

S.C. Bermas S.A. Suceava

Financial statements

as of 31 December 2016

Prepared in accordance with the International Financial  
Reporting Standards adopted by the European Union  
according the Order of the Ministry of Finances no.  
2844/2016 as subsequently amended

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# Statement on the financial position

as of 31.12.2016

<i>RON</i>	Note	31.12.2015	31.12.2016
<b>ASSETS</b>			
Tangible assets	5	14,487,485	13,531,824
Intangible assets	6	18,063	88,000
Financial assets available for sale	7	83,000	83,000
Other non-current assets	7		31,020
<b>Total assets</b>		<b>14,588,548</b>	<b>13,733,844</b>
Inventories	8	12,731,547	12,808,453
Trade receivables	9	1,248,853	1,262,179
Prepaid expenses	19	127,938	115,880
Cash and cash equivalents	10	8,789	25,828
Other receivables	11	377,215	410,889
<b>Total current assets</b>		<b>14,494,342</b>	<b>14,623,229</b>
<b>TOTAL ASSETS</b>		<b>29,082,890</b>	<b>28,357,073</b>
<b>EQUITY</b>			
Share capital	12	15,087,134	15,087,134
Tangible assets revaluation reserves		1,002,585	1,002,585
Reported result		1,478,293	1,513,607
Other reserves	12	5,695,474	5,958,523
<b>Total equity</b>		<b>23,263,486</b>	<b>23,561,849</b>
<b>PAYABLES</b>			
Medium-term credits	13	196,557	191,564
Deferred tax payables		<b>196,557</b>	<b>191,564</b>
<b>Total long-term payables</b>	14	<b>697,726</b>	<b>590,870</b>
Trade payables	15	3,637,054	2,090,563
Short-term loans from banks	14		500,000
Other payables	14	1,288,067	1,422,227
<b>Total current payables</b>		<b>5,622,847</b>	<b>4,603,660</b>
<b>TOTAL PAYABLES</b>		<b>5,819,404</b>	<b>4,795,224</b>
<b>TOTAL EQUITY AND PAYABLES</b>		<b>29,082,890</b>	<b>28,357,073</b>

Financial statements have been approved by the Board of Directors on 23.03.2017.

*Anisoï Elena*  
General Manager

*Tebrean Iridenta*  
Economic Manager

# Statement of comprehensive income

for the year ended on 31.12. 2016

<b>in RON</b>	<b>Note</b>	<b>2015</b>	<b>2016</b>
Turnover	17	24,215,956	24,985,187
Variation in inventory of finished products and production in progress	18	3,312,233	2,981,019
Other revenues	18	240,428	325,595
Raw materials and consumables	20	(13,095,772)	(12,027,711)
Personnel expenses	20	(8,095,310)	(8,979,616)
Amortisation and depreciation of assets	5,6	(1,458,278)	(1,495,101)
Other third party services		(560,064)	(743,069)
Other expenses	19	(1,747,651)	(2,234,739)
<b>Operational profit</b>		<b>2,811,542</b>	<b>2,811,565</b>
Financial revenues	21		2
Financial expenses	21	(986,728)	(942,598)
<b>Profit before taxation</b>		<b>1,824,814</b>	<b>1,868,969</b>
Income tax	22	(269,151)	(340,129)
<b>PROFIT OF THE YEAR</b>		<b>1,555,663</b>	<b>1,528,840</b>
<b>Other elements of comprehensive income</b>			
Increase/(Decrease) of reserve from the revaluation of tangible assets, net of deferred tax			
<b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>		<b>1,555,663</b>	<b>1,528,840</b>
<b>INCOME PER SHARE</b>			
Basic	16	<b>0,072</b>	<b>0,071</b>
Diluted			

*Anisoï Elena*  
*General Manager*

*Tebrean Iridenta*  
*Economic Manager*

## Statement of changes in equity

for the year ended on 31.12.2016

	Share capital	Adjustments in share capital	Treasury shares	Reserves from the revaluation of tangible assets	Other reserves	Reported result	Total equity
<b>Balance on 1.01.2016</b>	<b>15,087,134</b>			<b>1.002.585</b>	<b>5.695.474</b>	<b>1,478,293</b>	<b>23,263,486</b>
<b>Total comprehensive income of the period</b>							
Net income of the period						1,528,840	1,528,840
<b>Other elements of comprehensive income</b>							
Acquisition of treasury shares							
Distribution to other reserves					263,049	(263,049)	
Treasury shares acquired							
Change in reserve from the revaluation of tangible assets							
Changes in reserve from the distribution of treasury shares							
Hedging of financial loss reported to adjustments in share capital							
Change in reported income from the use of fair value as deemed cost						64,088	64,088
<b>Total other elements of comprehensive income</b>							
<b>Total comprehensive income for the period</b>							
<b>Shareholders changes directly recorded in equity</b>							
Distribution of dividends from the comprehensive income						(1,294,565)	(1,294,565)
<b>Shareholders changes directly recorded in equity</b>							
<b>Balance on 31.12.2016</b>	<b>15,087,134</b>			<b>1,002,585</b>	<b>5,958,523</b>	<b>1,513,607</b>	<b>23,561,849</b>

Notes from pages 6 to 32 are integrant part of financial statements.

## Statement of changes in equity

for the year ended on 31.12.2015

	Share capital	Adjustments in share capital	Treasury shares	Reserves from the revaluation of tangible assets	Other reserves	Reported result	Total equity
<b>Balance on 1.01.2015</b>	<b>15,087,134</b>			<b>1.002.585</b>	<b>5.590.072</b>	<b>884,108</b>	<b>22,563,899</b>
<b>Total comprehensive income of the period</b>							
Net income of the period						1,555,663	1,555,663
<b>Other elements of comprehensive income</b>							
Acquisition of treasury shares							
Distribution to other reserves					105,402	(91,747)	13,655
Treasury shares acquired							
Change in reserve from the revaluation of tangible assets							
Changes in reserve from the distribution of treasury shares							
Hedging of financial loss reported to adjustments in share capital							
Change in reported income from the use of fair value as deemed cost							
<b>Total other elements of comprehensive income</b>							
<b>Total comprehensive income for the period</b>							
<b>Shareholders changes directly recorded in equity</b>							
Distribution of dividends from the comprehensive income						(869,731)	(869,731)
<b>Shareholders changes directly recorded in equity</b>							
<b>Balance on 31.12.2015</b>	<b>15,087,134</b>			<b>1,002,585</b>	<b>5,695,474</b>	<b>1,478,293</b>	<b>23,263,486</b>

Notes from pages 6 to 32 are integrant part of financial statements.

**Statement of cash flow**  
*for the year ended on 31.12. 2016*

*in lei*

	<b>2015</b>	<b>2016</b>
<b>Cash flow from operating activity:</b>		
Collections from clients	34,087,932	32,228,331
Payments for suppliers	(15,868,459)	(13,901,955)
Payments for employees	(4,001,576)	(4,477,556)
Payments for local budget	(86,749)	(83,606)
Payments for state budget	(7,226,470)	(7,324,425)
Paid excises	(3,207,088)	(2,641,887)
Paid income tax	(351,403)	(325,206)
<b>Cash flow from operating activity</b>	<b>3,346,187</b>	<b>3,473,696</b>
<b>Cash flow from investment activity:</b>		
Payments for the acquisition of assets	(453,920)	(722,715)
Collections from subsidies		28,200
Collected interests		2
Collected dividends		
<b>Net cash flow from investment activities</b>	<b>(453,920)</b>	<b>(694,513)</b>
<b>Net cash flow from financing activities</b>		
Collections from issue of shares		
Collections from long-term loans		
Credit collections		
Paid interests and credit repayments	(936,180)	(1,610,400)
Payment of long term loans instalments	(1,215,139)	
Paid dividends	(752,032)	(1,151,744)
<b>Net treasury of financing activities</b>	<b>(2,903,351)</b>	<b>(2,762,144)</b>
<b>Net treasury increase and treasury equivalents</b>	<b>(11,084)</b>	<b>17,039</b>
<b>Treasury and treasury equivalents at the beginning of the financial year</b>	<b>19,873</b>	<b>8,789</b>
<b>Treasury and treasury equivalents at the end of the financial year</b>	<b>8,789</b>	<b>25,828</b>

Notes from pages 6 to 32 are integrant part of financial statements.

# Notes to financial statements

*for the year ended on 31 December 2016*

## 1. Reporting entity

SC Bermas S.A. Suceava (the "Company") is a limited liability company operating in Romania in accordance with the Law 31/1990 on trade companies, which was established as a joint stock company by GD 1353 / 27.12.1990 by transforming the former Beer and Malt Company of Suceava.

The company is headquartered in Suceava, Suceava, str. Humorului no.61, tax identification number RO723636, Registration number with the Trade Register J33/37/1991.

The company has as object of activity the production and marketing of beer, malt and other alcoholic and soft drinks, derivatives and by-products resulted of manufacturing and services rendered to third-parties.

The company shares have been listed on the Bucharest Stock Exchange, category II, with the indicative BRM, since 16 April 1998.

On 31 December 2016, the company is owned in proportion of 30.87% by the Victoria Bermas Suceava Association, Suceava County, in a proportion of 20.80% of PAS Bermas Suceava Suceava county and by other shareholders in a proportion of 48.33%.

The records on shares and shareholders are held according to the law by SC Depozitarul Central S.A. Bucharest.

## 2. Preparation bases

### (a) Declaration of conformity

Separate financial statements are prepared by the Company in accordance with the Order 881/2012 on the application by companies whose securities are admitted to trading on a regulated market, International Financial Reporting Standards adopted by the European Union, the Order 2844 / 12.12.2016 for the approval of accounting regulations in accordance with international Financial Reporting standards.

The date of transition to International Financial Reporting Standards was January 1, 2012.

### b) Presentation of financial statements

Individual financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has adopted a presentation based on liquidity in the statement of the financial position and a presentation of income and expenditure according their nature in the statement of comprehensive income, considering that these presentation methods provide information that is reliable and more relevant than the ones that would be presented under other methods allowed by IAS 1.

### (c) Functional and presentation currency

The Company management considers that the functional currency as defined by IAS 21 "The Effects of exchange rate variation" is Romanian leu (RON). Individual financial statements are presented in RON, rounded to the nearest leu, currency that the Company management chose as presentation currency.

### (d) Evaluation bases

Individual financial statements have been prepared on the historical cost basis except for lands and buildings which are evaluated at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and to the preparation of the statement of financial position for the year ended on 31 December 2016. These financial statements have been prepared on a business continuity basis.

### (e) Use of estimates and judgements

The preparation of individual financial statements in accordance with the International Financial Reporting Standards requires the management's use of estimates, reasoning and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Reasoning and assumptions associated to these estimates are based on historical experience and on other factors deemed reasonable in the context of estimates. The results of these estimates form the basis for reasoning about the



## Notes to financial statements

for the year ended on 31 December 2016

accounting value of assets and liabilities that cannot be obtained from other sources of information. Results may differ from these estimates.

### 3. Significant accounting policies

The accounting policies have been applied consistently to all periods presented in the financial statements prepared by the Company.

Individual financial statements are prepared on the assumption that the Company will continue its activity in the foreseeable future. To assess the applicability of this hypothesis, the management reviews the forecasts of future cash flows.

#### (a) Transaction in foreign currency

Transactions in foreign currency are recorded in RON at the official exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are converted into the functional currency at the exchange rate of the day.

Gains or losses resulting from the settlement thereof and from the conversion of assets and liabilities denominated in foreign currencies using the exchange rate at the end of the financial year are recognized in the statement of comprehensive income.

Currency exchange rates of main foreign currencies were:

Currency	31 .12. 2015	31 .12 2016	Variation
Euro (EUR)	4,5245	4,5411	+0,37%
US dollar (USD)	4,1477	4,3033	+3,62%

#### (b) Financial instruments

##### *Non-derivate financial instruments*

The Company initially recognizes financial assets (loans, receivables and deposits) the date on which they were initiated. All other financial assets are initially recognized on the trade date when the Company becomes part of the contractual terms of the instrument.

The Company initially recognizes non-derivative financial liabilities on the trade date when the Company becomes part of the contractual terms of the instrument. They are initially recognized at fair value plus any directly attributable transaction costs. Subsequently to their initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company recognises a financial asset when the contractual rights on cash flow from the asset expire or when rights to collect the contractual cash flows of the financial asset are transferred in a transaction in which risks and benefits of proprietary right on the financial asset are significantly transferred. Any interest in the transferred financial assets that is created or retained by the Company is separately recognized as asset or liability.

The Company recognises a financial liability when its contractual obligations are fulfilled or cancelled or expire.

Financial assets and liabilities are offset and in the statement of financial position the net value is presented only when the Company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realize the asset and to settle the liability at the same time.

The Company has the following non-derivative financial assets: receivables, cash and cash equivalents and financial assets available for sale.

##### *Receivables*

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequently to their initial recognition, receivables are measured at amortized cost using the effective interest method less impairment losses value. Receivables comprise trade receivables and other receivables.

## Notes to financial statements

*for the year ended on 31 December 2016*

### *Cash and cash equivalents*

Cash and cash equivalents comprise: cash balances and current accounts.

### *Financial assets available for sale*

Financial assets available for sale are non-derivative financial assets that are designated as available for sale. Financial assets available for sale are initially recognized at fair value plus any directly attributable transaction costs.

Subsequently to their initial recognition, they are measured at cost less any impairment losses.

### *Share capital*

#### **(i) Ordinary shares**

Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity at their net value by tax effects.

#### **(ii) Share capital buy-back and re-issue (treasury shares)**

When share capital recognized as part of equity is bought-back, the value of the consideration paid, including directly attributable costs and other costs, net of tax effects, is recognized as a deduction from equity. Bought-back shares are classified as treasury shares and presented as a reserve on own shares. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity and the surplus or deficit on the transaction is presented as share premium.

#### **(c) Tangible assets**

##### **(i) Recognition and evaluation**

Tangible assets are initially recognized by the Company as assets at cost. The cost of an item of tangible asset comprises the purchase price, including non-recoverable taxes, after deducting any commercial discounts and any costs directly attributable to bringing the asset to the location and condition necessary for its use for the purposes intended by the management, such as personnel expenses arising directly from the construction or acquisition of the asset, cost for site preparation, initial cost for delivery and handling, installation and assembly costs, professional fees.

The cost of an item of tangible asset built by the entity includes:

- cost of materials and direct personnel expenses;
- other costs directly attributable to bringing the asset to the condition required for the current use;
- when the Company is required to move the asset and restore the site, the estimated costs of dismantling and moving the items and of restoring the site in which they have been capitalized;
- capitalized borrowing costs.

The value of tangible and intangible assets of the Company on 31 December 2016 is detailed in Notes 5 and 6.

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

- Lands;
- Constructions;
- Equipment, technical equipment and machinery;
- Vehicles;
- Other tangible assets.

Land and buildings are highlighted at revaluated value, this one representing the fair value at the date of revaluation less any subsequently accumulated depreciation and any accumulated impairment losses.

## Notes to financial statements

*for the year ended on 31 December 2016*

Equipment, technical equipment and machinery and vehicles are highlighted using the deemed cost, this one representing the fair value at the date of the last revaluation (31 December 2010) made at the transaction date.

Fair value is based on market prices and adjusted, if necessary, so that to reflect differences in the nature, location or conditions of that asset.

Revaluations are conducted by specialized reviewers, ANEVAR members. The frequency of revaluations is dictated by market dynamics the land and buildings owned by the Company belong to.

### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the value of future economic benefits embodied in the value of the asset it is intended for. Expenditure on repairs and maintenance is recognized in the statement of comprehensive income when incurred.

### *(iii) Depreciation*

The tangible assets items are depreciated from the date they are available for use or are in working condition and for assets built by the entity, from the date the asset is completed and ready for use.

Generally depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Constructions	40 years
Equipment	2-12 years
Vehicles	4-8 years
Furniture and other tangible assets	4-12 years

Land is not depreciated.

In case of technological equipment, machinery and working equipment, computers and peripherals, the Company applied the method of accelerated depreciation by a depreciation percentage of up to 50% of the input value.

Depreciation is generally recognized in profit or loss, unless the amount is included in the accounting value of another asset.

Depreciation methods, estimated useful lifetimes and residual values are reviewed by the company management at each reporting date and adjusted if appropriate.

### *(iv) Sale /scrapping of tangible assets*

Tangible assets that are scrapped or sold are eliminated from the balance sheet with their corresponding accumulated depreciation. Any profit or loss resulting from such operations is included in current profit or loss.

## **(d) Intangible assets**

### *(i) Recognition and evaluation*

Intangible assets acquired by the Company and having a determined useful lifetime are evaluated at cost less accumulated depreciation and accumulated impairment losses.

### *(ii) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the value of future economic benefits embodied in the value of the asset it is intended for. All other expenditure, including expenditure on trade fund and internally generated brands are recognized in profit or loss when incurred.

### *(iii) Depreciation of intangible assets*

Depreciation is calculated on the cost of the asset less its residual value.

Depreciation is recognized in profit or loss using the straight-line method for the estimated useful life of intangible assets other than trade fund, from the date they are available for use. The estimated useful lives for the current period and for comparative periods are as follows:

## Notes to financial statements

*for the year ended on 31 December 2016*

- Software 4 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

### **(e) Inventories**

Inventories are evaluated at the lower value between cost and net realizable value.

The cost of inventories is based on the first-in first-out method (FIFO) for materials and on the weighted average cost method (WAC) for raw materials, semi-finished and finished products, and includes expenditure incurred for the purchase, production or processing of inventories and other costs incurred in bringing the inventories to the current form and location.

For Inventories produced by the Company and for those with production in progress, costs include appropriate share of administrative costs of production based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### **Determining the fair values**

Certain accounting policies of the Company and presentation conditions require the determination of fair value for financial assets and liabilities and for non-financial assets. Fair values were determined for evaluation and / or presentation of information based on the methods described below.

*Fair value measurement* (effective for annual financial statements covering periods starting on or after 1 January 2013). IFRS 13 sets a single framework for all fair value measurements when fair value is required or permitted by the International Financial Reporting Standards. IFRS 13 describes how fair value should be measured in accordance with the International Financial Reporting Standards when it is required or permitted by the International Financial Reporting Standards. The standard does not introduce additional requirements for the evaluation of assets and liabilities at fair value but it does not eliminate exceptions to fair value measurement existing in the current standard. The existing standard has some additional information that allow users of financial statements to evaluate the methods used for fair value measurements and the assessment effect on profit or loss or on other comprehensive income for fair value measurements using significant unobservable elements. As stated in the financial statements of 2012, IFRS 13 had no significant impact on the financial statements as the methods and assumptions used to measure the fair value of assets are in accordance with IFRS 13. Tangible assets recognized as assets are initially measured at cost by the Company. The cost of an item of tangible assets comprises the purchase price, including non-recoverable taxes, after deducting any commercial discounts and any costs directly attributable to bringing the asset to the location and condition necessary for the intended use by the management, such as: personnel expenses arising directly from the construction or acquisition of the asset, cost for site preparation, initial costs for delivery and handling, installation and assembly costs, professional fees. The cost of an item of tangible assets built by the entity includes:

- cost of materials and direct personnel costs;
- other costs directly attributable to bringing the asset to the condition for use;
- when the Company is required to move the asset and restore the related space, the estimated costs of dismantling and removing the items and restoring the space in which they have been capitalized;
- capitalized borrowing costs.

SC BERMAS SA uses fair value as deemed cost for an item of tangible or intangible assets. When opening the financial position of the entity's financial statements prepared in accordance with International Financial Reporting Standards, SC BERMAS SA presented each item in the statement of opening financial position in accordance with International Financial Reporting Standards: aggregate value of those fair values and aggregate adjustment of the reported accounting values in accordance with the previous accounting principles.

Land and buildings are highlighted at revaluated amount, this one representing the fair value at the date of revaluation less any subsequently accumulated depreciation and any accumulated impairment losses. Equipment, technical equipment and machinery and vehicles are highlighted using the deemed cost, this one

## Notes to financial statements

*for the year ended on 31 December 2016*

representing the fair value at the date of the last revaluation (31 December 2010) made at the transaction date.

Fair value is based on market prices and adjusted, if necessary, so that to reflect differences in the nature, location or conditions of that asset.

Revaluations are conducted by specialized reviewers, ANEVAR members. The frequency of revaluations is dictated by market dynamics the land and buildings owned by the Company belong to.

In order to improve consistency and comparability in fair value measurements and the information presented, IFRS 13 establishes a fair value hierarchy that inputs used in fair value measurement techniques are classified in three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has access to at the reporting date;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly or indirectly;
- Level 3 - inputs that are not based on observable market data.

### Level 1 input

- quoted prices in active markets for identical items best reflecting the fair value;
- if there is a level 1 price, an entity must use this price to the fair value measurement. Exceptions include:
  - ✓ The entity may use, in certain cases, an alternative methodology for pricing not based exclusively on quoted prices available but rather on the relationship between securities and other reference titles listed (for instance, the determination of fair value based on a pricing matrix);
  - ✓ In certain circumstances, the quoted price in an active market may differ from the fair value at the measurement date (for instance, when significant events occur after the market closes, but before the valuation date).

### Level 2 input

- Level 2 input includes:
  - ✓ quoted prices in active markets for similar assets or liabilities;
  - ✓ quoted prices in markets that are not active for identical or similar assets or liabilities;
  - ✓ observable inputs other than quoted prices for the asset or liability (eg interest rates and yield curves, volatilities, prepayments, rates of default);
  - ✓ input data mainly resulted in conjunction with observable market data by correlation or other means;
- an adjustment of Level 2 inputs not based on observable data and is significant for the whole valuation leads to a Level 3 assessment.

### Level 3 input

- the objective of fair value does not change when fair value is measured on the basis of unobservable inputs;
- unobservable inputs should reflect assumptions used by market participants in pricing the asset or liability, including assumptions about risk;
- an entity should determine unobservable inputs using the best available information, which may include the entity's own data.

As stated in the financial statements of 2014, certain accounting policies of the Company and disclosure conditions require the determination of fair value for financial assets and liabilities and for non-financial assets. Fair values were determined for evaluation and / or disclosure of information based on the methods described below. When applicable, additional information on the assumptions used in determining fair values is presented in the notes specific to that asset or liability.

## Notes to financial statements

*for the year ended on 31 December 2016*

The fair value of lands and buildings is based on the market method using quoted market prices for similar items when available.

The fair value of intangible assets is based on updated cash flows that are expected to arise as a result of the use and finally the sale of these assets.

The fair value of inventories is determined based on estimated selling price that could be obtained in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell inventories.

The fair value of trade receivables and other receivables is estimated as the current value of future cash flows, updated at the market interest rate at the reporting date.

Short-term receivables, which have no stated interest rate, are measured at initial invoice amount if the effect of updating is insignificant. Fair value is determined at initial recognition and, for presentation purposes, at each reporting date.

When applicable, further information on the assumptions made in determining fair values is presented in the notes specific to the asset or the liability.

### *(i) Tangible assets*

The fair value of lands and buildings is based on the market method using quoted market prices for similar items when available.

### *(ii) Intangible assets*

The fair value of intangible assets is based on updated cash flows that are expected to incur as a result of the use and finally the sale of these assets.

### *(iii) Inventories*

The fair value of inventories is determined based on estimated selling price that could be obtained in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell inventories.

### *(iv) Trade receivables and other receivables*

The fair value of trade receivables and other receivables is estimated as the current value of future cash flows, updated at the market interest rate at the reporting date.

Short-term receivables, which have no stated interest rate, are measured at initial invoice amount if the effect of updating is insignificant. Fair value is determined at initial recognition and, for presentation purposes, at each annual reporting date.

### **(f) Impairment of non-financial assets**

The accounting value of the Company's non-financial assets that are not financial in nature, other than deferred tax assets, is reviewed at each reporting date in order to identify the existence of impairment indications. If such indication exists, the recoverable value of those assets is estimated.

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

The recoverable value of an asset or cash-generating unit is the maximum between its value in use and its fair value less costs to sell the asset or units. To determine the value in use, the expected future cash flows are updated using a pre-tax discount rate that reflects the current market conditions and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether they have decreased or no longer exists. An impairment loss is reviewed in case of any change in the estimates used to determine the recoverable value. An impairment loss is reviewed only if the asset's accounting value does not exceed the accounting value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

## **Notes to financial statements**

*for the year ended on 31 December 2016*

### **(g) Dividends to be distributed**

Dividends are treated as a distribution of profit in the period in which they were declared and approved by the General Meeting of Shareholders. Dividends declared before the reporting date are recorded as liabilities at the reporting date.

Dividends distributed to shareholders, proposed or declared after the reporting period and other similar distributions from the profit determined under IFRS and included in the annual financial statements should not be recognized as liability at the end of the reporting period.

### **(h) Revaluation reserves**

Revaluations are performed with sufficient regularity so that the accounting value does not be materially different from that which would be determined using fair value at the balance sheet date. In this regard, the Company conducted revaluation of lands and buildings by independent auditors on 31 December 2012.

The difference between the value resulting from revaluation and the net accounting value of tangible assets is shown in the revaluation reserve as a distinct sub-item in "Equity".

If the revaluation result is an increase over the net accounting value, then it is treated as follows: as an increase in revaluation reserve presented in equity, if there was a decrease previously recognized as an expense for that asset or as income to compensate the previously recognized decrease in the asset.

If the revaluation result is a decrease over the net accounting value, it is treated as an expense when the entire amount of depreciation when in the revaluation reserve there is no record on an amount related to that asset (revaluation surplus) or as a decrease in revaluation reserve with the minimum between that value and the amount of decrease and the eventual uncovered difference is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to the comprehensive income when the surplus represents a realised gain. The gain is considered realized while the amortisation of the asset for which the revaluation reserve was established, respectively at its deregistration if it was not fully amortized. No part of the revaluation reserve may be distributed, directly or indirectly, unless the revaluated asset was valued, in which case the revaluation surplus is actually a realized gain.

Since 1 May 2009, as a result of changes in tax legislation, revaluation reserves recorded after 1 January 2004 are taxable on fixed asset amortization. Accordingly, the Company recorded a deferred tax liability related to revaluation which is reflected in the value of the asset.

### **(i) Legal reserves**

Legal reserves are constituted at a proportion of 5% of gross statutory profit at the end of the financial year until the total legal reserves reach 20% of the nominal (statutory) share capital paid-up in accordance with the law. These reserves are tax deductible and are not distributable than at the liquidation of the Company.

### **(j) Related parties**

Parties are considered related if one party has the ability to control, directly or indirectly, or significantly influence the other party either through ownership or under contractual rights, family relationship or otherwise, as defined in IAS 24 "Related Party Disclosures".

### **(k) Employee Benefits**

#### ***(i) Short-term benefits***

Short-term employee benefits include salaries, bonuses and social security contributions. Obligations with short-term benefits to employees are not updated and are recognized in the statement of comprehensive income as the related service is provided.

#### ***(ii) Defined contribution plans***

The Company makes payments on behalf of their employees at the Romanian State pension scheme, health fund and unemployment fund in the normal course of business.

All members and employees of the Company are also legally obliged to contribute (through social contributions) to the Romanian State pension scheme (a defined State contribution scheme). All related contributions are recognized in profit or loss for the period when incurred. The Company has no further obligations.

## Notes to financial statements

*for the year ended on 31 December 2016*

The Company is not engaged in any independent pension scheme and consequently, has no other obligations in this regard. The Company is not engaged in any other postretirement benefit system. The Company has no obligation to provide further services to current or former employees.

### **(l) Revenues**

#### ***(i) Sale of goods***

Revenue from sale of goods during the current activities are measured at the fair value of the consideration received or receivable, less returns, trade discounts and volume rebates. Revenue is recognized when consistent evidence exists, usually in the form of an executed sales contract and the risks and benefits arising from ownership are significantly transferred to the buyer, the recovery of the consideration is probable, the costs and possible returns of goods can be estimated in a credible manner, the entity not involved in the management of sold goods, and the amount of revenue can be reliably measured. If it is likely that certain discounts or rebates to be granted and their value can be reliably measured, then they are recognized as a reduction of revenue as the sales are recognized.

#### ***(ii) Rendering of services***

Revenue from rendering of services is recorded in the accounts as they are rendered. Rendering of services includes execution of works and any other operations that cannot be treated as supplies of goods.

The stage of work completion is determined based on the work progress reports accompanying invoices, acceptance reports or other documents attesting the completion and acceptance of rendered services.

### **(m) Financial revenues and expenses**

Financial revenues comprise interest income on invested funds and other financial revenues. Interest income is recognized in profit or loss on an accrual basis using the effective interest method.

Financial expenses comprise interest expense related to loans and other financial expenses. Starting on 01.01.2014 the financial discounts are recorded as financial expenses.

All borrowing costs that are not directly attributable to the acquisition, construction or production of assets with long production cycle are recognized in profit or loss using the effective interest method.

Gains and losses on exchange differences related to financial assets and liabilities are reported on a net basis or as financial income or financial expense depending on the currency fluctuations: net gain or net loss.

### **(n) Income tax**

Income tax for the financial year comprises current tax and deferred tax.

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

#### ***(i) Current tax***

Current tax is the payable tax on the profit realized in the current period, determined using tax rates applicable at the reporting date, and any adjustment for previous periods.

#### ***(ii) Deferred tax***

Deferred tax is determined by the Company using the balance sheet method for temporary differences arising between the tax basis for the assets and liabilities and their accounting value used for reporting individual financial statements.

Deferred tax is calculated using tax rates expected to apply to the resumption of temporary differences in accordance with the applicable laws at the reporting date.

Deferred tax receivables and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and receivables and if they are related to the tax collected by the same tax authority on the same entity subject to taxation or for different tax authorities seeking to settle receivables and current tax liabilities using a net basis or related assets and liabilities will be simultaneously realized.



## **Notes to financial statements**

*for the year ended on 31 December 2016*

Deferred tax receivables are recognized by the Company only to the extent that it is probable the realisation of future profits that could be used to cover the tax loss. Deferred tax receivables are reviewed at the end of each financial year and are reduced to the extent that the related tax benefit is unlikely to be realized. Additional taxes that arise from the distribution of dividends are recognized at the same date as the obligation to pay dividends.

### **(iii) Tax exposures**

For the determination of current and deferred tax, the Company takes into account the impact of uncertain tax positions and the possibility of additional taxes and interest. This assessment is based on estimates and assumptions and involves a series of reasoning about future events. New information may become available, thereby making the Company amend its reasoning in terms of estimation accuracy of existing tax liabilities; such changes in tax liabilities affect the tax expense in the period in which such determination is performed.

### **(o) Earnings per share**

The Company presents basic earnings per share and diluted earnings per ordinary shares. Basic earnings per share are determined by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares for the period under review. 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 dilution effects generated by potential ordinary shares.

### **(p) Contingent Assets and Liabilities**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is removed.

A contingent asset is not recognized in the financial statements, it is disclosed when an inflow of economic benefits is probable.

### **(q) Subsequent events**

The financial statements reflect events after the end of the year, events that provide additional information about the Company's position at the reporting date or those that indicate a possible violation of the activity continuity principle (events that determine adjustments). Events after the end of the year that do not represent events determining adjustments are disclosed in the notes when considered significant.

### **(r) Comparative figures**

The Statement of financial position for the year ended on 31 December 2016 show comparability with the statement of financial position for the period ended on 31 December 2015. Statement of comprehensive income on 31 December 2016 shows comparability with the statement of comprehensive income for the year ended on 31 December 2015.

### **(s) Reporting on segments**

A segment is a distinct component of the company providing certain products or services (operating segment) or providing products or services within a particular geographical environment (geographical segment), which is subject to risks and benefits different from those of other segments.

### **§) New standards and interpretations**

There are new standards, amendments to standards and interpretations that are not applicable yet for the financial year ended 31 December 2016 or which have not been adopted by the European Union ("EU"), and that have not been applied in the preparation of these financial statements.

In the following sections are presented: the list of new standards, amendments and interpretations of standards adopted by the International Accounting Standards Board (IASB) and the European Union entered into force on 31 December 2016 and the list of new standards, amendments and interpretations of standards adopted by the International Accounting Standards Committee but still not adopted by the European Union for the financial year ended on 31 December 2016.

## Notes to financial statements

for the year ended on 31 December 2016

(i) **Standards and interpretations adopted by the International Accounting Standards Committee and by the European Union applicable in the current period**

- *Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Presentation of interests held in other entities and IAS 28" Investments in Associates and Joint Ventures* - clarify the treatment of the sale or the contribution of assets between the investor and the associate / association venture effective for annual periods beginning on or after January 1, 2016
- *Amendments to IFRS 11 "Joint ventures" Accounting for the acquisition of interests in joint ventures* – improvement of the method of accounting interests in jointly controlled entities, effective for annual periods beginning on or after January 1, 2016
- *Amendments to IAS 1 "Presentation of Financial Statements"* – improvement of the presentation method effective for annual periods beginning on or after January 1, 2016
- *Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible Assets"* - clarification on acceptable methods of depreciation adopted by the EU on November 23, 2015 effective for annual periods beginning on or after January 1, 2016
- *Amendments to IAS 19 "Employee Benefits"* - defined benefit plans: employee contributions) adopted by EU on December 17, 2014 effective for annual periods beginning on or after February 1, 2015
- *Amendments to IAS 27 "Separate Financial Statements"* - the equity method in the separate financial statements adopted by U.E. on December 18, 2015 effective for annual periods beginning on or after January 1, 2016
- *Amendments to various standards "Improvements to IFRSs 2010-2012 Cycle"* resulting from the annual improvement project of IFRS regarding international financial reporting standards 2, 3.8 and 13 and International Accounting Standards 16, 24 and 38 with the main aim to remove inconsistencies and clarify certain formulations adopted by the EU on December 17, 2014 effective for annual periods beginning on or after January 1, 2016
- *Amendments to various standards "Improvements of IFRS 2012-2014 Cycle"* resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main aim to remove inconsistencies and clarify certain formulations – adopted by the EU on September 15, 2015 applicable for annual periods beginning on or after January 1, 2016.

(ii) **Standards and interpretations adopted by the International Accounting standards Committee but not adopted by the European Union yet**

At the reporting date of these financial statements, the following standards, revisions and interpretations were issued by IASB and adopted by the EU but not yet effective:

- IFRS 9 Financial Instruments - adopted by the EU on November 22, 2016 effective for annual periods beginning on or after January 1, 2018
- IFRS 15 Revenue from contracts with customers with subsequent amendments to IFRS 15 The effective date of IFRS 15 adopted by the EU on September 22, 2016 effective for annual periods beginning on or after January 1, 2018

IFRS 9 includes requirements for financial instruments relating to recognition, classification and measurement, impairment losses, de-recognition and hedge accounting:

- Classification and evaluation: IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at depreciated cost, at fair value through other comprehensive income, at fair value through profit and loss account. IFRS 9 classification is determined by the characteristics of cash flows and by the business-based model in which it is held on. This unified approach mainly eliminates the classification categories for financial assets in IAS 39: held to maturity, loans and advances and financial assets available for sale. The new model will also determine the existence of a single model of depreciation applicable to all financial instruments.

## Notes to financial statements

*for the year ended on 31 December 2016*

According to IFRS 9, embedded derivatives in contracts, in which the host instrument is a financial instrument for the purpose of this standard, are not separated, but the entire hybrid instrument is considered for classification.

Loss of impairment: IFRS 9 introduces a new model on impairment losses, based on expected losses that will require faster recognition of losses expected from impaired debts. The standard requires an entity to record impairment losses to assets expected from initial recognition of financial instruments and also to recognize impairment losses much sooner the expected impairment losses throughout their life

- Hedge accounting IFRS 9 introduces a significantly improved model on hedge accounting, which includes additional disclosure requirements regarding risk management activity. The new model represents a significant revision of the principles of hedge accounting that allows aligning the accounting treatment to the risk management activities
- Own credit risk: IFRS 9 eliminates the volatility in income or loss account caused by changing the credit risk of liabilities at fair value. Changing the accounting requirements of such liabilities assumes that earnings generated by the deterioration of an entity's own credit risk will no longer be recognized through profit or loss.

### ***(iii) Standards and interpretations issued by IASB but not yet adopted by EU***

Currently, standards of the International Accounting Standards adopted by the European Union do not differ significantly from the standards adopted by the International Accounting Standards Board, except for the following standards, amendments and interpretations to existing standards that have not yet been approved by the EU for use on approval of financial statements:

- *IFRS 14 Regulatory deferral accounts* – the standard is effective for annual periods beginning on or after 1 January 2016. The European Commission has decided not to pursue the adoption of this interim standard, but to wait the issue of the final standard,
- *IFRS 16 Leasing* effective for annual periods beginning on or after January 1, 2019
- *Amendments to IFRS Share-based Payment* - classification and measurement of share-based transactions (effective for annual periods beginning on or after January 1, 2018), its adoption is expected in the second half of 2017
- *Amendments to IFRS 4 Insurance Contracts* - Application of IFRS 9 Financial Instruments IFRS 4 Insurance contracts (effective for annual periods beginning on or after January 1, 2018 when IFRS 9 Financial Instruments is applied first) its adoption is expected in 2017
- *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures* - Selling of or contribution with assets between an investor and associates or joint ventures of this one and subsequent amendments (effective date was postponed indefinitely until the research project on the equity method is completed)
- *Amendments to IFRS 15 Revenue from contracts with customers* - Clarification to IFRS 15 Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2018), its adoption is expected in the second quarter of 2017
- *Amendments to IAS 7 Statement of Cash Flows* - Initiative disclosure requirements (effective for annual periods beginning on or after January 1, 2017)
- *Amendments to IAS 12 Income taxes* - deferred tax asset recognition of unrealized loss (effective for annual periods beginning on or after January 1, 2017)
- *Amendments to IAS 40 Investment Property* - Investment property transfer (effective for annual periods beginning on or after January 1, 2018), its adoption is expected in the second half of 2017
- *Amendments to various standards Improvements to IFRSs (2014-2016 cycle)* resulting in the annual project of improvement of IFRS (IFRS 1, IFRS 12 and IAS 28) with the main aim to remove inconsistencies and clarify certain formulations (Amendments to IFRS 12 are applicable for annual periods beginning on or after January 1, 2017 and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018), its adoption is expected in the second half of 2017

## Notes to financial statements

for the year ended on 31 December 2016

• IFRIC 22 Transactions in foreign currency and contributions (effective for annual periods beginning on or after January 1, 2018), its adoption is expected in the second half of 2017.

### 4. Reporting on segments

In terms of business segments, the company has not identified distinct components in terms of associated risks and benefits.

Reporting on segments is done in a manner consistent with the internal reporting to the main operational decision maker. The main operational decision maker responsible for allocating resources and assessing the performance of the operating segments has been identified is the Board of Directors that makes strategic decisions.

Sales on products	Financial year 2016
Sold production, of which:	<b>24.985.187</b>
- sales of beer	24.654.009
- sales of semi-fabricated products	4,400
- sales of residual products	306.478
- services	20.300
<b>Total</b>	<b>24.985.187</b>

The net turnover on 31.12.2015 is amounted to 24.985.187 lei and it represents in a proportion of 98,67% the beer, the difference of 1,33% being represented by the by-products and services.

SC BERMAS SA does not separately report the information on activity segments as the income from the main activity sector „beer production and sales” represents over 98% of the total income.

### 5. Tangible assets

	Lands	Buildings	Technical equipment and machinery	Other equipment, machinery and furniture	Fixed assets in progress	Total
<i>in lei</i>						
<i>Cost</i>						
<b>Balance on 31 December 2015</b>	<b>1,774,100</b>	<b>7,232,440</b>	<b>16,082,776</b>	<b>179,999</b>		<b>25,269,315</b>
Input			436,542	28,541	60,283	<b>525,366</b>
Transfers by commissioning			60,283			<b>60,283</b>
Revaluation decrease						-
Outputs			182,878	6,616	60,283	<b>249,777</b>
<b>Balance on 31 December 2016</b>	<b>1,774,100</b>	<b>7,232,440</b>	<b>16,396,723</b>	<b>201,924</b>	<b>0</b>	<b>25,605,187</b>
<i>Accumulated amortisation</i>						
<b>Balance on 31 December 2015</b>		<b>(5,083,576)</b>	<b>(5,630,911)</b>	<b>(67,343)</b>		<b>(10,781,830)</b>
Expense		(264,898)	(1,170,660)	(41,822)		<b>(1,477,380)</b>
Revaluation decreases						-
Output amortisation			(179,231)	(6,616)	-	<b>(185,847)</b>
<b>Balance on 31 December 2016</b>		<b>(5,348,474)</b>	<b>6,622,340)</b>	<b>(102,549)</b>	<b>-</b>	<b>(12,073,363)</b>
<i>Net accounting value</i>						
<b>Balance on 31 December 2015</b>	<b>1,774,100</b>	<b>2,148,864</b>	<b>10,451,865</b>	<b>112,656</b>		<b>14,487,485</b>
<b>Balance on 31 December 2016</b>	<b>1,774,100</b>	<b>1,883,966</b>	<b>9,774,383</b>	<b>99,375</b>	<b>0</b>	<b>13,531,824</b>

## Notes to financial statements

for the year ended on 31 December 2016

Some of the tangible assets of the Company are mortgaged or pledged to secure borrowings from banks.

BERMAS SA uses fair value as deemed cost for an item of tangible or intangible assets. When opening the financial position, the first entity's financial statements prepared in accordance with International Financial Reporting Standards, SC BERMAS SA presented for each element in the situation of opening the financial position in accordance with International Financial Reporting Standard: the aggregate amount of those fair values and aggregate adjustment to the accounting amounts reported under previous accounting principles. We present below the input data used in the evaluations:

	Lands	Buildings	Technical equipment and machinery
<i>Cost</i>			
Balance on 1 January 2011	751,661	6,644,923	28,590,425
Revaluation for 2010	777,739	196,942	(16,436,299)
Revaluation for 2010			511,474
Input			506,845
Outputs			(1,682)
Balance on 31 December 2011	<b>1,529,400</b>	<b>6,841,865</b>	<b>13,170,763</b>
<i>Accumulated amortisation</i>			
Balance on 1 January 2011		(3,593,456)	(16,436,298)
Revaluation for 2010		(102,009)	16,436,298
Depreciation for the period		(262,440)	(1,199,054)
Output depreciation			210
Balance on 31 December 2011		<b>(3,957,905)</b>	<b>(1,198,844)</b>
<i>Net accounting value</i>			
Balance on 1 January 2011	751,661	3,051,467	12,154,127
Balance on 31 December 2011	1,529,400	2,883,960	11,971,919
<i>Cost</i>			
Balance on 31 December 2011	1,529,400	6,841,865	13,170,763
Revaluation	244,700	74,279	
Input			265,574
Output			
Balance on 31 December 2012	1,774,100	6,916,144	13,436,337
<i>Cumulated depreciation</i>			
Balance on 31 December 2011		(3,957,905)	(1,198,844)
Expense		(273,045)	(1,217,485)
Increase from revaluation		(42,798)	
Balance on 31 December 2012		<b>(4,273,748)</b>	<b>(2,416,329)</b>
<i>Net accounting value</i>			
Balance on 31 December 2011	1,529,400	2,883,960	11,971,919
Balance on 31 December 2012	1,774,100	2,642,396	11,020,008

## Notes to financial statements

for the year ended on 31 December 2016

In accordance with IAS 36, both intangible and tangible assets are periodically reviewed to identify whether there are indications of impairment at the balance sheet date.

If the net accounting value of an asset exceeds its recoverable amount, an impairment loss is recognized in order to reduce the net accounting value of the asset at the recoverable value. If the reasons for the recognition of an impairment loss disappear in the next period, the net accounting value of the asset is increased up to the net accounting value that would have been determined no impairment loss would be not recognized.

SC BERMAS SA has not recorded impairment losses, depreciation and amortization expenses presented in the statement of comprehensive income with amortization in the first half of 2016 recognized in profit or loss account being allocated systematically over the useful life of the assets. Depreciation methods, useful life durations and estimated residual values are reviewed by the entity's management at each reporting date and adjusted if appropriate. Regarding the fair value hierarchy, input data for the valuation techniques used to determine fair value measurements are Level 2 for both 2015 and 2016.

The accounting value of asset classes, if the assets were submitted on the basis of cost is as follows:

	Lands	Buildings	Technical equipment and machinery	Other equipment, machinery and furniture	Fixed assets in progress	Total
<i>in lei</i>						
<i>Cost</i>						
<b>Balance on 31 December 2015</b>	<b>1,774,100</b>	<b>7,232,440</b>	<b>31,596,891</b>	<b>278,036</b>		<b>40,881,467</b>
Input			436,542	28,541	60,283	<b>525,366</b>
Transfers by commissioning			60,283			<b>60,283</b>
Decrease from revaluation						-
Output			246,966	6,616	60,283	<b>313,865</b>
<b>Balance on 30 December 2016</b>	<b>1,774,100</b>	<b>7,232,440</b>	<b>31,846,750</b>	<b>299,961</b>	<b>0</b>	<b>41,153,251</b>
<i>Cumulated depreciation</i>						
<b>Balance on 31 December 2015</b>		<b>(5,083,576)</b>	<b>(21,364,894)</b>	<b>(174,751)</b>		<b>(26,623,221)</b>
Expense		(264,898)	(1,123,082)	(32,073)		<b>(1,420,053)</b>
Decrease from revaluation						-
Output depreciation			(243,615)	(6,616)	-	<b>(250,231)</b>
<b>Balance on 30 December 2016</b>	<b>-</b>	<b>(5,348,474)</b>	<b>(22,244,361)</b>	<b>(200,208)</b>	<b>-</b>	<b>(27,793,043)</b>
<i>Net accounting value</i>						
<b>Balance on 31 December 2015</b>	<b>1,774,100</b>	<b>2,148,864</b>	<b>10,231,997</b>	<b>103,285</b>	<b>0</b>	<b>14,258,246</b>
<b>Balance on 31 December 2016</b>	<b>1,774,100</b>	<b>1,883,966</b>	<b>9,602,389</b>	<b>99,753</b>	<b>0</b>	<b>13,360,208</b>

### 6. Intangible assets

<i>Cost</i>	Other intangible assets	Total
<b>Balance on 31 December 2015</b>	<b>123,347</b>	<b>123,347</b>
Inputs	92,195	92,195
Transfers	8,790	8,790
<b>Balance on 31 December 2016</b>	<b>206,752</b>	<b>206,752</b>
<i>Accumulated amortisation</i>		
<b>Balance on 31 December 2015</b>	<b>(105,284)</b>	<b>(105,284)</b>

## Notes to financial statements

for the year ended on 31 December 2016

Expense	(22,258)	(22,258)
Transfers	(8,790)	(8,790)
<b>Balance on 31 December 2016</b>	<b>(118,752)</b>	<b>(118,752)</b>
<i>Net accounting value</i>		
<b>Balance on 31 December 2015</b>	<b>18,063</b>	<b>18,063</b>
<b>Balance on 31 December 2016</b>	<b>88,000</b>	<b>88,000</b>

### 7. Financial assets available for sale

	31 December 2015	31 Dec 2016
To "Victoria" Social-cultural foundation of Suceava	83,000	83,000
<b>Total</b>	<b>83,000</b>	<b>83,000</b>

SC BERMAS SA holds financial assets available for sale, resulting from the establishment of a 19.88% share to the patrimony of the "Victoria" Social-Cultural Foundation which was established in 2002 and registered in the Register of non-profit Associations and Foundations, these financial assets being evaluated at historical cost. These financial assets were reclassified in 2015 as financial assets measured at cost due to the fact that, since the duration of the Foundation is indefinite and purpose "partnerships with public authorities, NGOs and other institutions in order to carry out social, scientific and humanitarian activities of local and regional concern" is still relevant and perspective, the board of directors has not expressed its intention of closing the foundation, the foundation being recognized as of public utility. The financial statements submitted show that, currently, it is in operation state, it is not in liquidation, being at the initial capital value.

### 8. Inventories

	31 December 2015	31 December 2016
Production in progress	6,532,411	6,062,240
Raw materials and consumables	5,967,702	6,590,802
Finished products and goods	231,434	155,411
<b>Total</b>	<b>12,731,547</b>	<b>12,808,453</b>

Assets such as inventories are valued at their accounting value, less adjustments for impairment. Impairment adjustments recognized as expense at the end of the reporting year represent the value of inventory without movement at the level of 2015. If the accounting value of inventories is higher than the book value, the value of inventories is decreased up to the net achievable value, by setting up adjustments for impairment. The value of adjustments for inventories without movement on 31.12.2016 is amounted to 76.793,78 lei.

### 9. Trade receivables

	31 decembrie 2015	31 decembrie 2016
Clients	581,846	815,516
Suppliers – debtors for the purchase of inventory goods	901,893	699,721
Advance payments for tangible assets	-	-
Adjustments for the depreciation of receivables	(234,886)	(253,058)
<b>TOTAL</b>	<b>1,248,853</b>	<b>1,262,179</b>

## Notes to financial statements

for the year ended on 31 December 2016

### 10. Cash and cash equivalents

	31 December 2015	31 December 2016
Cash in the cash register	4,455	11,770
Current bank accounts	984	11,058
Cash advances	-	-
Other values	3,350	3,000
<b>Total</b>	<b>8,789</b>	<b>25,828</b>

### 11. Other receivables

	31 December 2015	31 December 2016
Diverse debtors	973,093	974,638
Other receivables related to personnel	232	222
Adjustments for depreciation different debtors	(757,157)	(717,420)
<b>Total</b>	<b>216,168</b>	<b>257,440</b>

The evaluation for impairment of receivables is conducted individually and is based on the management's best estimate of the present value of cash flows expected to be received. Quarterly and at the end of the financial year 2016 following the analysis of uncertain clients and various borrowers we are in dispute with, we have considered necessary to operate adjustments amounted to 35.468,91 lei.

### 12. Share capital

#### Company's shareholder structure

Balance on 31 December 2016	Number of shares	Amount (RON)	(%)
Other shareholders	10,416,771	7,291,739.70	48.33%
Victoria Bermas Association	6,653,009	4,657,106.30	30.87%
PAS Bermas	4,483,269	3,138,288.30	20.80%
<b>Total</b>	<b>21,553,049</b>	<b>15,087,134</b>	<b>100%</b>

Information on the objectives, policies and processes for managing the share capital according to IAS 1134 complying with the information included in IAS 1.135 qualitative information about its objectives, policies and processes for managing its share capital, including the description of share capital it manages, the way in which objectives are met, quantitative data regarding the share capital and changes from one period to another.

The share capital of the company on 31.12.2016 is amounted to 15.087.134,30 lei fully subscribed and paid up, divided in 21.553.049 registered shares of 0,70 lei each. The company's shares are ordinary, nominative, dematerialized, registered into account, their records being kept by the Depozitarul Central SA Bucharest. Shares have equal value and grant equal rights for each share.

The structure of shareholders holding over 10% of the share capital is as follows:

Balance on 31 December 2016	Number of shares	Amount (RON)	(%)
Victoria Bermas Association	6,653,009	4,657,106.30	30.87%
PAS Bermas	4,483,269	3,138,288.30	20.80%
SC Vivat Construct SRL	2,845,862	1,992,103.40	13.20%

**The legal reserves** of the Company on 31.12.2016 are amounted to 2.633.911 lei following the creation of the legal reserve (5% of the accounting profit under the Law 227/2015 and subsequent amendments and supplements and the Law 31/1900 as subsequently amended and supplemented.



## Notes to financial statements

for the year ended on 31 December 2016

### Other reserves

SC BERMAS SA records on 31.12.2015 in the account 1068 Other reserves the amount of 3.155.260,90 with the following structure :

Reserves for restatement according to IFRS	554.644,00
Reserves for development	529.519,95
Other reserves G.O. 70 /1994	195.909,33
Other reserves G.D. 40/2002	635.870,11
Reserves for dividend capitalisation	1.183.023,22
Other reserves the Law 55/1995, Decree 834/1991	56.294,29
<b>TOTAL</b>	<b>3.155.260,90</b>

SC BERMAS SA records on 31.12.2016 in the account 1068 Other reserves the amount of 3.324.612,24 with the following structure :

Reserves for restatement according to IFRS	554.644,00
Reserves for development	698.871,29
Other reserves G.O. 70 /1994	195.909,33
Other reserves G.D. 40/2002	635.870,11
Reserves for dividend capitalisation	1.183.023,22
Other reserves the Law 55/1995, Decree 834/1991	56.294,29
<b>TOTAL</b>	<b>3.324.612,24</b>

### 13. Accounts payable for deferred profit tax

Accounts payable for the deferred tax as of 31 December 2016 are detailed below:

31 December 2016	Assets	Liabilities	Net
Tangible assets	1.365.169	-	1.365,169
Inventory	(76.794)	-	(76.794)
Trade receivables	(51.490)	-	(51.490)
Other receivables	(39.608)	-	(39.608)
<b>Total</b>	<b>1.197.277</b>		<b>1.197.277</b>
Net temporary differences – rate 16 %			1.197.277

Accounts payable for deferred tax 191.564 lei

### 14. Trade payables

Description	31 December 2015	31 Dec 2016
Trade payables	697,726	590,870
<b>TOTAL</b>	<b>697,726</b>	<b>590,870</b>

### Other payables

Description	31 December 2015	31 Dec 2016
Diverse creditors and other payables	570,072	687,890
Payables to the local budget	529,399	521,934
Payables to employees	170,025	174,075
Payables to the state budget	(142,283)	(115,121)
<b>TOTAL</b>	<b>1,127,213</b>	<b>1,268,778</b>

**Provisions** at 31.12.2016 amounted to 500,000 lei are made for any further payment obligations to the environmental fund.

**Notes to financial statements**  
for the year ended on 31 December 2016

**15. Short-term bank credits**

Description	31 December 2015	31 December 2016
Short-term bank credits	3,637,054	2,090,563
<b>TOTAL</b>	<b>3,637,054</b>	<b>2,090,563</b>

Bank	31 decembrie 2015	31 decembrie 2016
Raiffeisen Bank Suceava	1,643,396	1,333,442
BRD Suceava	1,992,598	757,121
BCR Suceava	1,060	-
<b>TOTAL</b>	<b>3,637,054</b>	<b>2,090,563</b>

On 31 December 2016, short-term payables to banks refer to the following:

- secured overdraft with BRD Suceava amounted to 3.500.000 lei. The remaining balance on 31.12.2016 is amounted to 757.121 lei. The interest charged is a fluctuating interest at ROBOR annual rate 3M + 1.70%, which is calculated on the credit balance from the date of provision and until full repayment thereof;
- secured overdraft with Raiffeisen amounted to 4.000.000 lei. The remaining balance on 31.12.2016 is amounted to 1.333.442 lei. The interest charged on the daily debtor balance of the current account is a fluctuating interest at ROBOR annual rate 1M + 1.40%, calculated on the actual number of days of the reference month compared to the year of 360 days. The reference rate will be daily updated;

Bank overdrafts are secured by:

- mortgage on tangible assets with a net accounting value of 2.513.549 lei on 31 December 2016;
- pledge on inventories of raw material - malt;
- first-ranking pledge and mortgage on current accounts;
- mortgage on liquid assets in the accounts opened with BRD and Raiffeisen Suceava.

**Guarantees:**

**Pledges + mortgages on equipment with BRD on 31.12.2016**

Nr. Crt	Name of the fixed asset or equipment	Value
1	PARCELA CURTI CONSTRUCTII 2.144 mp - C.F. 31100	124.352,00
2	CORP PRINCIPAL CENTRU FRIG	255.200,00
3	PARCELA CURTI CONSTRUCTII 595 mp - C.F 31129	34.510,00
4	PAVILION ADMINISTRATIV	179.630,00
5	PARCELA CURTI CONSTRUCTII 517 mp - C.F. 31116	29.986,00
6	CLADIRE ATELIER AUTO	132.620,00
7	PARCELA CURTI CONSTRUCTII 700 mp - C.F. 31107	40.600,00
8	CLADIRE INDUSTRIALA AUXILIARA	143.160,00
		<b>940.058,00</b>

**Pledges + mortgages on equipment with Raiffeisen Bank – 31.12.2016**

Nr. Crt	Name of the fixed asset or equipment	Value
1	SUPRAFATA TEREN- 3.851 mp	223.358,00
2	CORP PRINCIPAL GERMINARE etapa I+II	151.510,00
3	CORP PRINCIPAL DE INMUIERE(extindere)	177.360,00

## Notes to financial statements

for the year ended on 31 December 2016

4	CORP PRINCIPAL USCARE	317.520,00
5	CORP PRINCIPAL CASA MASINII	263.090,00
6	CORP GERMINARE SILOZ 19 CELULE	272.500,00
7	CORP PRINCIPAL DE LEGATURA	82.100,00
8	ECHIPAMENTE TEHNOLOGICE SECTIA MALT	86.052,68
	<b>TOTAL</b>	<b>1.573.490,68</b>

The overdrafts with BRD are secured with the malt stocks in the malt department and in the boiling department, having an accounting value amounted to 5.158.366 lei on 31.12.2016.

Referring to the affirmation that the overdrafts are secured by a prior-ranking pledge over the current accounts, we mention that on 31.12.2016 the value of the pledge over the available balance in the current accounts is amounted to 0 lei, the banks automatically proceeding to the transfer of financial availabilities in the overdraft account.

### 16. Earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

	31 December 2015	31 December 2016
Profit attributable to ordinary shareholders	1,555,663	1,528,840
Weighted average number of ordinary shares	21,553,049	21,553,049
<b>Basic earnings per share</b>	<b>0.072</b>	<b>0.071</b>

The Board of Directors of SC "BERMAS" has proposed the distribution of net profit for the financial year ended in 2016 amounted to 1.528.840 lei as follows:

Net profit 2016	1.528.840 lei
Legal reserve to be established 2016	93.698 lei
Dividends	1.400.950 lei
Other reserves	34.192 lei

The gross dividend per share that would to be granted for one share held on the registration date is 0,065 lei / share which would represent a rate of 92% of the net profit for the financial year ended in 2016.

### 17. Turnover

	31.12.2015	31.12.2016
Sales of finished goods	23,895,171	24,654,009
Sales of semi-finished goods	800	4,400
Sales of residual products	294,184	306,478
Services rendered	25,801	20,300
<b>Total</b>	<b>24,215,956</b>	<b>24,985,187</b>

### 18. Other revenues

	2015	2016
Subsidies for operating activities		
Gifts received		500
Operating revenues from the adjustments of current assets impairment	10,342	0
Other operating revenues	230,086	325,095
<b>Total</b>	<b>240,428</b>	<b>325,595</b>

**Notes to financial statements**  
for the year ended on 31 December 2016

**19. Other expenses**

	<b>2015</b>	<b>2016</b>
Entertaining, promotion and advertising	795,010	904,766
Operating expenses for provisions		500,000
Operating expenses on the adjustments of current assets impairment	374,480	39,059
Other taxes, duties and similar expenses	155,809	213,557
Insurance premiums	126,807	138,388
Compensations, fines and penalties	76,683	40,788
Travel expenses	50,223	79,186
Postage and telecommunications	35,941	56,981
Commissions and fees	22,405	20,495
Rental and royalty expenses	1,310	1,464
Bad debts written off	-	514
Net loss from the sale of tangible assets	-	-
Other operating expenses	108,983	239,541
<b>Total</b>	<b>1,747,651</b>	<b>2,234,739</b>

**b) Prepaid expenses**

PREPAID EXPENSES ON 31.12.2016

NAME OF THE ACCOUNT	Balance debit
Insurance premiums	67.672,91
Postage and telecommunications	2.425,56
Services rendered by third parties	2.257,53
Other taxes, duties and payments	15.405,25
Other financial expenses	27.834,07
Beer loss December	285,17
	115.880,49

PREPAID EXPENSES 31.12.2015

NAME OF THE ACCOUNT	Balance debit
Insurance premiums	75.707,81
Postage and telecommunications	4.986,45
Other taxes, duties and payments	13.849,82
Services rendered by third parties	1.421,18
Other financial expenses	31.706,70
Beer loss December	265,65
	127.937,61

**20. Personnel expenses**

	<b>2015</b>	<b>2016</b>
Salaries	6,122,880	6,782,486
Social security and welfare contributions	1,587,375	1,806,783
Meal vouchers	385,055	390,347
<b>Total</b>	<b>8,095,310</b>	<b>8,979,616</b>

On 31 December 2016 the average number of employees of the company was 190.

## Notes to financial statements

for the year ended on 31 December 2016

### 21. Financial revenues and expenses

	<u>2015</u>	<u>2016</u>
<b>Financial revenues</b>		
Net gain from exchange differences		
Interest revenues		2
Other financial revenues		2
		<u>2</u>
		<u>2</u>
	<u>2015</u>	<u>2016</u>
<b>Financial expenses</b>		
Interest expenses	146,161	63,909
Net loss from exchange differences	797	8,221
Other financial expenses	839,770	870,468
<b>Total</b>	<u><b>986,728</b></u>	<u><b>942,598</b></u>

### 22. Income tax expense

	<u>31.12.2014</u>	<u>31.12.2015</u>
Current income tax expense	279,271	345,122
	<u>279,271</u>	<u>345,122</u>
<b>Deferred income tax</b>		
Deferred income tax expenses	-	-
Deferred income tax revenues	10,120	4,993
	<u>10,120</u>	<u>4,993</u>
<b>Total</b>	<u><b>269,151</b></u>	<u><b>340,129</b></u>
	<u>31.12.2015</u>	<u>31.12.2016</u>
<b>Profit before tax</b>	1,834,935	1,873,961
<b>Tax acc. to the statutory tax rate of 16% (2013: 16%)</b>	293,590	299,834
<b>Effect on the income tax of:</b>		
Legal reserve	(14,680)	(14,992)
Non-deductible expenses	70,179	146,561
Non-taxable revenues		
Sponsoring within legal limits	(69,818)	(86,281)
Registration and review of temporary differences	(10,120)	(4,993)
<b>Income tax</b>	<u><b>269,151</b></u>	<u><b>340,129</b></u>

### 23. Related parties

The persons who are part of the Board of Directors and the Executive Committee represent related parties.

2015

## Notes to financial statements

for the year ended on 31 December 2016

### List of members of the Board of Directors

Anisoï Elena	President of the B.D.
Dragan Sabin Adrian	Vice-president
Vescan Maria Aurora	Member

### List of the persons in the Executive Committee

Anisoï Elena	General Manager
Croitor Octavian	Technical Manager
Tebrean Iridenta	Economic Manager
Sîngeap Cristina	Commercial Manager

## 2016

### List of the persons in the Board of Directors

Anisoï Elena	President of the B.D.
Dragan Sabin Adrian	Vice-president
Vescan Maria Aurora	Member

### List of the persons in the Executive committee

Anisoï Elena	General Manager
Croitor Octavian	Technical manager
Tebrean Iridenta	Economic Manager
Sîngeap Cristina	Commercial Manager

	31 December 2015	31 December 2016
Remuneration of the members of the Board of Directors	103,600	124,800
Salaries of the executive managers	826,828	844,823

## 24. Commitments

The Company had no capital commitments on 31 December 2016.

## 25. Contingent assets and liabilities

The Company had no contingent assets or liabilities on 31 December 2016.

## 26. Subsequent events

There were no events subsequent the balance sheet date.

## 27. Financial risk management

### Overview

The company operates on a free competitive market, being exposed to normal risks from that point of view. No major or significant exposure in terms of prices and liquidity.

The company is implementing the risk management system, covering the identification, analysis, management and monitoring of risk it is exposed to.

Price risk requires constant monitoring of it, given the market share the company operates on. In fact, the company applies and will apply in the future training policies of the selling price based on the price of raw material and other cost elements which have a share of over 10% of total production costs.

The Company is exposed to the following risks due to the use of financial instruments:

- credit risk;

## Notes to financial statements

for the year ended on 31 December 2016

- liquidity risk;
- market risk.

These notes present information about the Company's exposure to each of the above risks, the company's objectives, policies and processes for risk assessing and managing and procedures used for managing capital. In these financial statements there is also other quantitative information.

The Company's risk management policies are defined to ensure the risks identification and analysis the Company is dealing with, to set appropriate limits and controls, to monitor risks and to comply with the set limits. Risk policies and management systems are regularly reviewed to reflect changes in market conditions and the Company's activities.

### a) Credit risk

Credit risk is the risk that the Company could incur a financial loss as a result of failure to meet contractual obligations by a customer or counterparty to a financial instrument, and this risk mainly results from trade receivables of the Company.

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

#### (i) Exposure to credit risk

Accounting value	31.12. 2015	31.12. 2016
Trade receivables and other current assets	1,465,022	1,519,619
Cash and bank deposits	8,789	25,828
<b>TOTAL</b>	<b>1,473,811</b>	<b>1,545,447</b>

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

The management has established a credit policy under which each new customer is individually analysed in terms of creditworthiness before offering the Company's standard conditions for payment and delivery.

The Company establishes an adjustment for impairment that represents its estimate of losses on trade receivables. The adjustments for impairment of receivables mainly relate to specific components corresponding to the significant individual exposures incurred and identified.

#### (ii) Depreciation

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

in lei	31.12. 2016	
	Gross value	Depreciation
Not outstanding and outstanding between 0 and 30 days	253,087	
Outstanding between 31 and 60 days	296,854	
Outstanding between 61 and 120 days	162,242	
Outstanding between 121 and 180 days	28,710	
Outstanding between 181 and 360 days	5,530	
Over 360 days	1,045,283	(970,477)
<b>Total</b>	<b>1,791,706</b>	<b>(970,477)</b>

### b) Liquidity risk

Liquidity risk is the risk that the Company could have difficulty in meeting obligations associated with financial liabilities that are settled in cash or by transferring another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its

## Notes to financial statements

for the year ended on 31 December 2016

liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or putting the Company's reputation at risk.

Overall the Company makes sure that it has sufficient cash to cover operating expenses. The following table shows the residual contractual maturities of financial liabilities at the end of the reporting period, including estimated interest payments:

31 December 2016	Accounting value	Contractual cash flows	Less than 2 months	2 - 12 months	Over 12 months
Trade payables	697,726	697,726	697,726		
Medium-term credits					
Bank short-term loans	3,637,054	3,637,054		3,637,054	
Other payables	1,288,067	1,288,067	1,288,067		
<b>Total</b>	<b>5,622,847</b>	<b>5,622,847</b>	<b>1,985,793</b>	<b>3,637,054</b>	

### c) Market risk

Market risk is the risk that the change in market prices, such as foreign exchange rate, interest rate and price of equity instruments, affects the Company's income or the value of financial instruments held. The objective of market risk management is to manage and control market risk exposures within acceptable parameters and simultaneously to optimize return on investment.

### d) Interest rate risk

#### (i) Profile of the risk exposure

Credit risk - the company is implementing and will call in future to funds raised to partially finance the stocks of raw materials and semi-products. Cost of resources is generally negotiated and dimensioned in relation to the reference rates in the financial market so as to be sustainable in terms of contract. Potential changes in interest rates are also taken into account.

At the reporting date, the profile of interest rate exposure corresponding to the interest-bearing financial instruments held by the Company was:

Instruments with variable rate	31 December 2015	31 December 2016
Medium-term credits		
Bank short-term loans	3,637,054	2,090,563
<b>Total</b>	<b>3,637,054</b>	<b>2,090,563</b>

#### (ii) Sensitivity analysis of fair value for instruments with fixed interest rate

The Company has not classified financial assets or liabilities with fixed interest rates at fair value through profit or loss or available for sale. Therefore, a change in interest rates at the reporting date would not affect the statement of comprehensive income.

#### (iii) Sensitivity analysis of cash flow for instruments with variable interest rate

An increase in interest rates by 1% at the reporting date would have resulted in a decrease in profit by 28.638 lei for the year ended on 31 December 2016 (31 December 2015: 40.321 lei). This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

A depreciation of interest rates by 100 basis points on 31 December 2016 would have led to the same effect, but to the contrary, the amounts presented above, considering that all other variables remain constant.

### e) Currency risk

The Company is exposed to currency risk due to acquisitions and liabilities that are denominated in a currency other than the functional one, respectively in euro.

Company's exposure to currency risk is shown below:



## Notes to financial statements

for the year ended on 31 December 2016

31 December 2016	RON	EURO	USD	Other currencies
<b>Financial assets</b>				
Trade receivables and other current assets	1,519,619	-	-	-
Cash and bank deposits	25,590	238	-	-
	<b>1,545,209</b>	<b>238</b>	-	-
<b>Financial payables</b>				
Trade payables	590,870	-	-	-
Short-term loans	2,090,563	-	-	-
Other payables	1,422,227	-	-	-
	<b>4,103,660</b>	-	-	-

### Sensitivity analysis

An appreciation by 10 percentage points of the RON currency on 31 December 2016 compared to euro would have resulted in an increase of profit by 65.357 lei.

#### f) Taxation risk

Starting on 1 January 2007, following the accession of Romania to the European Union, the Company had to apply EU tax regulations and implement the changes brought by the EU law. The way in which the Company has implemented these changes remains open to tax audit for five years.

The interpretation of the text and the practical implementation procedures of the new EU tax regulations in force may vary, and there is a risk that certain transactions, for example, could be viewed differently by the tax authorities compared to their treatment by the Company.

In addition, the Romanian Government has an important number of agencies authorized to audit companies operating in Romania. These controls are similar to tax audits in other countries and can cover not only tax aspects, but also other regulatory and legal aspects of interest to these agencies. It is possible that the Company is subject to tax audits as new tax regulations are issued.

#### g) Business environment

The economic crisis has negatively affected the beer industry over the recent years too. After a period of sustained growth, total beer volumes sold declined during the period 2009 to 2011. 2008 recorded a maximum value of consumption on the Romanian market of around 20.6 million hl / year. In 2012 beer consumption was about 18 million hl, with an average consumption of 78 litres / year for the Romanian customer compared to 90 litres in 2008. In 2013 and 2014 consumption recorded slight decreases and the year 2015 was the year in which consumption has stabilized. It is not expected demand to grow at the pace recorded in previous years, the growth forecasted being low, of about 2-5% due to the stimulation of sales by advertising and promotional campaigns. Beer industry presents oligopolistic features with high barriers at the entry to the market and vertical differentiation, general characteristic of beer production sector being represented by excessive capacity which creates the premises of potential pressure to prices.

SC BERMAS SA is the only factory in the brewing industry that has continued on the old structure managed by technical and technological structure, by the modernization of production workshops and the modernization of the performed activity trying to consolidate its market share.

For 2017 SC BERMAS SA has contracted the whole quantity of beer for sale according to the scheduled production program.

Currently, on the Romanian market there are now four big producers representing groups with international presence in the brewing sector and two domestic producers who have developed large production capacity (ROMAQUA - market share 0-10% and European FOOD - market share of 0-10%).

The large producers and the two domestic producers who have developed large production capacity hold 95% of the market, the difference of 5% being held by SC ALBRAU PROD SA, SC

## Notes to financial statements

*for the year ended on 31 December 2016*

MARTENS SA, SC BERMAS SA (approximately 4,5%) and small producers) approximately 0.5%).

The massive concentration of the brewing industry sector in Romania has produced an imbalance between the competitiveness capacity of the two market segments.

In order to cope with competition, SC "BERMAS" SA as independent brewer with a capacity below average must always identify opportunities for efficiency and profitability of the business while maintaining and developing the market share won.

The Company's management believes that the Company's liquidity could be affected in 2017 by a series of events or uncertainty factors such as:

- unfavourable market circumstances that would lead to the inability to cope with competition, the existence on the market of vertical agreements and concentrated practiced, most of the agreements containing vertical restrictions, namely certain clauses restricting competition, such as: exclusive distribution, non-competition clause, exclusive acquisition, restrictions in terms of sale price;

- increase in fuel and energy prices with major implications in production costs taking into account the manufacturing cycle of malt and beer based on conventional technology that involves 120 days (malt + beer)

- unfavourable agricultural year with a poor harvest in the basic materials used in the brewing process, which would lead to higher prices for barley and hops;

- deliberate or accidental entry into insolvency of the Company's customers - beer distributors as a result of limiting their access to credit in order to support their activity which would increase commercial risks to the collection of goods.

- decrease in the purchasing power of the population affected by unemployment

The management believes that it takes all necessary measures to support the sustainability and growth of the Company's business under current conditions by:

- constantly monitoring its liquidity;
- short-term forecasting of net liquidity;
- monitoring incoming and outgoing flows of cash (daily), assessment of effects on borrowers.

### **h) Capital adequacy**

SC BERMAS SA has a policy of maintaining equity for the development of the company and reaching its objectives. The main objective of the company is the continuation of the activity in order to provide profitability for its shareholders. In the last two years, the net asset value of SC BERMAS SA exceeded 1.5 times the share capital. The management of SC BERMAS SA intends, in the next financial year, to maintain at least the same level.

The equity of SC BERMAS SA consists of share capital, created reserves, current profit and retained earnings. The equity at 31.12.2016 of SC BERMAS SA is amounted to 23.561.849 lei compared to 23.263.486 lei on 31.12.2015. SC BERMAS SA is not subject to statutory capital adequacy requirements.