4.0736	3.8915	+4,68%

(c) Accounting of the effect of hyperinflation

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

According to IAS 29, an economy is considered as hyperinflationary if, besides other factors, the cumulated rate of inflation for a period of three years exceeds 100%.

The Romanian economy ceased being hyperinflationary, with an effect onto the periods of the financial statements starting from January 1st, 2004.

Thus, the values expressed in the current measurement unit as at December 31st, 2003 are treated as the basis for the accounting values reported in the individual financial statements and do not represent evaluated values, replacement costs or any other measurement of the current value of the assets or prices at which the transactions would take place now.

For the purpose of drafting its individual financial statements, the Company adjusted its share capital to be expressed in the current measurement unit as at December 31st, 2003.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(d) Financial instruments

Non-derivative financial instruments

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

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

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

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

On the derecognising of a financial asset other than entirely (e.g. when the Group does not retain an option for the redemption of a part of a transferred asset or retains a residual interest that does not result in the retaining substantially of all the risks and benefits related to the ownership and the Group does not keep the control), the Group will allot the previous book value of the financial asset between the part that it continues to recognise under continuous implication and the part that it no longer recognises based on the fair values corresponding to those parts as at the transfer date.

The difference between the book value allotted to the part that is no longer recognised and the amount of the equivalent value received for the part that is no longer recognised and any cumulated gains or losses allotted that were recognised in other comprehensive income items are recognised at profit or loss. A cumulated gain or loss that was recognised in other comprehensive income items is allotted between the part that continues to be recognised and the part that is no longer recognised, based on the fair value corresponding to those parts.

A financial asset is classified at fair value through the profit and loss account if it is classified as held for trading or if it is assigned as such at the original recognition. Financial assets are assigned as evaluated at fair value through the profit and loss account if the Group manages these investments and makes purchase or sales decisions based on fair value in accordance with the investment and risk management strategy described in the Group's documentation. The attributable trading costs are recognised in the profit and loss account when incurred. The financial instruments at fair value in the profit and loss account are evaluated at fair value and the subsequent changes that consider any income from dividends is recognised in the profit and loss account.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

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

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

Derivative financial instruments

Derivative financial instruments included in contracts are separated from the contracts and separately accounted for if the contract in question is not a financial asset and certain criteria are met.

Derivative financial instruments are initially recorded at fair value. Subsequently to their initial recognition, these are measured at fair value and the changes in this value are recognised in the profit and loss account.

Receivables

Receivables are financial assets with fixed or determinable payments that are not traded on an active market. Such assets are initially recognised at fair value plus any directly attributable trading costs. Subsequently to the initial recognition, the receivables are evaluated at amortised cost using the effective interest rate method less the value of impairment losses.

Receivables include trade receivables and other receivables.

Cash and cash equivalents

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

Financial assets available for sale

Financial assets available for sale are the non-derivative financial assets that are designated as available for sale. The financial assets available for sale are initially recognised at fair value plus any directly attributable trading costs.

Subsequently to the initial recognition, these are evaluated at cost less any depreciation losses.

Share capital – ordinary shares

Ordinary shares are classified as part of equity. The additional costs directly attributable to the issuance of ordinary shares and share options are recognized as a reduction of equity at value net of tax effects.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

Financial liabilities

Financial liabilities include financial leasing liabilities, interest-bearing bank loans, loans from bond issues, overdrafts and trade liabilities and other liabilities. For each item, the accounting policies related to recognition and measurement are presented in this note.

Loans are initially recognised at fair value less the costs incurred in relation to the operation in question. Subsequently, these are recorded at amortised cost. Any difference between the input value and the reimbursement value is recognised in the profit and loss account during the loans period, using the actual interest method.

Financial instruments are categorised as liabilities or equity according to the substance of the contractual arrangement. Interests, dividends, gains or losses related to a financial instrument categorised as liability are reported as expense or income. The distributions to the holders of financial instruments categorised as equity are recorded directly at equity. Financial instruments are offset when the Company has an applicable legal right to offset and intends to discount either on a net basis, or to achieve the asset and to extinguish the liability simultaneously.

(e) Tangible assets

(i) Recognition and evaluation

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

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

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

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

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.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

Land, constructions and equipments are highlighted at re-evaluated value and this represents the fair value on the date of re-evaluation less any amortisation accumulated previously and any accumulated impairment losses.

Fair value is based on market prices quotations, adjusted, if necessary, so as to reflect the differences related to the nature, location or condition of that asset, except for the equipment for which fair value was determined based on the replacement cost.

The re-valuations are performed by specialised assessors, members of the National Association of Authorized Assessors of Romania (ANEVAR).

The re-evaluations of tangible assets are made with sufficient regularity, so that the book value does not differ substantially from the one that would be determined using the fair value as at the balance sheet date.

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

(ii) Subsequent expenses

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

(iii) Amortisation

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

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

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

Land is not subject to amortisation.

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

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

(iv) The sale/ cassation of tangible assets

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(f) Intangible assets and goodwill

(i) Recognition and evaluation

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

(ii) Research and development

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

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

(iii) Brands and commercial relations

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

(iv) Subsequent expenses

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

(v) Amortisation of intangible assets

Amortisation is calculated for the cost of the asset less the residual value. Amortisation is recognised at profit or loss using the linear method throughout the estimated useful lifetime for intangible assets, other than goodwill, from the date of availability for use.

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

– Customer relations	2-10 years
– Brands	7-10 years
– Other intangible assets	2-4 years

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(g) Financial assets

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

The initial evaluation – The financial assets recognised as assets are evaluated at purchase cost.

The evaluation as at the balance sheet date – The financial assets are presented in the balance sheet at input value less the cumulated value adjustments for impairment.

(h) Inventories

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

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

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

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

(i) Impairment of assets

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

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

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

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

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

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

Impairment adjustments for trade receivables

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

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

Impairment adjustments for inventories

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

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

(j) Dividends to be distributed

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

(k) Re-evaluation reserves

Re-evaluations are made with sufficient frequency, so that the book value is not substantially different from the value that would be determined using the fair value as at the balance sheet date. To this respect, the Group has performed the re-evaluation of land, buildings and special constructions and technological equipment using independent assessors as at December 31st, 2017.

The difference between the value resulting from re-evaluation and the net book value of tangible assets is presented in the re-evaluation reserve, as a distinct sub-element of "Equity".

If the result of re-evaluation is an increase from the net book value, then it shall be treated as follows: as an increase of the re-evaluation reserve presented in equity, if there was not a previous reduction recognised as expense related to that asset or as an income that would compensate the expense by the decrease previously recognised for that asset.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

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

(l) Legal reserves

The legal reserves of each Group entity 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 entities' liquidation.

(m) Affiliated parties

Branches are entities controlled by the Group. Control is obtained where the parent-company holds the power to govern the financial and operating policies to obtain benefits from its activities. The consolidated financial statements include the financial statements of the parent-company and of the entities controlled by the parent-company (its branches) from the time when control starts being exercised until its cessation.

The parties are considered to be affiliated if one of the parties has the possibility to control either directly or indirectly or to influence to a significant extent the other party by ownership or based on contractual rights, family relationships or other kind of relationships. Affiliated parties also include the persons that are the main shareholders, the management and the members of the Board of Administrators and their family members.

(n) Employee benefits

(i) Short-term benefits

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(ii) Determined contribution plans

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

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

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

(iii) Long-term benefits of employees

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

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

(o) Provisions

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

(p) Income

(i) The sale of goods

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

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(ii) Provision of services

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

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

(q) Financial income and expenses

Financial income includes the interest-related income corresponding to the funds invested and other financial income. Interest-related income is recognised at profit or loss based on accrual accounting, using the actual interest method.

Financial expenses include the expense related to the interest for loans and other financial expenses.

The currency exchange gains or losses related to the financial assets and liabilities are reported on a net basis, either as financial revenues or as financial expenses depending on currency exchange fluctuations: net profit or loss.

The borrowing costs that are directly attributable to the purchase, construction or generation of eligible assets, that require a significant period of time to be ready for use or sale, are added to the cost of those assets until the assets are significantly ready for use or sale.

The revenues from the temporary investment of the specific loans obtained for the purchase or construction of eligible assets are deducted from the costs of loans that can be capitalised.

All the other borrowing costs are recognised in the consolidated profit or loss, where they are incurred.

(r) Profit tax

The profit tax expenses include the current and deferred tax.

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

(i) Current tax

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, 2018, the profit tax rate was 16% (December 31st, 2017: 16%).

(ii) Deferred tax

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

Deferred profit tax is not recognised for the temporary differences occurring on the initial recognition of goodwill.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

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

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

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

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

(iii) Fiscal exposures

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

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

(s) Earnings per share

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

(t) Government subsidies

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

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

(u) Contingent assets and liabilities

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

(v) Subsequent events

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

(w) Comparative statements

The financial statements drawn up as at December 31st, 2018 are comparable to the financial statements for the previous financial year. In the event that the figures related to the previous period are not comparable to those related to the current period, this aspect is presented and argued in the explanatory notes, without changing the comparative figures related to the previous year.

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

The European Union adopted a series of standards the application of which is not mandatory yet, for the year ended on December 31st, 2018, that were not applied in the drafting of these individual financial statements:

IFRS 16 Leasing

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

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

The new standard introduces a number of exceptions from the scope for users that include:

- lease agreements with a lease period of 12 months or less and which do not include acquisition options, and
- lease agreements where the underlying asset has a low value ("low-value" leasing transactions).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

The Company reviewed all rental contracts for the rental of machinery (containers and presscontainers), storage facilities held for waste paper collection and logistic warehouses for finished product delivery. The contracts are considered to have a rental period of more than 12 months, although they usually include clauses allowing them to be terminated within less than 12 months by either party. The company considers that a possible termination of the lease contract is unlikely.

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

(y) Standards and interpretations adopted during the current financial year

Standards and interpretations adopted during the current financial year

IFRS 9 Financial instruments

This standard is applicable from January 1st, 2018 and it replaces IAS 39 Financial instruments: recognition and evaluation. The new standard addresses the classification, measuring and recognition of financial assets and liabilities and it introduces a new impairment model.

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

The company has analysed the provisions of the new impairment model and its impact onto the recognition of expected credit losses and it considers that the adoption of IFRS 9 does not have a major impact onto the amount of impairment adjustment of receivables.

Within the process of estimation of impairment adjustments of receivables, the Company uses an impairment model whose operating principle is not changed from the previous years, as this model reflects the requirements of the impairment model introduced by IFRS 9.

The company analyses on an individual basis the need to record an impairment adjustment for the clients whose balances at the year-end exceed RON 100.000 and that either have started procedures to recover their balances in court, or they have a number of days of delay from the maturity dates of invoices of over one year, calculated for the oldest outstanding invoice. Also, the Company calculates a collective impairment adjustment for the risk of non-collection of receivables, by using the impairment adjustment percentages established based on the historical data.

For the clients whose balances do not meet the individual analysis criteria, a collective impairment adjustment is calculated, based on the division of their balances by age intervals, according to the maturity date for the oldest outstanding invoice. Each age interval is allotted a percentage calculated based on the Company’s historical experience regarding the degree of recoverability of the outstanding balances from each age interval used for analysis.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

IFRS 15 Income from contracts with customers

This standard is applicable starting from January 1st, 2018 and it replaces IAS 11 Construction agreements, IAS 18 income and the related interpretations. The new standard states the modality and time of recognition of the income. The standard is based on the principle according to which income is recognised at the time the control over certain goods or services are transferred to the client.

The company has analysed the performance obligations and the main agreements with the customers for each profit centre and it has assessed the impact of adoption of IFRS 15. The company concluded that the adoption of IFRS 15 does not have a major impact onto the amount and time of recognition of income. The company applies this standard retroactively, with the cumulated effect of the original application recognised at the time of the original application. IFRS 15 was applied to all the agreements that were not completed as at January 1st, 2018.

The company's income includes mainly sales of goods, from the production of the following types of goods:

- Paperboards
- Corrugated cardboard and packaging
- Tissue paper

Paperboards can be used for the production of corrugated cardboard sheets and packaging sold as finished products to customers.

The company's customers are mostly based in Romania and exports have a share of approximately 15% of the total sales. No client is significant in terms of share in the total sales of the company.

The company concludes agreements with its customers. These are usually framework-agreements which establish the payment terms, the delivery conditions and the conditions for acceptance of the goods, the parties' rights and obligations. The sale price of the goods is usually established for each order launched by the client and accepted by the company.

The transport services related to the goods are usually included in the sales agreements. These transport services are not recognised as a separate obligation due to the specifics of the industry where the company operates, which involves the need to organise the shipment to the customers as a measure to streamline the logistic and storage activities.

The income from the sale of goods is recognised when control is transferred to the client. Most of the sales agreements provide the fact that the delivery is made CPT (Carriage Paid To) according to Incoterms. The adoption of IFRS 15 does not have an impact onto the time of recognition of income.

The company gives its clients the right to return the goods sold if these fail to meet the quality requirements stated in the agreements concluded with the clients. The company assesses the corresponding amount of such returns from customers and it recognises it as an income adjustment. For the current financial year, the amount of returns is considered insignificant.

The company has concluded agreements with some of its clients, generally with great retailers, through which they undertake to provide a non-monetary counterperformance in the form of services, among which logistic services and marketing and promotion services. The new standard involves the need to recognise these services as a reduction in the transaction price, as long as the following conditions are not met:

- the client delivers goods or services which are distinct, separable from the other elements of the agreement;
- the fair value of these services can be reasonably determined;
- the actually paid amount does not exceed the fair value of such services.

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

3. Significant accounting policies (continued)

The company recognises a reduction of the transaction price for the services invoiced by great retailers for most of these services, as it does not have the information required to credibly assess their fair value.

Amendments to IAS 12

The amendments to IAS 12 are in force starting from January 1st, 2018. These bring clarifications regarding the recognition of assets related to deferred tax for unrealised losses. The company considers that the amendments do not have a significant impact onto the presentation of its financial statements, as the future taxable profit was assessed in accordance with the amendments and before they came into force.

4. Fair value determination

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***5. Tangible assets**

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2018	15.299.570	52.448.603	196.333.001	13.991.356	278.072.530
Purchases	202.662	-	667.778	61.562.544	62.432.984
Transfers from fixed assets in progress	3.086.512	16.886.830	27.527.354	(47.648.556)	(147.860)
Transfers to intangible assets	-	-	-	(85.751)	(85.751)
Outflows	(269.217)	(696.894)	(8.750.881)	-	(9.716.992)
Other corrections	-	(70.834)	(17.845)	-	(88.679)
As at December 31st, 2018	18.319.527	68.567.705	215.759.407	27.819.593	330.466.232
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2018	5.798	593.888	24.646.293	-	25.245.979
Amortisation expense	229.372	2.303.138	21.922.608	-	24.455.118
Outflows	-	(13.244)	(891.411)	-	(904.655)
Other corrections	-	(175.881)	(58.493)	-	(234.374)
As at December 31st, 2018	235.170	2.707.901	45.618.997	-	48.562.068
<i>Net book value</i>					
As at December 31st, 2018	18.084.357	65.859.804	170.140.410	27.819.593	281.904.164

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31st, 2018 was RON 2.898.807.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***5. Tangible assets (continued)**

	Land and land improvements	Special buildings and constructions	Equipment and other fixed assets	Tangible assets in progress	Total
<i>Cost or re-evaluated value</i>					
As at January 1st, 2017	10.382.285	43.653.694	192.218.962	3.256.192	249.511.133
Purchases	-	-	907.184	45.265.022	46.172.206
Fair values on the acquisition of Rom Paper SRL	2.164.762	7.441.433	13.206.867	-	22.813.062
Transfers from fixed assets in progress	931.155	2.999.349	30.265.347	(34.195.851)	-
Transfers to intangible assets	-	-	-	(54.742)	(54.742)
Outflows	-	(14.382)	(1.449.311)	(279.265)	(1.742.958)
Revaluations	631.473	6.245.432	15.571.750	-	22.448.655
Cumulated amortisation reduced according to re-evaluated value	1.189.895	(7.876.923)	(54.387.798)	-	(61.074.826)
As at December 31st, 2017	15.299.570	52.448.603	196.333.001	13.991.356	278.072.530
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2017	656.255	3.777.534	60.918.025	-	65.351.814
Amortisation expense	256.894	2.215.856	19.943.668	-	22.416.418
Outflows	-	(14.382)	(1.234.512)	-	(1.248.894)
Revaluation expenses/(income)	(2.097.246)	2.491.803	(593.090)	-	(198.533)
Cumulated amortisation reduced according to re-evaluated value	1.189.895	(7.876.923)	(54.387.798)	-	(61.074.826)
As at December 31st, 2017	5.798	593.888	24.646.293	-	25.245.979
<i>Net book value</i>					
As at December 31st, 2017	15.293.772	51.854.715	171.686.708	13.991.356	252.826.551

Tangible assets include the advances paid for tangible assets related to investment projects for the production divisions, whose balance as at December 31st, 2017 was RON 10.311.604.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***5. Tangible assets (continued)**

The main purchases of tangible assets in 2018 of the parent-company consisted of constructions and warehouses for corrugated cardboard production, as well as equipment and paperboards and tissue paper production lines. For the branch Rom Paper SRL, land and new production halls were purchased in 2018, to accommodate the production capacity increase.

The unamortised value of fixed assets that were no longer part of the patrimony following the sale and/or cassation as at December 31st, 2018 was RON 8.847.285 (see note 22) (December 31st, 2017: RON 329.184).

The total value (cost) of the fixed assets purchased through government subsidies received until December 31st, 2018 was RON 67.864 thousand (see note 17) (December 31st, 2017: RON 89.745 thousand).

As at December 31st, 2017, based on some reports drafted by authorised appraisers, the Group recorded a revaluation surplus for land and land improvements, constructions and special buildings and production lines amounting to RON 20.193.835 and a net increase amounting to RON 198.533 (in revenues). The fair value of the fixed assets that were subject to revaluation was determined by applying the market comparison method, where market information is available, respectively through the net replacement cost method. Prior to this revaluation, the latest revaluation of those categories of tangible assets had been performed as at December 31st, 2013 for Vrancart S.A.

In Rom Paper SRL, the assets were taken over at fair value as at the acquisition date based on a purchase price allocation report drafted by authorised appraisers.

In the case of Giant Prodimpex SRL, the assets were transferred following the merger at the net book value existing in the accounting statements as at the merger date, as established, namely September 1st, 2018.

A part of the Group's tangible assets are mortgaged or pledged to guarantee the bank loans. The net book value of these mortgaged or pledged assets amounts to RON 133.667 thousand as at December 31st, 2018 (December 31st, 2017: RON 147.253). The net book value of the assets purchased through financial leasing is RON 1.248 thousand as at December 31st, 2018 (December 31st, 2017: 1.525 thousand).

6. Intangible assets and goodwill

<i>in RON</i>	Customer relations	Brands	Other intangible assets	Total intangible assets	Goodwill
<i>Cost</i>					
As at January 1st, 2018	6.699.588	3.839.873	1.030.018	11.569.479	8.526.391
Purchases	-	-	105.333	105.333	-
Transfers from assets in progress	-	-	85.751	85.751	-
Outflows	-	-	(2.591)	(2.591)	-
As at December 31st, 2018	6.699.588	3.839.873	1.218.511	11.757.972	8.526.391
<i>Cumulated amortisation and impairment losses</i>					
As at January 1st, 2018	928.941	576.335	834.197	2.339.404	-
Depreciation expense	763.981	419.879	184.566	1.368.496	-
Outflows	-	-	(2.591)	(2.591)	-
As at December 31st, 2018	1.692.992	996.214	1.016.173	3.705.309	-
<i>Net book value</i>					
As at December 31st, 2018	5.006.666	2.843.659	202.338	8.052.663	8.526.391

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***6. Intangible assets and goodwill (continued)***Intangible assets*

Customer relations and brands have been recognized on the basis of an acquisition price allocation report drawn up by an authorized appraiser contracted by Vrancart S.A. The fair value of these intangibles is based on detailed business plans of Rom Paper S.R.L., which include estimates of the future evolution of key indicators such as customer income and margins or brand royalty rates, as well as the choice of an adequate update rate.

The duration of customer relations recognized as a result of the acquisition of Rom Paper S.R.L. range between 6 and 10 years. These are estimated on the basis of the remaining duration of deliveries to these, and correlated with the turnover generated by those customers (customers with higher shares in turnover will collaborate for a longer period with Rom Paper S.R.L. compared those with lower shares), as well and by reference to the lifetime of brands.

The lifetime of the purchased brands is 10 years, estimated on the basis of the analysis of the following determinants: (1) market demand for products made and sold under these brands; (2) the average period of license agreements for brands used in paper production; (3) the remaining useful lifetime of the machinery used for paper production and of other underlying assets; and (4) the legal protection period of the brand, which may be renewed for a further period of 10 years from expiry.

These lifetimes are based on the Group's estimate related to the period during which these intangible assets are expected to generate future economic benefits.

Goodwill

Goodwill related to the branch Giant Prodimpex SRL was taken over following the merger at the value recognised as at the acquisition date, namely RON 3.380.811.

Goodwill related to the acquisition of Rom Paper SRL was recognised as at the completion of acquisition of 70% of the shares of Rom Paper SRL, namely on January 20th, 2017, as follows:

1	Payment made on the acquisition date by Vrancart SA		18.630.018
2	Payment made on the acquisition date by Giant Prodimpex SRL		1.767
3=1+2	Total payments made by the Group		18.631.785
4	Book value of the existing net assets		(16.640.576)
5	Customer relations recognised as at the acquisition date		(6.133.926)
6	Goodwill recognised as at the acquisition date		(3.094.411)
7	Debts related to deferred profit tax		2.461.229
8=5+6+7	Total adjustments of net assets to fair value		(6.767.108)
9	Value of the put options acquired	Note 1	10.444.225
10	Value of the call options acquired	Note 1	(522.746)
11=3+4+ 8+9+10	Goodwill		5.145.580

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***6. Intangible assets and goodwill (continued)**

On July 19th, 2017, Vrancart S.A. exerted its option to purchase an additional stake of 15% of the shares in Rom Paper S.R.L., for which it paid the amount of RON 5.160.670. In 2018, Vrancart acquired the remaining 15% of the shares in Rom Paper SRL for the amount of RON 5.076.040, so that as at the end of 2018, the shareholding is 100%.

The total payments made by the Group during the period between 2017 - 2018 for the acquisition of 100% of the shares in Rom Paper S.R.L. is RON 28.866.728.

7. Inventories

	December 31st, 2018	December 31st, 2017
Raw materials and consumables	29.297.480	28.531.274
Finished products and commodities	10.571.022	8.446.905
Production in progress	8.985.529	5.706.999
Advances paid for inventories	685.028	661.573
Adjustments for the impairment of inventories	(616.647)	(401.651)
Total	48.922.412	42.945.100

8. Trade receivables

	December 31st, 2018	December 31st, 2017
Customers	74.756.725	70.221.887
Suppliers - debtors for goods/ services	367.606	1.047.820
Customers – invoices to be issued	-	290.460
Other receivables	87.087	100.658
Adjustments for the impairment of receivables – customers	(6.537.569)	(5.644.197)
Total	68.673.849	66.016.628

Adjustments for the impairment of receivables – customers

	December 31st, 2018	December 31st, 2017
Balance as at the beginning of the period	5.644.197	9.169.172
New adjustments during the period	1.149.778	9.463
Cancellation of adjustments during the period	(256.406)	(3.534.438)
Balance as at the end of the period	6.537.569	5.644.197

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***9. Cash, cash equivalents and restricted cash**

	December 31st, 2018	December 31st, 2017
Current accounts at banks and other values	2.402.699	3.188.562
Petty cash	33.197	30.579
Total cash and cash equivalents	2.435.896	3.219.141
Letters of credit	-	4.130
Total restricted cash	-	4.130

10. Other receivables

	December 31st, 2018	December 31st, 2017
Other personnel-related receivables	166.934	111.816
Sundry debtors	365.429	336.097
VAT to be recovered	405.637	315.156
Suppliers-debtors	26.969	-
Other receivables related to the state budget	283.690	-
Call asset option	-	136.310
Adjustments for the impairment of other receivables	(482.722)	(482.722)
Total	765.937	416.657

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

	Number of shares	Amount (RON)	(%)
December 31st, 2018			
SIF Banat Crişana	774.416.054	77.441.606	75.06%
Other shareholders	257.267.493	25.726.749	24.94%
Total	1.031.683.547	103.168.355	100%
December 31st, 2017			
SIF Banat Crişana	774.416.054	77.441.606	75.06%
Other shareholders	257.267.493	25.726.749	24.94%
Total	1.031.683.547	103.168.355	100%

There were no changes in the share capital in 2018.

The nominal value of a share is RON 0,10/share.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***11. Share capital (continued)****Dividends**

Through the Decision no. 4 dated April 27th, 2018, the Ordinary General Meeting of the Shareholders decided to distribute dividends from the net profit of the financial year ended on December 31st, 2017, amounting to RON 11.348.519, respectively a gross amount of a dividend of RON 0,011/share.

Other reserves

Other reserves from the statement of changes in equity include legal reserves and reserves established from tax facilities. In 2018, the Company benefited of an exemption of the reinvested profit tax, according to the provisions of the Fiscal code (art. 22). The amount of the reserve related to reinvested profit as at December 31st, 2018 is RON 30.383.208 (December 31st, 2017: RON 22.721.149).

According to the legal requirements, the Group establishes legal reserves amounting to 5% of the profit recorded up to 20% of the share capital. The amount of the legal reserve as at December 31st, 2018 was RON 8.877.254 (December 31st, 2017: RON 8.259.654). Legal reserves cannot be distributed to the shareholders. Other reserves include reserves from the tax related to reinvested profit and other reserves established according to the legal provisions in force.

Reserves from the revaluation of tangible assets

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

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

	December 31st, 2018	December 31st, 2017
Trade liabilities	38.126.605	38.217.294
Advances received	484.644	575.854
Total	38.611.249	38.793.148

13. Other liabilities

	December 31st, 2018	December 31st, 2017
Debts to the state budget	4.991.737	4.401.443
Dividends to be paid	714.069	565.508
Debts to employees	5.545.486	4.586.947
Sundry creditors	365.963	185.029
Put liability option	-	4.453.130
Other short-term liabilities	11.617.255	14.192.057
Options related to the bonds issued (Note 14)	362.600	1.017.200
Other long-term liabilities	362.600	1.017.200

Put liability option was a derivative financial instrument recognised following the agreement for the acquisition of the shares of Rom Paper SRL (see Note 1).

Notes to the consolidated financial statements

for the financial year ended on December 31st, 2018

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

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

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***14. Loans**

	December 31st, 2018	December 31st, 2017
Bank loans	51.903.847	38.064.304
Loans from bond issues	37.887.400	37.232.800
Debts related to financial leasing agreements	530.237	1.138.161
Total long-term loans	90.321.484	76.435.265

	December 31st, 2018	December 31st, 2017
Bank loans	52.593.856	36.791.348
Debts related to financial leasing agreements	608.178	763.590
Total short-term loans	53.202.034	37.554.938

The Group has agreed through the bank loans contracted to comply with a series of financial and non-financial conditions. The failure to comply with these conditions in case of the long-term loans can lead to the declaring of early maturity and other sanctions. A part of the financial and non-financial conditions related to the loan conditions existing in balance of the branch Rom Paper SRL as at December 31st, 2018 have not been met, therefore the amount of RON 6.966.057 was reclassified as a short-term liability.

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2018 – RON equivalent	Principal in balance as at December 31 st , 2017 – RON equivalent
1	31.07.2018	EUR RON	Variable	overdraft	30.07.2019	9.446128	15.722.236
2	15.03.2018	RON	Variable	overdraft	15.03.2019	6.270.594	2.399.461
3	09.05.2018	RON	Variable	long-term	20.04.2025	12.000.000	-
4	29.11.2017	RON	Variable	long-term	29.11.2024	16.668.561	-
5	14.09.2018	RON	Variable	long-term	14.09.2022	4.125.000	-
6	08.07.2018	RON	Variable	overdraft	08.07.2019	6.254.620	245.047
7	18.09.2014	RON	Variable	long-term	14.09.2018	-	872.718
8	23.05.2016	RON	Variable	long-term	30.04.2021	2.620.138	3.743.054
9	26.03.2015	RON	Variable	long-term	31.12.2020	4.153.844	6.230.768
10	30.08.2016	RON	Variable	long-term	31.08.2021	9.104.999	12.519.372
11	09.08.2016	RON	Variable	long-term	31.07.2020	1.781.250	2.906.250
12	27.07.2016	RON	Variable	long-term	27.07.2023	11.619.391	14.154.530
13	03.11.2017	RON	Variable	long-term	29.11.2023	6.152.857	6.948.763

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***14. Loans (continued)**

No.	Date of granting of the loan	Currency	Type of interest (fixed/variable)	Nature	Final maturity date	Principal in balance as at December 31 st , 2018 – RON equivalent	Principal in balance as at December 31 st , 2017 – RON equivalent
14	16.09.2010	RON	Variable	overdraft	09.09.2019	4.936.907	4.157.157
15	18.12.2018	RON	Variable	long-term	12.12.2028	6.303.936	92.579
16	29.09.2015	RON	Variable	long-term	28.09.2020	651.831	1.024.311
17	29.09.2015	RON	Variable	long-term	28.09.2020	1.042.880	1.638.800
18	28.09.2016	RON	Variable	long-term	27.09.2019	235.978	550.606
19	02.10.2017	RON	Variable	long-term	01.10.2020	466.668	700.000
20	15.11.2017	RON	Variable	long-term	10.11.2020	662.121	950.000
	Total					104.497.704	74.855.652

The interest rate for loans in RON is determined as ROBOR + the margin that ranges between 2% - 4%. The interest rate for loans in EUR is determined as Euribor + the margin ranging between 2% - 4%.

To guarantee the loans, the Group established in favour of the banks the following security interests: onto the inventories of raw materials, finished products and semi-finished products, onto the balances of the accounts opened at banks, onto the rights of claims arising from current and future agreements and onto the rights resulting from the insurance policies whose subject is represented by the goods brought as guarantee. Also, as at December 31st, 2018, tangible assets are mortgaged in favour of banks (see Note 5).

Bonds

During the first months of 2017, the Company issued a number of 382.500 bonds with a nominal value of RON 100/bond. The bond issuance was entirely subscribed and the Company collected RON 38.250.000 from the bondholders.

The bonds were issued in two stages:

- in the first stage, to the Company's shareholders, proportionally to their shareholding in relation to the total number of shares;
- in the second stage, only the bonds not subscribed during the first stage, to qualified investors.

The interest rate is ROBOR 3 months, to which a margin of 2% p.a. is added, the interest payment being made on a quarterly basis. The bonds reach maturity on March 17th, 2024. The bonds can be reimbursed in advance by the Company at any time after 2 years from their issuance. Bonds can be converted into shares by the bondholders in each of the years between 2019 – 2023 at a price equal to the average share price in the past 12 months previous to the date when the conversion price is determined. Reimbursement can only be initiated if at least 10% of the bonds issued are requested to be converted into shares.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***14. Loans (continued)**

As at December 31st, 2018, SIF Banat-Crişana holds 96,4% of the bonds.

Reimbursement and conversion options are recognised as a single composed derivative financial instrument. This financial instrument is evaluated separately from bonds according to IFRS 9, as none of the options are strictly connected to the bond contract.

February 18th, 2019 was the first term for exerting the right of conversion of bonds into shares. As the company did not receive any notifications on the exertion of the conversion right, exceeding together the threshold of 10% of the total number of bonds issued, the conversion did not take place.

15. Provisions

	December 31st, 2018	December 31st, 2017
Balance as at the beginning of the period	376.015	291.803
Provisions established during the period	-	276.263
Provisions used during the period	(3.575)	(119.658)
Balance as at the end of the period	372.440	448.408

Provisions are established for:

- Disputes: RON 40.608 as at December 31st, 2018 (December 31st, 2017: RON 40.608)
- Benefits paid to employees: RON 331.832 as at December 31st, 2018 (December 31st, 2017: RON 407.800)

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

16. Debts or receivables related to deferred profit tax

Deferred tax as at December 31st, 2018 is generated by the elements detailed in the following tables:

	Liabilities	Assets	Net
Tangible assets	43.243.597	-	43.243.597
Provisions and impairment adjustments (inventories, customers)		11.095.523	(11.095.523)
	43.243.597	11.095.523	32.148.074
Net temporary differences - 16% share			32.148.074
Debts related to deferred profit tax			5.143.692

Deferred tax as at December 31st, 2017 is generated by the elements detailed in the following tables:

	Liabilities	Assets	Net
Tangible assets	46.647.765	-	46.647.765
Provisions and impairment adjustments (inventories, customers)	-	9.226.306	(9.226.306)
	46.647.765	9.226.306	37.421.459
Net temporary differences - 16% share			37.421.459
Debts related to deferred profit tax			5.987.434

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***16. Debts or receivables related to deferred profit 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.

17. Deferred income

Deferred income categorised as short terms liabilities represents the part of the government subsidies received that are to be recognised as income the following financial year. Deferred income categorised as long term liabilities represents the part of the government subsidies received that will be recognised in periods of over 1 year.

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

	December 31st, 2018	December 31st, 2017
The Ministry of Economy and Research II	8.619.050	9.869.021
The Environmental Fund Administration	3.064.920	3.239.378
Innovation Norway 1	2.626.537	3.475.959
Innovation Norway 2	3.738.015	4.019.033
The European Bank for Reconstruction and Development	138.363	304.190
The National Agency for SMEs	21.797	28.816
Non-reimbursable loans - CCE 146	185.737	191.044
Non-reimbursable loans - MINIMIS 2160	323.928	354.175
Non-reimbursable loans - 5IMM/213/6/2015	2.326.636	2.524.622
Total	21.044.983	24.006.238

The subsidies received from the Ministry of Economy and Research aim at financing the upgrade and development of the technological line for paper manufacturing and the non-reimbursable eligible amount is initially RON 18.500.000. The parent-company has completed the stage for the project monitoring in June 2018. The financing agreement included a series of indicators that had to be met by the end of the monitoring period. All the indicators were met.

The subsidy received from the Environmental Fund Administration is granted for endowments for the technological waste burning boiler and had an initial value of RON 4.509.517. The monitoring period of this project was completed in 2013. The subsidy received from EBRD is granted for energetic efficiency and was in the amount of RON 477.767. The subsidy from Innovation Norway 1 refers to the extension of the collection centres and the subsidy from Innovation Norway 2 was granted for the increasing of the corrugated cardboard converting capacity. The parent-company requested and received through the Innovation Norway 2 project reimbursements in the amount of RON 3.111.923 as at December 31st, 2016, representing 70% of the total grant amount. For both projects financed with Norwegian funds, the parent-company is undergoing the monitoring stage until 2020, respectively until 2021.

The 5IMM/213/6/2015 subsidy represents European funds allotted in 2015 by means of the Central regional Development Agency for the purchase of equipment by Rom Paper S.R.L., amounting to a total of RON 6.324.932, out of which RON 3.794.959 represents the amount of the subsidy received. The financing agreement includes a series of indicators that must be met at the end of the 5 years monitoring period. The management considers that it will not have any difficulties meeting all the conditions related to the subsidy agreement until the end of the monitoring period.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***18. Income from turnover**

	2018	2017
Income from the sale of finished products	326.930.780	308.019.424
Income from the sale of goods	25.819.316	14.367.742
Income from services provided	7.921.880	7.599.069
Income from royalties, locations under management and rents	38.254	20.647
Income from various activities	174.994	225.557
Trade discounts granted	(5.470.591)	(5.251.424)
Total	355.414.633	324.981.015

The trade discounts granted represent both amounts granted to customers as discount for the volume of goods purchased, as well as reclassifications according to IFRS 15, respectively amounts invoiced by customers which are calculated as a percentage of the sales value.

19. Other income

	2018	2017
Income from investment subsidies	2.932.187	3.232.236
Income from compensations, fines and penalties	86.832	204.967
Net income from the sale of tangible assets	-	(135.054)
Other operating income	679.356	111.321
Total	3.698.375	3.413.470

20. Expenses related to raw materials and consumables

	2018	2017
Expenses related to raw materials	107.464.715	108.885.500
Expenses related to consumables and auxiliary materials	31.182.459	29.233.144
Expenses related to fuels	20.680.978	16.530.934
Expenses related to water and electricity	19.091.998	15.366.624
Expenses related to spare parts	1.875.733	2.293.711
Total	180.295.883	172.309.913

21. Third party expenses

	2018	2017
Expenses related to maintenance and repairs	3.302.948	3.355.849
Expenses related to the shipment of goods	17.038.850	16.860.739
Other third party expenses	4.916.313	5.010.990
Total	25.258.111	25.227.578

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***22. Other expenses**

	2018	2017
Expenses related to commissions and fees	1.572.647	838.360
Operating expenses related to provisions	-	72.393
Expenses related to royalties, locations under management and rents	2.271.200	1.683.841
Expenses related to bank services and similar	547.543	577.043
Expenses related to insurance premiums	1.105.057	1.096.631
Other taxes, duties and similar payments	2.860.609	1.981.786
Expenses related to donations made	611.239	633.649
Expenses related to travels, secondments and transfers	451.289	501.264
Postage and telecommunications fees	261.726	264.353
Expenses related to entertainment, advertising and publicity	348.122	322.632
Expenses related to compensations, fines and penalties	76.738	42.408
Value adjustments on stocks	178.537	80.468
Value adjustments on receivables	1.052.904	(1.624.569)
Net loss from the sale of tangible assets	7.452.301	-
Other operating expenses	2.119.351	728.202
Total	20.909.263	7.198.461

The net loss from the sale of tangible assets as at December 31st, 2018 consists of the cassation of some economically ineffective production plants that were replaced in part by new, modern equipment with high productivity.

23. Personnel-related expenses

	2018	2017
Salary expenses	62.862.074	46.222.399
Expenses related to insurance and social protection	1.425.603	10.685.299
Expenses related to luncheon vouchers given	3.576.037	2.958.736
Total	67.863.714	59.866.434

In 2018, the average number of employees of the Group was of 1.262 (2017: 1.247).

24. Financial income and expenses

	2018	2017
Interest income	34.970	(3.198)
Currency exchange (gains)/ losses, net	116.058	(173.509)
Other financial income	964.236	1.206.000
Total income	1.115.264	1.035.689
Interest-related expenses	5.080.046	2.317.774

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)*

Other financial expenses	1.723.564	754.954
Total expenses	6.803.610	3.072.728

25. Profit tax expense

	2018	2017
Current profit tax expense	1.829.710	2.292.961
Deferred profit tax expenses/(income)	(868.866)	331.912
Total	960.844	2.624.873

	2018	2017
Loss/ Profit before taxation	17.779.412	28.063.827
Tax according to the statutory taxation rate of 16% (2017: 16%)	2.844.706	4.490.212
The effect onto the profit tax of:		
The legal reserve	(152.167)	(214.430)
The non-deductible expenses	4.480.816	3.422.607
The fiscal amortisation	(3.591.192)	(3.367.728)
Exemptions for sponsorships	(462.002)	(465.781)
The recording of temporary differences	(868.866)	331.913
Reinvested profit – tax credit	(1.290.452)	(1.571.920)
Profit tax	960.844	2.624.873

26. 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:

	2018	2017
Profit attributable to ordinary shareholders	16.818.568	25.438.954
Weighted average number of ordinary shares	1.031.683.547	1.031.683.547
Basic earnings per share	0,016	0,025

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

27. Affiliated parties

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

In 2018, there were changes of the Board of Administrators. During the Ordinary General Meeting of the Shareholders dated April 27th, 2018, a new Board of Administrators was elected for a 4 years mandate.

The list of persons that were part of the Board of Administrators of the parent-company as at December 31st, 2018:

Ciucioi Ionel-Marian General Manager and Chairman of the Board of Administrators

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)*

Bîlteanu Dragoş-George	Member of the Board of Administrators
Najib El Lakis	Member of the Board of Administrators
Drăgoi Bogdan Alexandru	Member of the Board of Administrators
Mihailov Sergiu	Member of the Board of Administrators

27. Affiliated parties (continued)

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

As at December 31st, 2018: not applicable.

As at December 31st, 2017: not applicable.

The director of the branch Giant Prodimpex SRL was Mr. Ciucioi Ionel-Marian until the merger date. The Board of Administrators of the branch Rom Paper S.R.L. is formed of the following members:

Puchin Claudiu	General Manager and Chairman of the Board of Administrators
Bîlteanu Dragoş-George	Member of the Board of Administrators
Ciucioi Ionel-Marian	Member of the Board of Administrators

Transactions with the key management personnel:

	2018	2017
Remuneration of the members of the Board of Administrators	1.584.300	1.584.300

Transactions with affiliated parties:

Affiliated party		Transactions* 2018	Transactions* 2017	Balance in 2018	Balance in 2017
Napomar SA	Supplier	730	-	-	-
Somplast SA	Customer	-	10.025	-	-
SIF Banat Crisana SA	Supplier	1.005	2.055	-	-
Uniteh S.A.	Supplier	102.189	93.462	3.175	2.223
Biofarm S.A.	Customer	74.628	65.599	-	15.511
Biofarm S.A.	Supplier	6.152	2.032	1.794	128
Semtest Craiova S.A	Supplier	72.254	74.631	7.314	7.258
Sifi CJ Logistic S.A.	Supplier	90.172	84.104	3.024	2.111
Administrare Imobiliare S.A.	Supplier	14.960	14.034	1.510	1.379
Industrial Energy	Supplier	18.614.359	14.217.075	1.763.548	1.520.869
Industrial Energy	Supplier-debtor	840.336	840.336	840.336	840.336

*Note: The amounts do not include VAT.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)*

Other operations:

Affiliated party		Transactions in 2018	Transactions in 2017	Balance in 2018	Balance in 2017
SIF Banat Crişana SA	payment of dividends distributed during the year	8.518.577	10.532.058	-	-
ARIO Bistriţa	Debtor	-	-	300.000	300.000

28. Commitments

As at December 31st, 2018, the Group had concluded payment commitments for future purchases of fixed assets in the amount of RON 7.715.224, that is the equivalent of EURO 1.654.243.

29. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities as at December 31st, 2018 (December 31st, 2017: zero).

29. Events subsequent to the balance sheet date

There are no events to report subsequently to the balance sheet date.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***31. Financial risk management****Overview**

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

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

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

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

(a) Credit risk

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

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

Book value	December 31st, 2018	December 31st, 2017
Trade receivables and other receivables	69.439.786	66.433.285
Cash and cash equivalents	2.435.896	3.219.141
Restricted cash	-	4.130
Total	71.875.682	69.956.556

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

The management has established a credit policy according to which every new customer is analysed on an individual basis in terms of its trustworthiness before being granted the 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 Group does not request collaterals for trade receivables and other receivables.

Within the process of estimation of receivables impairment adjustments, the Company uses an impairment model whose operating principle is not changed from the previous years, as this model reflects the requirements of the impairment model introduced by IFRS 9.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***31. Financial risk management (continued)**

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

Impairment losses

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

December 31st, 2018	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	62.995.054	349.048
Outstanding receivables between 31 and 60 days	3.800.422	24.154
Outstanding receivables between 61 and 90 days	1.057.411	13.987
Outstanding receivables between 91 and 180 days	742.086	100.904
Outstanding receivables between 181 and 360 days	882.897	805.500
Outstanding receivables for more than 360 days	6.982.206	5.726.698
Total	76.460.076	7.020.291

December 31st, 2017	Gross value	Impairment
Current and outstanding receivables between 0 and 30 days	64.646.213	533.320
Outstanding receivables between 31 and 60 days	1.420.080	18.113
Outstanding receivables between 61 and 90 days	658.352	12.895
Outstanding receivables between 91 and 180 days	987.922	666.774
Outstanding receivables between 181 and 360 days	677.461	677.461
Outstanding receivables for more than 360 days	4.170.237	4.218.417
Total	72.560.265	6.126.980

(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 another 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 operating expenses.

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***31. Financial risk management (continued)**

The following table provides a presentation of the residual contractual maturities of financial liabilities as at the end of the reporting period, including the estimated payments of interests:

December 31st, 2018	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	105.636.117	109.722.589	49.391.174	57.021.003	3.310.412
Trade liabilities and other liabilities	50.599.032	50.599.032	50.236.432	362.600	-
Total	156.235.149	160.321.621	99.627.606	57.383.603	3.310.412

Financial liabilities include the loans from bond issues described in Note 14. These were not included in the table above, as the company cannot anticipate the time when the reimbursement options, namely their conversion options could be exerted.

December 31st, 2017	Book value	Contractual cash flows	less than 1 year	1 - 5 years	more than 5 years
Loans	76.757.403	78.598.435	38.615.082	39.983.352	-
Trade liabilities and other liabilities	54.054.100	54.054.100	53.036.900	1.017.200	-
Total	130.811.503	132.652.535	91.651.982	41.000.552	-

(c) Market risk

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

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

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

Instruments with variable rate	December 31st, 2018	December 31st, 2017
Bank loans	104.497.703	74.855.652
Loans from bond issues	37.887.400	37.232.800
Debts related to leasing agreements	1.138.414	1.901.751
Total	143.523.517	113.990.203

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***31. Financial risk management (continued)***(ii) 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 RON 1.139.902 (RON 1.139.902 as at December 31st, 2017). This analysis requires that all the other variables, in particular the foreign currency exchange rates, remain constant.

A depreciation of the interest rates by 100 base points as at December 31st would have led to the same effect, but in the opposite sense, onto the amounts presented above, considering that all the other variables remain constant.

Fair values

Fair value is the price that would be received following the sale of an asset or the price that would be paid to transfer a liability through a normal transaction between the market participants as at the evaluation date. Financial instruments that are not accounted for at fair value in the statement of financial position include the trade receivables and other receivables, cash and cash equivalents, loans, trade liabilities and other liabilities. The book values of the abovementioned financial instruments are approximates of their fair values.

(d) Currency risk

The 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, 2018	TOTAL	RON	EUR	USD	Other currencies
Trade receivables and other receivables	69.439.786	62.975.416	5.760.818	703.554	-
Cash and cash equivalents	2.435.896	2.370.593	23.089	24.600	17.613
Financial assets	71.875.682	65.346.007	5.783.908	728.154	17.613
Loans	143.523.517	142.894.069	629.448	-	-
Trade liabilities and other liabilities	50.599.032	40.032.947	10.318.797	238.201	9.087
Financial liabilities	194.122.550	182.927.016	10.948.246	238.201	9.087
Total net financial assets/(liabilities)	(122.246.868)	(117.581.009)	(5.164.338)	489.953	8.527

Notes to the consolidated financial statements*for the financial year ended on December 31st, 2018**(all the amounts are expressed in RON, unless otherwise stated)***31. Financial risk management (continued)**

December 31 st , 2017	TOTAL				Other currencies
	RON	EUR	USD		
Trade receivables and other receivables	66.433.285	50.725.205	15.629.864	78.216	-
Restricted cash	4.130	4.130	-	-	-
Cash and cash equivalents	3.219.141	2.474.219	79.813	662.720	2.389
Financial assets	69.656.556	53.203.554	15.709.677	740.936	2.389
Loans	113.990.203	104.664.261	9.325.942	-	-
Trade liabilities and other liabilities	38.793.148	29.707.713	9.085.435	29.304	5.096
Financial liabilities	152.783.352	134.371.974	18.411.377	29.304	5.096
Total net financial assets/(liabilities)	(83.126.796)	(81.168.420)	(2.701.701)	711.632	(2.707)

Sensitivity analysis

An appreciation by 10 percentage points of RON as at December 31st compared to the currencies presented would have led to an increase (reduction) of profit or loss as follows: December 31st, 2018: - RON 466.586; (December 31st, 2017: - RON 199.277). This analysis assumes that all the other variables, particularly the interest rates, remain constant.

A depreciation by 10 percentage points of EURO as at December 31st, 2018 compared to the other currencies would have led to the same effect, but in the opposite sense, of the amounts presented above, assuming that all the other variables remain constant.

e) Risk related to taxation

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

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

The amounts declared to the state for taxes and duties remain open for tax audit for five years. The Romanian tax authorities performed controls related to the calculation of taxes and fees until December 31st, 2014 for the Company, until May 31st, 2014 for the branch Giant ProdimpeX and until October 31st, 2016 for the branch Rom Paper S.R.L.

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

31. Financial risk management (continued)

f) Transfer price

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

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

g) Business environment

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

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

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

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

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

The management cannot estimate credibly the effects of any future decrease in financial market liquidity, of the depreciation of financial assets influenced by the low level of liquidity of loan market, of the increase in currency volatility of the currency and of the stock markets onto the Group’s financial statements.

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

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

31. Financial risk management (continued)

h) Capital adequacy

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

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