S.I.F. OLTENIA S.A.

CONSOLIDATED FINANCIAL STATEMENTS

ON 31 DECEMBER 2018

PREPARED IN ACCORDANCE WITH THE REGULATION NO. 39/2015 FOR THE APPROVAL OF THE ACCOUNTING REGULATIONS IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS, APPLICABLE TO AUTHORIZED ENTITIES, REGULATED AND SUPERVISED BY THE FINANCIAL SUPERVISORY AUTHORITY FROM THE FINANCIAL INSTRUMENTS AND INVESTMENT SECTOR

AUDITED

Contents

Consolidated statement of profit or loss and other comprehensive income
for the financial year ended December 31st, 2018

In RON

	Note	December 31st, 2018	December 31st, 2017
Income			
Dividend income	7	90,836,800	67,318,530
Interest income	8	498,711	121,820
Other operational income	9	237,432,663	231,357,824
Net gain from exchange rate differences	10	(963,651)	(260,408)
Net gain from sale of financial assets	11	(163,041)	12,090,806
Expenses			
Fees and charges for administration and supervision	12	(2,725,639)	(2,807,362)
Write-back of provisions for risks and expenditure		5,748,502	5,480,092
Other operational expenditures	13	(231,532,281)	(232,166,317)
Profit before tax		**99,132,064**	**81,134,985**
Profit tax	14	(5,909,411)	(9,189,114)
Net profit for the period		**93,222,653**	**71,945,871**
Other comprehensive income			
Gain from transactions recognized in retained earnings according to IFRS 9		605,964,156	
Related tax		(98,982,191)	
Net gain recognized in retained earnings		**506,981,965**	**0**
Other comprehensive income			
Variation of reserve from revaluation of tangible assets, net of deferred tax		956,327	(419,343)
Net variation of fair value of financial assets measured through other comprehensive income		86,520,839	138,398,165
Fair value reserve of financial assets measured through other comprehensive income, transferred to retained earnings / profit or loss		(606,797,420)	(10,405,230)
Effect of related profit tax		97,001,389	
Fair value reserve of financial assets measured through other comprehensive income - hyperinflation		5,359,613	
Total other comprehensive income		**(416,959,252)**	**127,573,592**
Total comprehensive income for the period		**183,245,366**	**199,519,463**
Related net profit			
Company shareholders		92,712,041	71,690,366
Minoritary interest		510,612	255,505
		93,222,653	**71,945,871**
Related earnings per share			
Company shareholders		184,073,891	197,382,582
Minoritary interest		(828,525)	2,136,881
		183,245,366	**199,519,463**
Earnings per share	29		
Basic		0.1598	0.1236
Diluted		0.1598	0.1236

The consolidated financial statements were approved by the Board of Directors in the meeting dated March 20, 2019 and were signed on its behalf by:

Assoc. Prof. Ec. Ciurezu Tudor, Ph.D.	Assoc. Prof. Bușu Cristian, Ph.D.	Ec. Sichigea Elena
Chairman / General Manager	Deputy Chairman / Deputy General Manager	Economic Manager

Consolidated statement of financial position
for the financial year ended December 31st, 2018

In RON	*Note*	December 31st, 2018	December 31st, 2017
Assets			
Cash and cash equivalents	15	480,439,807	9,869,368
Bank deposits	16	14,037,297	13,030,043
Financial assets measured at fair value through other comprehensive income	17	1,183,214,785	1,506,578,556
Financial assets measured at fair value through the profit or loss statement	17	3,506,885	2,284,214
Credits and receivables	18	38,856,954	29,563,961
Tangible assets	19	87,216,858	87,012,073
Investment property	20	93,904,401	93,360,493
Other assets	21	157,037,888	167,843,871
Total assets		**2,058,214,875**	**1,909,542,579**
Liabilities			
Dividends payable	22	43,355,439	48,791,984
Taxes and duties	23	99,371,144	7,071,981
Deferred tax liabilities	24	43,682,766	126,534,254
Other liabilities	25	139,907,725	137,743,812
Total liabilities		**326,317,074**	**320,142,031**
Equity			
Share capital	26	58,016,571	58,016,571
Adjustments to the share capital		103,847,238	103,806,500
Other equity		185,042,195	619,775,291
Reserves from revaluation of tangible assets		39,055,057	39,562,594
Legal and statutory reserves		28,169,423	27,963,377
Other reserves	27	735,589,573	701,904,709
Retained earnings representing undistributed profit or uncovered loss		(17,634,138)	(11,100,021)
Retained earnings as a result of the application of IAS 29 to share capital and reserves		(158,148,438)	(158,148,438)
Retained earnings as a result of the application of IAS without IAS 29		634,725,228	103,510,150
Current profit		92,712,041	71,690,366
Total equity attributable to the parent company		**1,701,374,750**	**1,556,981,099**
Minority interest of which:	28	**30,523,051**	**32,419,449**
Profit or loss of the financial year for non-controlling interests		510,612	255,505
Other equity		30,012,439	32,163,944
Total capital		**1,731,897,801**	**1,589,400,548**
Total debt and equity		**2,058,214,875**	**1,909,542,579**

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Chairman / General Manager	Deputy Chairman / Deputy General Manager	Economic Manager

Consolidated statement of changes in equity
for the financial year ended December 31st, 2018

In RON	Inflated share capital	Reserves from revaluation of tangible assets	Legal reserves	Other reserves	Reserves from revaluation of financial assets measured at fair value through other comprehensive income	Other equity	Retained earnings as a result of the application of IAS 29 to share capital and reserves	Accumulated profit	Total equity attributable to the parent company	Minority interests	TOTAL
BALANCE AS AT JANUARY 1ST, 2018	**161,823,071**	**39,562,594**	**27,963,377**	**701,904,709**	**624,978,826**	**(5,203,535)**	**(158,148,438)**	**164,100,495**	**1,556,981,099**	**32,419,449**	**1,589,400,548**
COMPREHENSIVE INCOME											
Profit for the financial year								92.712.041	92.712.041	510612	93.222.653
Other comprehensive income											
1. Variation of reserve from revaluation of tangible assets, net of deferred tax		(772,188)						1,728,515	956,327		956,327
2. Net variation of reserve from change in fair value of financial assets measured at fair value through other comprehensive income					86,768,336	706,634		(100)	87,474,870	(954,031)	86,520,839
3. Fair value reserve of financial assets measured at fair value through other comprehensive income, disposed					(606,412,314)			605,964,156	(448,158)	(385,106)	(833,264)
4. Related profit tax					97,001,389			(98,982,191)	(1,980,802)		(1,980,802)
5. Transfer of reserve to retained earnings as a result of transition to IFRS 9					(18,607,489)			18,607,489	0		0
6. Fair value reserve of financial assets measured through other comprehensive income - hyperinflation					5,359,613				5,359,613		5,359,613
TOTAL COMPREHENSIVE INCOME for the period	**0**	**(772,188)**	**0**	**0**	**(435,890,465)**	**706,634**	**0**	**620,029,910**	**184,073,891**	**(828,525)**	**183,245,366**
Deferred tax related to retained earnings representing taxed unobtained revaluation surplus								15,182	15,182		15,182
Other reserves – own sources of financing			145,789	34,363,306				(34,509,095)	0		0
Other equity (deferred tax related to reserves)					(904,089)			(2,329)	(906,418)		(906,418)
Other transfers (retained earnings)			60,257	98,530		1,470,916		991,640	2,621,343		2,621,343
Profit (loss) coverage carried over from hyperinflation update									0		0
Transactions with shareholders recognized directly in equity											
1. Dividends prescribed by law - transfer to the profit or loss statement from other reserves									0		0
2. Dividends payable for the period 2017								(44,257,561)	(44,257,561)		(44,257,561)
3. Variation related to subsidiaries				(622,624)				2,991,676	2,369,052		2,369,052
4. Increase / decrease of equity interests in subsidiaries	40,738	264,651		(154,348)	(1,339,137)	1,223,045		443,213	478,162	(1,067,873)	(589,711)
TOTAL TRANSACTIONS WITH SHAREHOLDERS RECOGNIZED DIRECTLY IN EQUITY	**40,738**	**264,651**	**0**	**(776,972)**	**(1,339,137)**	**1,223,045**	**0**	**(40,822,672)**	**(41,410,347)**	**(1,067,873)**	**(42,478,220)**
BALANCE AS AT DECEMBER 31ST, 2018	**161,863,809**	**39,055,057**	**28,169,423**	**735,589,573**	**186,845,135**	**(1,802,940)**	**(158,148,438)**	**709,803,131**	**1,701,374,750**	**30,523,051**	**1,731,897,801**

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Chairman / General Manager	Deputy Chairman / Deputy General Manager	Economic Manager

Notes from page 6 to page 69 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the financial year ended December 31st, 2018

In RON	Inflated share capital	Reserves from revaluation of tangible assets	Legal and statutory reserves	Other reserves	Reserves from revaluation of financial assets available for sale	Other equity	Retained earnings as a result of the application of IAS 29 to share capital and reserves	Accumulated profit	Total equity attributable to the parent company	Minority interests	TOTAL
BALANCE AS AT JANUARY 1ST, 2017	**793,612,219**	**40,580,683**	**27,767,864**	**2,461,325,656**	**499,423,183**	**(5,151,611)**	**(2,596,780,323)**	**187,031,111**	**1,407,808,782**	**32,017,726**	**1,439,826,508**
COMPREHENSIVE INCOME											
Profit for the financial year								71,690,366	71,690,366	255,505	71,945,871
Other comprehensive income											
1. Variation of reserve from revaluation of tangible assets, net of deferred tax		(859,113)						497,066	(362,047)	(57,296)	(419,343)
2. Net variation of reserve from change in fair value of financial assets available for sale					135,960,873			498,620	136,459,493	1,938,672	138,398,165
3. Reserve related to the difference in change in fair value of financial assets available for sale transferred to profit or loss, net of tax					(10,405,230)				(10,405,230)		(10,405,230)
TOTAL COMPREHENSIVE INCOME for the period	**0**	**(859,113)**	**0**	**0**	**125,555,643**	**0**	**0**	**72,686,052**	**197,382,582**	**2,136,881**	**199,519,463**
Deferred tax related to retained earnings representing taxed unobtained revaluation surplus						(25,494)		70,576	45,082		45,082
Other reserves – own sources of financing			20,043	47,750,858				(47,770,901)			
Other equity (deferred tax related to reserves)			70,664			(61,811)			8,853		8,853
Other transfers (retained earnings)		(74,966)	104,806	(498,696)		43,400		4,887,932	4,462,476		4,462,476
Profit (loss) coverage carried over from hyperinflation update	(631,852,524)			(1,806,779,361)			2,438,631,885				
Transactions with shareholders recognized directly in equity											
1. Dividends prescribed by law - transfer to the profit or loss statement from other reserves											
2. Dividends payable for the period 2016								(55,763,800)	(55,763,800)		(55,763,800)
3. Variation related to subsidiaries		(84,010)		106,252		(8,019)		2,959,525	2,973,748		2,973,748
4. Increase / decrease of equity interests in subsidiaries	63,376								63,376	(1,735,158)	(1,671,782)
TOTAL TRANSACTIONS WITH SHAREHOLDERS RECOGNIZED DIRECTLY IN EQUITY	**63,376**	**(84,010)**	**0**	**106,252**	**0**	**(8,019)**	**0**	**(52,804,275)**	**(52,726,676)**	**(1,735,158)**	**(54,461,834)**
BALANCE AS AT DECEMBER 31ST, 2017	**161,823,071**	**39,562,594**	**27,963,377**	**701,904,709**	**624,978,826**	**(5,203,535)**	**(158,148,438)**	**164,100,495**	**1,556,981,099**	**32,419,449**	**1,589,400,548**

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Consolidated statement of cash flows
for the financial year ended December 31st, 2018

In RON

Item	Financial year	
	2018	**2017**
A	**1**	**2**
Cash flows from operating activities:		
Receipts from customers, other receipts	263,975,372	213,871,264
Receipts from sales of financial investments (securities)	672,770,987	23,308,656
Payments for acquisition of shares	(226,424,709)	(68,506,000)
Payments to suppliers and employees, other payments	(231,017,855)	(246,402,126)
Payments to the state budget, social security budget and local budget	(24,777,754)	(21,064,855)
Interest receivable	486,727	118,570
Dividends receivable	89,663,427	67,101,372
Interest payable	(3,694,210)	(2,089,296)
Profit tax payable	(8,103,337)	(5,665,824)
Proceeds from earthquake insurance		
Net cash from operating activities	**532,878,648**	**(39,328,239)**
Cash flows from investment:		
Payments for acquisition of tangible assets	(4,011,226)	(3,000,723)
Proceeds from sale of tangible assets	633,844	586,888
Net cash from investment	**(3,377,382)**	**(2,413,835)**
Cash flows from financing activities:		
Proceeds from issuance of shares	0	15,192,440
Proceeds from short-term loans	114,418,788	179,687,318
Payments for short-term loans	(122,165,666)	(152,271,517)
Proceeds from long-term loans		0
Payments for long-term loans		(2,404,744)
Payment of debts related to financial leasing	(21,543)	(11,844)
Amounts advanced for share redemption	(14,716,940)	0
Dividends payable	(31,599,197)	(41,472,629)
Amounts advanced to Depozitarul Central for dividend payments	(2,742,448)	(1,854,583)
Tax on dividends paid	(1,099,370)	(2,000,802)
Net cash from financing activities	**(57,926,376)**	**(5,136,361)**
Net increase in cash and cash equivalents	**471,574,890**	**(46,878,435)**
Cash and cash equivalents at the beginning of the reporting period	**22,888,220**	**69,766,655**
Cash and cash equivalents at the end of the reporting period	**494,463,110**	**22,888,220**

The Treasury and treasury equivalents comprise the balances of the following accounts: 508, 5121, 531, 532 (excluding interest receivable).

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1. REPORTING ENTITY

Societatea de Investiții Financiare Oltenia S.A. (hereinafter referred to as ″The Company″) was established on November 1st, 1996 in Craiova - Romania, is the successor of the Private Property Fund V Oltenia, reorganized and transformed according to the provisions of the Law no. 133/1996 for the transformation of the Private Property Funds into financial investment companies.

The Company falls within the category of Alternative Investment Fund Managers (AIFM) authorized by the Financial Supervisory Authority under the number 45 of February 15th, 2018 and operates in compliance with the provisions of the Law no. 74/2015 regarding alternative investment fund managers, the Law no. 24/2017 on issuers of financial instruments and market operations, the Law no. 297/2004 regarding the capital market, as subsequently amended and supplemented, and the Law no. 31/1990 on trading companies.

The company is self-managing and has its headquarters in 1, Tufănele Street, 200767 Craiova, Dolj County.

The Company is registered with the Trade Register Office attached to Dolj Regional Court under the number J16/1210/1993 and the tax identification number 4175676, tax attribute RO.

The shares of the Company are listed on the Bucharest Stock Exchange, the Premium category, with SIF 5 market symbol, as from November 1st, 1999.

The record of the shares and the shareholders of the Company is kept under the law by Depozitarul Central S.A. in Bucharest.

The deposit-taking activities provided by the laws and CNVM/ ASF regulations is secured by Raiffeisen Bank S.A. as from January 22nd, 2014, up to that date the deposit-taking activities being secured by ING Bank NV Amsterdam – Bucharest Branch.

According to the Articles of Incorporation, the Company has the following main activity:

a) administration and management of shares in companies for which were issued own shares, corresponding to the Certificates of Ownership and Nominative Privatization Coupons subscribed by citizens in accordance with art. 4 para. 6 of the Law no. 55/1995;

b) administration and management its own portfolio of securities and making investments in securities according to regulations in force;

c) risk management;

d) other ancillary activities and adjacent to the collective management activity.

The subscribed and paid up share capital is RON 58,016,571, divided into 580.165.714 shares with a face value of 0.1 RON/share.

The main characteristics of shares issued by the company are: ordinary, indivisible, nominative, of equal value, issued in dematerialized form and granting equal rights to their holders.

The consolidated financial statements prepared as at December 31st, 2018 include the Company and its subsidiaries (hereafter referred to as the ″Group″) and are audited.

The core activities of the Group are represented by the financial investment activity of the Company, as well as the activities of subsidiaries, which belong to different sectors of activity such as: food industry, tourism, rental of premises, etc.

2. BASIS OF PREPARATION

a) Declaration of Conformity

The consolidated financial statements have been prepared in accordance with the Rule no. 39/2015 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector (″ASF″).

2. BASIS OF PREPARATION (continued)

a) Declaration of Conformity (continued)

In accordance with the provisions of the Regulation no. 1606/2002 of the European Parliament and of the Council of the European Union of July 19th, 2002, as well as of the Law no. 24/2017 on the issuers of financial instruments and market operations, the Company is required to prepare and submit to ASF consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (″IFRS″) within no later than 4 months after the closing of the financial year and shall ensure their availability for at least 10 years.

The consolidated financial statements of the Group as at December 31st, 2018 will be prepared, approved, made available to the public in electronic format on the Company's website: www.sifolt.ro, section ″Investor Information / Reports / Periodical Reports″ and in written form at the company headquarters in Craiova, 1, Tufănele Street.

Also based on the same regulations, the Company prepares consolidated half-yearly accounting reporting in accordance with IFRS and ensures its availability for at least 10 years.

The consolidated half-yearly accounting report shall be prepared and submitted to the ASF no later than 3 months after the end of the semester. It shall be drawn up, approved by the Board of Directors and made available to the public in electronic form on the Company's website: www.sifolt.ro, section ″Investor Information / Reports / Periodical Reports″

The accounting records of the Company are kept in RON.

The main consolidation-specific adjustments are:

- the elimination from the statement of financial position of equity securities held in the Group companies;
- the elimination of intragroup equity securities and fair value adjustments;
- the recording of goodwill identified as the difference between the acquisition value and the market value of the securities held in the Group companies;
- the removal from the statement of profit or loss and other comprehensive income on dividend income to the gross amount settled within the Group;
- the elimination of balances, transactions, income and expenses within the Group;
- the minority interests are presented in the consolidated statement of financial position as equity, separate from the parent company's equity, and represents the share held by them in the equity and profits of the Group companies.

December 31st, 2015 is the date of transition to IFRS as accounting basis, the date on which by restatement were made and recorded in accounting the operations determined by the transition from NSC Regulation no. 4/2011 to IFRS Accounting Regulations.

The accounting records of the Company's subsidiaries are kept in RON in accordance with the Romanian Accounting Regulations (″RCR″). These accounts are restated to reflect the differences between RCR and IFRS accounts. Accordingly, the RRS accounts are adjusted if necessary to harmonize the consolidated financial statements in all material respects with IFRS.

Besides consolidation-specific adjustments, the main restatements made to the financial statements prepared in accordance with RCR as at 31.12.2015 to align them to the IFRS requirements adopted by the European Union consist of:

- grouping multiple items into broader categories;

- adjustments of the items of assets, liabilities and equity in accordance with IAS 29 *"Financial reporting in hyperinflationary economies"* because the Romanian economy was a hyperinflationary economy until December 31st, 2003;

2. BASIS OF PREPARATION (continued)

a) Declaration of Conformity (continued)

- adjustments to the profit or loss statement to record dividend income at the time of the statement and in gross amount;
- adjustments of investment property for their measurement at fair value in accordance with IAS 40 *"Investment Property".*
- adjustments of tangible assets for their valuation in accordance with the Group's accounting policies and in accordance with IAS 16 *"Property, Plant and Equipment";*
- adjustments for the recognition of deferred tax assets and liabilities in accordance with IAS 12 *"Income Tax"*; and
- presentation requirements in accordance with IFRS.

b) Presentation of Financial Statements

The consolidated financial statements are presented in accordance with IAS 1 *"Presentation of Financial Statements".*

The Group adopted a presentation on a liquidity basis in the consolidated statement of financial position and the disclosure of income and expense was made by reference to its nature in the consolidated statement of profit or loss and other comprehensive income. It was considered that these disclosures provide information that is more credible and relevant than what would have been disclosed under other methods allowed by IAS 1, *"Presentation of Financial Statements".*

c) Functional and Presentation Currency

The Company's management considers that the functional currency, as it is defined by IAS 21 *"Effects of exchange rate variation"* is the Romanian Leu (RON). The consolidated financial statements are presented in local currency, rounded to the nearest division of the Romanian currency, the currency which the Group's management has chosen as presentation currency.

d) Basis of Assessment

Consolidated financial statements are prepared using the fair value convention for financial assets and liabilities at fair value through the profit or loss statement and financial assets at fair value through other comprehensive income, except for those for which fair value can not be determined in a reliable way.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revalued amount or historical cost.

e) Use of Estimates and Judgments

The preparation of financial statements in accordance with ASF Rule no. 39/2015 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector requires the Group's management to use estimates, judgments and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates and assumptions associated with these judgments are based on historical experience as well as other factors considered reasonable in the context of these estimates. The results of these estimates form the basis of judgments relating to the carrying amounts of assets and liabilities that can not be obtained from other sources of information. The results obtained may differ from the estimates.

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

2. BASIS OF PREPARATION (continued)

e) Use of Estimates and Judgments (continued)

The estimates and assumptions underlying the accounting records are reviewed periodically. Revisions of accounting estimates are recognized in the period in which the estimate is reviewed, whether the review affects only that period, or the period in which the estimate is reviewed and the future periods, if the revision of the estimate affects both the current period and future periods.

3. BASIS OF CONSOLIDATION

a) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the company is exposed, or has rights to variable incomes based on its participation in the entity in which was invested and the capacity to influence income by its authority on the entity in which was invested**.**

When assessing control, potential or convertible voting rights that are exercisable at that time must be taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the moment they start to exercise control and until its termination. Group Accounting policies of subsidiaries have been changed to align them with those of the Group.

The companies in which the Company holds more than 50% of the issuer`s share capital are 11 (eleven).

In the consolidation perimeter were included all those 11 (eleven) trading companies, in which ownership is over 50% of the voting rights, as follows:

No.	Company name	Address	Tax identification number	Trade Register Office registration no.	Percentage held by SIF on 31.12.2018	Percentage held by SIF on 31.12.2017
1	ALIMENTARA S.A. SLATINA	STR. ARINULUI NR.1, JUD. OLT	1513357	J28/62/1991	52.24	52.24
2	TURISM S.A. PUCIOASA	STR. REPUBLICII NR.110 , JUD. DÂMBOVITA	939827	J15/261/1991	69.22	69.22
3	PROVITAS S.A. BUCHAREST	B-DUL UNIRII NR. 14, BL. 6C, SECT. 4, BUCHAREST	7965688	J40/10717/1995	70.28	70.28
4	UNIVERS S.A. RM.VÂLCEA	STR.REGINA MARIA NR.4, JUD. VÂLCEA	1469006	J38/108/1991	73.75	73.75
5	CONSTRUCȚII FEROVIARE S.A. CRAIOVA	ALEEA I BARIERA VÂLCII NR.28, JUD. DOLJ	2292068	J16/2209/1991	77.50	77.50
6	FLAROS S.A. BUCHAREST	STR. ION MINULESCU 67-93 SECTOR 3, BUCHAREST	350944	J40/173/1991	81.07	81.04
7	ARGUS S.A. * CONSTANȚA	STR. INDUSTRIALĂ NR. 1, JUD. CONSTANȚA	1872644	J13/550/1991	86.42	86.34
8	GEMINA TOUR S.A. RM.VÂLCEA	STR. ȘTIRBEI VODĂ NR. 103, JUD. VÂLCEA	1477750	J38/876/1991	88.29	88.29
9	MERCUR S.A. CRAIOVA	STR. CALEA UNIRII NR.14, JUD. DOLJ	2297960	J16/91/1991	97.86	97.86
10	VOLTALIM S.A. CRAIOVA	B-DUL DACIA NR. 120 A, JUD. DOLJ	12351498	J16/698/1999	99.19	99.19
11	COMPLEX HOTELIER S.A. DÂMBOVIȚA	B-DUL LIBERTĂȚII NR. 1, JUD. DÂMBOVITA	10108620	J15/11/1998	99.94	99.94

3. BASIS OF CONSOLIDATION (continued)

a) Subsidiaries (continued)

* Argus S.A. Constanța holds shares in: Comcereal S.A. Tulcea, Aliment Murfatlar S.R.L Constanţa, Argus Trans S.R.L. Constanţa and Eco-Rom Ambalaje S.A. Bucharest that were not included in the financial statements of the Company and have no significant influence on them.

As at December 31st, 2018 the eleven companies comprised in the consolidation perimeter represent a percentage of 16.80 % (2017: 18.15%) in total assets of the Companies and respectively 18.12 % (2017: 18.70%) in net assets and were consolidated by the global integration method.
The main activities undertaken by the Company and the companies included in the consolidation are financial investment activities carried by the Company and the activities carried by those companies, which are mainly represented by the sectors: food industry, tourism, rental of premises, etc.
The Company's management has classified as from January 1st, 2018 all portfolio securities in the financial assets category at fair value through other comprehensive income, with the deduction of fund units that are measured through the profit or loss statement.

b) Associated Entities
Associated entities are those companies in which the Group has significant influence, but not control over financial and operating policies.
Shareholdings in which the Group holds between 20% and 50% of the voting rights but over which they have no significant influence are classified as financial assets measured at fair value through other comprehensive income.
Following the analysis of quantitative and qualitative criteria set out in IAS 28 – *"Investments in associates and joint ventures",* the Group has concluded that it does not hold investments in associated entities as at December 31st, 2018 and December 31st, 2017.

c) Transactions Eliminated on Consolidation
Intragroup settlements and transactions, as well as unrealized gains arising from intragroup transactions, are totally eliminated from the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies represent principles, bases, conventions, rules and specific practices applied by the entity in the elaboration and presentation of financial statements.
The accounting policies presented below have been applied consistently over all periods presented in the consolidated financial statements prepared by the Group.

a) Transactions in Foreign Currency
Transactions denominated in foreign currencies are recorded in RON at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are translated into the functional currency at the exchange rate of the day.

Gains or losses resulting from the settlement thereof and from the conversion using the exchange rate at end of the financial year of assets and liabilities denominated in foreign currencies are reflected in profit or loss, except those which were reflected in equity as a result of registration in accordance with hedge accounting.

Conversion differences on items of the nature of shareholdings held at fair value through profit or loss are presented as gains or losses on fair value. Conversion differences on items of the nature of financial instruments classified as at fair value through other comprehensive income are included in the reserve resulting from the change in the fair value of those financial instruments.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Transactions in Foreign Currency (continued)

The exchange rates of major foreign currencies used at the reporting date are:

Currency	December 31st, 2018	December 31st, 2017	Variation
EUR	4.6639	4.6597	+ 0.90
USD	4.0736	3.8915	+ 4.68

b) Accounting for the Effect of Hyperinflation

Under IAS 29 *"Financial Reporting in Hyperinflationary Economies"*, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in terms of the current currency purchasing power at the date of the statement of financial position, i.e. non-monetary items are restated by application of the general price index from the date of purchase or contribution. IAS 29 states that an economy is considered to be hyperinflationary if, among other factors, the cumulative inflation rate exceeds 100% over a three-year period.

The continuous decrease of the inflation rate and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Company ceased to be hyperinflationary, with effect on the financial periods as from January 1st, 2004. Thus, the provisions of IAS 29 were adopted in the preparation of individual financial statements by December 31st, 2003.

Thus, the amounts expressed in the current measurement unit as at December 31st, 2003 are treated as a basis for the carrying amounts reported in the consolidated financial statements and do not represent measured value, replacement cost or any other measurement of the current value of the assets or prices at which the transactions would take place at the moment.

For the preparation of IFRS financial statements as at December 31st, 2015, the Company adjusted the following items to be expressed in the measurement unit at December 31st, 2003:

- share capital and other reserves;
- financial assets available for sale assessed at cost, for which there is no active market or the market is not active.

c) Cash and Cash Equivalents

Cash includes petty cash and cash at bank and deposits held at call with banks.

Cash equivalents are short-term, highly liquid financial investments that are readily convertible into cash and which are subject to an insignificant risk of change in value.

In preparing the cash flow statements, cash and cash equivalents were considered: cash, current accounts with banks and deposits with an initial maturity of less than 90 days.

d) Financial Assets and Liabilities

Financial instruments, in accordance with IFRS 9 *"Financial Instruments"*, include the following:

- Investments in equity instruments (e.g., shares);
- Investments in debt instruments (e.g., securities, bonds, loans);
- Commercial receivables and other receivables;
- Cash and cash equivalents;
- Financial derivatives;
- Shareholdings in subsidiaries, associates and joint ventures - subject to IFRS 10, IAS 27, IAS 28.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Assets and Liabilities (continued)

- ***Classification***

The Group classifies financial instruments held in accordance with IFRS 9 ″Financial Instruments″ in financial assets and financial liabilities.
An asset is a Company-controlled resource as a result of past events and from which it is expected that future economic benefits will result to the Company.
A liability is a present obligation of the Company resulting from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits for the Company.
The Group classifies financial assets as: measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on:
- the Company's business model for financial asset management and
- the characteristics of the contractual cash flows of the financial asset.

In accordance with IFRS 9, financial assets are classified in one of the following categories:

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are:
- equity instruments held for trading;
- equity instruments designated to be measured at fair value through the profit or loss statement;
- debt instruments.

A financial asset must be measured at fair value through profit or loss, unless it is measured at amortized cost or fair value through other comprehensive income.
A financial asset or a financial liability is held for trading if it meets the following requirements cumulatively:
- is held for sale and redemption in the near future;
- at initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent real pursue of short-term profit.

This category includes financial assets or financial liabilities held for trading and financial instruments designated at fair value through profit or loss at the time of initial recognition.
Derivatives are classified as held for trading if they are not instruments used for hedge accounting.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are:
- equity instruments designated to be measured at fair value through other comprehensive income;
- debt instruments.

A financial asset in the nature of debt instruments should be measured at fair value through other comprehensive income if both of the following requirements are met:
a) the financial asset is held within a business model whose objective is achieved through collecting contractual treasury flows and selling the financial assets, and

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
d) Financial Assets and Liabilities (continued)

b) the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest on the amount of principal owed.
The Group may make an irrevocable choice at initial recognition in the case of certain investments in equity instruments that would otherwise be measured at fair value through profit or loss to present the subsequent changes in fair value in other comprehensive income (according to paragraphs 5.7.5 and 5.7.6 of IFRS 9 - Financial Instruments).
The Company's investments in equity instruments (shares) are totally classified as financial assets measured at fair value through other comprehensive income.
The Company's investments in fund units are classified and measured at fair value through the profit or loss statement.
The rest of the financial assets and liabilities are presented at amortized cost, revalued amount or historical cost.
The method used to remove the Group's equity investments (shares) from the Group's inventory is the ″first in first out″ principle, as the Company quantifies and evaluates performances on a fair value basis.
Financial assets measured at fair value through other comprehensive income are measured at fair value through other comprehensive income.
Changes in fair value are recognized in other comprehensive income until the investment is derecognized, when the cumulative gain or loss is reclassified from other comprehensive income into a retained earnings account for the period.
Dividends received from entities in which the Company holds shares are recognized in profit or loss only when:
a) the right of the Company to receive the payment of the dividend is established;
b) it is probable that economic benefits associated with the dividend to be generated for the Company, and
c) the value of the dividend can be measured reliably.

Financial assets measured at amortized cost

Financial assets assessed at amortized cost are debt instruments.
A financial asset must be measured at amortized cost if both of the following requirements are met:
a) the financial asset is held within a business model whose objective is to hold financial assets for the purpose of collecting contractual treasury flows and
b) the contractual terms of the financial asset give rise, at certain dates, to cash flows that are exclusively principal payments and interest on the amount of principal owed.

Financial liabilities

They are measured at amortized cost, except for financial liabilities classified at fair value through profit or loss.

- ***Initial recognition***

Financial assets and liabilities are recognized at the date when the Group becomes a party to the terms of that instrument. When the Company recognizes for the first time a financial asset, it should classify it under paragraphs 4.1.1 to 4.1.5 (at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income) in IFRS 9 and measure it in accordance with paragraphs 5.1.1 to 5.1.3. (a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability that is not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issue of the asset or liability).
The Group initially recognizes deposits with banks at the date when they are set up.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Assets and Liabilities (continued)

All other financial assets and liabilities are initially recognized at the transaction date.

- ***Measurement***

Upon initial recognition, the Group shall measure its financial assets in accordance with paragraphs 4.1.1 to 4.1.5 at:

a) amortized cost;
b) fair value through other comprehensive income; or
c) fair value through profit or loss.

Following the initial recognition, the Group should measure the financial liabilities in accordance with paragraphs 4.2.1 to 4.2.2 of IFRS 9. Thus, the Group will classify all financial liabilities at amortized cost, except for:

a) financial liabilities measured at fair value through profit or loss;
b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition;
c) financial guarantee contracts, measured at the highest of the provision for loss value (section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);
d) commitments to provide a loan at an interest rate below the market value, measured at the highest of the provision for loss value (section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);
e) contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall be subsequently measured at fair value with the changes recognized in profit or loss.

Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured upon initial recognition minus principal repayments plus or minus cumulative depreciation using the effective interest method for each difference between the initial value and the value at maturity, and minus any reduction (directly or by using an allowance account) for impairment or failed to recover.

The effective interest rate is the rate that exactly discounts future cash payments and receipts over the expected life of the financial asset or financial liability at the gross carrying amount of the financial asset or at the amortized cost of a financial liability. When calculating the effective interest rate, the Company must estimate cash flows considering all contractual terms of the financial instrument (e.g. advance payment, extension, call options and similar options), but must not take into account future losses from the change in credit risk. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see paragraphs B 5.4.1 - B 5.4.3), transaction costs and all other premiums and discounts.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in a transaction carried out under normal conditions between participants on the main market, on the measurement date or if no main market, on the most advantageous market in which the Group has access at that date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Assets and Liabilities (continued)

The Group measures the fair value of a financial instrument using prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily and regularly available. The Group measures the instruments quoted on active markets using the closing price.
A financial instrument is regarded as quoted on an active market when the quoted prices are readily and regularly available from an exchange, a dealer, a broker, an association from the industry, a pricing service or a regulatory agency, and these prices reflect transactions really and regularly occurring, carried out under objective conditions of the market.
In the category of shares quoted on an active market are included all those shares admitted to trading on the Bucharest Stock Exchange or on the alternative market and which have frequent transactions. The criterion determining the active market should be set so as to ensure a stable portfolio of shares valued at cost / fair value from one reporting period to another. The market price used to determine the fair value is the market closing price of the last trading day prior to the measurement date.

For the calculation of the fair value, for equity instruments (shares), the Company uses the following hierarchy of methods:
- 1st Tier: quoted (unadjusted) prices on active markets for identical assets and liabilities;
- 2nd Tier: entries other than quoted prices included in 1st Tier which are observable for assets or liabilities, either directly (e.g., prices) or indirectly (e.g., derived from prices).
- 3rd Tier: measurement techniques based largely on unobservable items. This category includes all instruments for which the rating technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the instrument measurement.

The measurement at fair value of the equity instruments (shares) held is as follows:
- for securities quoted and traded during the reporting period, the market value was determined by taking into account the quotation from the last trading day (closing quote on the principal market for those listed on the regulated market - BVB, i.e. the reference price for the alternative system - AERO for the 1st Tier, and for the 2nd Tier, the quotes for shares traded in the last 30 trading days are taken into account);
- for quoted securities that do not have transactions in the last 30 days of the reporting period, and for unquoted securities, the market value is determined as derived from the entity's last annual financial statement;
- for securities not admitted to trading on a regulated market or under an alternative trading system in Romania issued by issuers in which shareholdings of more than 33% of the share capital are held, they are valued exclusively in accordance with the International Valuation Standards on the basis of a valuation report updated at least annually;
- for securities of trading companies under insolvency or reorganization, the valuation is made at zero;
Equity securities issued by collective investment undertakings (CIU) are valued taking into account the latest net asset value, calculated and published.

- ***Identification and measurement of impairment***

The Group must recognize a provision for the expected loss on credit of a financial asset that is measured under 4.1.2 or 4.1.2A (debt instruments measured at amortized cost or at fair value through other comprehensive income), a receivable resulting from a leasing contract, a loan commitment and a financial guarantee contract.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Assets and Liabilities (continued)

The Group applies the impairment provisions for recognizing and measuring the provision for impairment of assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A (assets held for cash flow collection and sales purposes, whose cash flows represent exclusively principal repayments or interest payments). The provision thus determined is recognized on other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

- ***Derecognition***

The Group derecognizes a financial asset when the rights to receive cash flows of that financial asset expire or when the Company has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction that has transferred substantially all the risks and benefits of the ownership.
Any interest in transferred financial assets retained by the Group or created for the Group is recognized separately as an asset or liability.
The Group derecognizes a financial liability when its contractual obligations are ended or when the contractual obligations are cancelled or expire.
In the derecognition of equity instruments (shares), the Group uses the ″first in, first out″ method.

- ***Reclassifications***

If the Group reclassifies financial assets under paragraph 4.4.1 (as a result of modifying the business model for the management of its financial assets), then all the financial assets affected will be reclassified. Financial liabilities can not be reclassified after initial recognition.

The Group applies the reclassification of financial assets prospectively as from the date of reclassification. Any previously recognized gains, losses or interest will not be restated.

In the event of reclassification, the Group shall proceed as follows:

- upon reclassification of an asset from the amortized cost category to the fair value category through profit or loss, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in profit or loss;

- upon reclassification of an asset from the fair value through profit or loss to the amortized cost category, the fair value at the date of reclassification becomes the new gross carrying amount;

- upon reclassification of an asset in the amortized cost category to the fair value category through other comprehensive income, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in other comprehensive income, without adjusting the effective interest rate or the expected loss on credit;

- upon reclassification of an asset from the fair value category through other comprehensive income in the amortized cost category, the reclassification is made at the fair value of the asset from the date of the reclassification. Amounts previously recognized in other comprehensive income are eliminated in relation to the fair value of the asset, without affecting the profit or loss statement. The actual interest rate and the expected loss on credit are not adjusted as an effect of reclassification;

- upon reclassification of an asset in the fair value through profit or loss to the fair value category through other comprehensive income, the asset continues to be measured at its fair value;

- upon reclassification of an asset from the fair value category through other comprehensive income to the fair value category through profit or loss, the financial asset continues to be measured at fair value. Amounts previously recognized in other comprehensive income are reclassified from equity to profit or loss statement as a reclassification adjustment (in accordance with IAS 1).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial Assets and Liabilities (continued)

- ***Gains and losses***

Gains or losses resulting from a change in fair value of a financial asset or a financial liability that is not part of a hedging relationship are recognized as follows:

a) Gains or losses from financial assets and financial liabilities classified as at fair value through profit or loss are reflected in profit or loss;

b) Gains or losses arising from a financial asset measured at fair value through other comprehensive income are recognized in other comprehensive income.

When the asset (in the case of equity instruments) is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is transferred to retained earnings.

Upon depreciation or derecognition of financial assets and financial liabilities at amortized cost, and through the depreciation process, the Group recognizes a gain or loss in the profit or loss statement.

e) Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method less any impairment losses.

f) Assets held for sale

Fixed assets and groups intended for disposal are classified as held for sale if their carrying amount is recovered principally through a sale transaction rather than through continuing use. This condition is considered to be met only when the sale is probable and is expected to be completed in more than one year from the date of classification and the assets are available for immediate sale as they are present at that time.

g) Intangible Assets

Intangible assets are initially measured at cost. Upon initial recognition, an intangible asset is carried at cost less accumulated depreciation and any accumulated impairment losses.

- ***Subsequent expenditures***

Subsequent expenditures are capitalized only when they increase the value of future economic benefits embedded in the asset to which they are intended. All other expenses, including expenses for impairment of goodwill and internally generated brands are recognized in the profit or loss statement when incurred.

- ***Depreciation of intangible assets***

Depreciation is calculated for the cost of the asset or other amount substituted for cost, less any residual value. Depreciation is recognized in the profit or loss statement using the straight line method for the estimated useful life of intangible assets as from the date they are available for use, this method reflecting the most accurately the expected pattern of consumption of the economic benefits embedded in the asset.

Estimated useful lives for the current and comparative periods are as follows: software - 3 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted accordingly.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Tangible Assets

- ***Recognition and measurement***

Tangible assets recognized as assets are initially measured at acquisition cost (for those procured for consideration), at the value of the contribution (for those received as contribution in kind to the establishment / increase of the share capital), respectively at the fair value from the date of acquisition for those received free of charge.

The cost of a tangible asset item consists of the purchase price, including irrecoverable charges, after deduction of any price discounts of a commercial nature and any costs attributable directly to bringing the asset to the location and to the condition necessary for it to be used for the purpose intended by the management, such as: employee costs directly resulting from the construction or acquisition of the asset, site arrangement costs, initial delivery and handling costs, installation and assembly costs, professional fees.

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

- land and buildings;
- machinery and equipment and means of transportation;
- furniture, office equipment, equipment for protection of human and material values and other tangible assets.

- ***Measurement after recognition***

For subsequent recognition, the Group adopted the revaluation model.

After recognition as asset, tangible assets items of construction and land whose fair value can be reliably measured are carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Other tangible assets are measured at cost less cumulative depreciation and any impairment losses.

If a tangible asset item is revalued, the entire class of tangible assets which includes that item is subject to revaluation.

If the carrying amount of an asset is increased as a result of a revaluation, the increase is recognized in other comprehensive income and accumulated in equity as a revaluation surplus.

However, the increase will be recognized in profit or loss to the extent that it compensates for a decrease in the revaluation of the same asset previously recognized in profit or loss.

If the carrying amount of an asset is impaired as a result of a revaluation, the decrease is recognized in profit or loss.

However, the reduction will be recognized in other comprehensive income to the extent that the revaluation surplus presents a credit balance of that asset. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
h) Tangible Assets (continued)

Land and buildings are stated at revalued amount, representing the fair value at the date of the revaluation less accumulated depreciation and impairment losses. Revaluations are performed by specialized valuers, members of the National Association of Romanian Authorized Valuers (ANEVAR). The frequency of revaluations is dictated by the dynamics of the markets to which the land and buildings owned by the Group belong.

- ***Subsequent costs***

Daily maintenance and repair expenses of fixed assets are not capitalized. They are recognized as an expense in the period in which they are incurred. These costs consist primarily of workforce costs and consumables, and may include the cost of small value components.

Repairs and maintenance expenses of tangible assets are recorded in profit or loss statement when incurred.

Significant improvements in tangible assets, that increase their value or service life, or significantly increase their ability to generate economic benefits, are capitalized.

- ***Depreciation***

Depreciation is calculated at accounting value (acquisition cost or revalued amount, less any residual value) for the activity for which they are intended. Depreciation is recognized in the profit or loss statement using the straight line method for the useful life estimated for tangible assets (except land and fixed assets in progress).

Depreciation is recorded as from the date they are available for use, for the activity for which they are intended, this way reflecting the most accurately the expected manner of consumption of the economic benefits embedded in the asset.

Depreciation of an asset expires at the earliest date when the asset is classified as held for sale (or included in a group reserved for disposal that is classified as held for sale) in accordance with IFRS 5 and at the date when the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed by the Group's management at each reporting date.

The useful lives estimated for the current and comparative periods are as follows:

- buildings	12-75 years
- machinery and equipment and means of transportation	2-20 years
- other facilities, machinery and furniture	2-15 years

At Voltalim S.A. Craiova, there are registered useful lives rated over those stipulated by law. These durations were established following the revaluation of construction works by the valuers.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
h) Tangible Assets (continued)

- ***Accounting Treatment of the Revaluation Surplus***

The Group has opted for the following accounting treatment of the revaluation surplus: the revaluation surplus included in the equity of an item of property, plant and equipment is transferred directly to the retained earnings as depreciation is in progress and when the asset is derecognized, at disposal or discarding.

The revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as depreciation is in progress and at asset derecognition. Highlights of revaluation reserves are carried out on each individual asset and on each revaluation operation that has taken place. The decrease in revaluation reserves can be made only within the limit of the existing balance of the respective asset.

- ***Impairment***

An asset is impaired when its carrying amount exceeds its recoverable amount.

At each reporting date, the Group must verify whether there is evidence of impairment. If such indices are identified, the Group must estimate the recoverable amount of the asset.

If the carrying amount of an asset is impaired as a result of a revaluation, that impairment should be recognized in profit or loss. However, the impairment should be recognized in other comprehensive income to the extent that the revaluation surplus has a credit balance for that asset. The recognized impairment in other comprehensive income decreases the cumulative amount in equity as a revaluation surplus.

Land is not depreciated. Impairment of other tangible assets is calculated using the straight-line method, allocating costs related to residual value, in line with the associated lifetime

- ***Derecognition***

The carrying amount of a tangible asset item is derecognised (discontinued from the statement of financial position) when it is assigned of or when no future economic benefit is expected from its use or disposal.

Tangible assets that are discarded (scrapped) or sold are removed from the statement of financial position together with the appropriate cumulative depreciation.

Gains or losses resulting from derecognition of a tangible asset item are included in the current profit or loss statement when the item is derecognised.

i) Investment Property

Investment property is real estate (land, buildings or parts of a building) owned by the Group (as owner) for the purpose of renting or increasing the value or both, and not for:

- being used for the production of goods or the provision of services or for administrative purposes;

or

- being sold during the normal course of business.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
i) Investment Property (continued)

Certain properties include a part that is owned to be rented or for the purpose of increasing the value, and another that is held for the purpose of producing goods, providing services or for administrative purposes.

If these parts can be sold separately (or leased separately under a finance lease agreement), then they are accounted for separately. If the parts can not be sold separately, the property is treated as an investment property only if the part used for the purpose of producing goods, providing services or for administrative purposes is insignificant.

- ***Recognition***

An investment property is recognized as asset if and only if:

- it is likely that a future economic benefit associated with the investment property will enter the Group;

- the cost of the investment property can be reliably measured.

- ***Measurement***

Initial measurement

An investment property is initially measured at cost, including transaction costs. The cost of a purchased investment property consists of its purchase price plus any directly attributable costs (for example, professional fees for the provision of legal services, ownership transfer fees and other transaction costs).

Subsequent measurement

The Group's accounting policy on subsequent measurement of investment property is based on the fair value model. This policy is applied uniformly to all investment property. The measurement of the fair value of investment properties is performed by valuers, members of the National Association of Romanian Authorized Valuers (ANEVAR). The fair value is based on market price quotations, adjusted, where appropriate, to reflect differences in the nature, location or conditions of that asset. These assessments are reviewed regularly by the Group's management.

Gains or losses arising from changes in the fair value of investment property are recognized in the profit or loss statement for the period in which they are incurred.

The fair value of investment property reflects market conditions at the balance sheet date.

- ***Transfers***

Transfers to and from the category of investment property should be made only when there is a change in the use of the asset, evidenced by:

- commencement of its use by the Group - for transfers from the category of investment property to the category of tangible assets used by the Group;

- commencement of arrangement for purposes of sale - for transfers from the category of investment property to the category of inventory, accounted for in accordance with IFRS 5;

- termination of use by the Group - for transfers from the category of tangible asset used by the Company to the category of investment property;

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
i) Investment Property (continued)

- commencement of an operating lease with another party - for transfers from the category of inventory to the category of investment property.

For the transfer of an investment property carried at fair value to tangible assets, the implicit cost of the asset for subsequent accounting purposes will be its fair value as of the date of usage change.

- ***Derecognition***

The carrying amount of an investment property is derecognised at the time of disposal or when the investment is permanently withdrawn from use and no future economic benefits from its disposal are expected.

Gains or losses resulting from the disposal or scrapping of an investment property are recognized in the profit or loss statement when it is sold or disposed of.

j) Inventories

Inventories are assets held in order to be sold in the normal course of business, assets in the form of production in progress, which are to be sold in the normal course of business, or assets in the form of raw matters, materials and other consumables, which are to be used in the production process or for the provision of services.

Inventories are assessed at the smallest value between cost and net accomplishable value. The cost of inventories includes all costs related to acquisition and processing, as well as other costs borne in order to bring inventories in the form and at the place where they currently are.

The net accomplishable value is the estimated sale price, which could be obtained within the normal course of business, less estimated costs for the completion of the good and the estimated costs in order to make the sale. The cost of inventories that are not normally interchangeable and of goods or services produced and intended for separate orders is determined by specific identification of individual costs. For fungible inventories output cost is determined using the "first in, first out" method (FIFO).

k) Impairment of Non-Financial Assets

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

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash and which is independent from other assets and other groups of assets. Impairment losses are recognized in the profit or loss statement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
k) Impairment of Non-Financial Assets (continued)

The recoverable amount of an asset or a cash-generating unit is the maximum of the amount of use and its fair value less costs to sell that asset or unit.

For the determination of the net value use, future cash flows are updated using a pre-tax discount rate that reflects the current market conditions and the risks specific to that asset.

Impairment losses recognized in prior periods are measured at each reporting date to determine whether they have decreased or are no longer present. Impairment loss is resumed if there has been a change in the estimates used to determine the recoverable amount. Impairment loss is resumed only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of depreciation and impairment, if the impairment loss would not have been recognized.

l) Share Capital

The share capital consists of ordinary, indivisible, nominative shares, of equal value, issued in dematerialized form and grants equal rights to their holders.

m) Provisions

Provisions are recognized in the profit or loss statement when the Group has a present (legal or constructive) obligation arising from a past event, when an outflow of resources embedding economic benefits is required to settle the obligation and when an estimate can be made credible in terms of the amount of the obligation.

For the determination of the provision, future cash flows are updated using a pre-tax discount rate that reflects current market conditions and specific debt-specific risks. The amount recognized as a provision is the best estimate of the expenses required to settle the current obligation at the end of the reporting period.

Provisions are reviewed at the end of the reporting period and adjusted to reflect the best current estimate. If it is no longer probable the outflow of resources that embed economic benefits, the provision should be cancelled.

No provision is recognized for the costs that are incurred to carry out the business in the future.

The Group records provisions for onerous contracts where the benefits to be derived from a contract are less than the unavoidable expenses associated with the performance of the contractual obligations.

n) Employee Benefits

- ***Short-term benefits***

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

Short-term employee benefits are recognized as an expense when services are rendered. A provision is recognized for the amounts expected to be paid in the form of short-term cash bonuses or schemes for employee participation in profit, provided that the Group is currently legally or implicitly bind to pay these amounts as a result of past service provided by employees and whether that obligation can be reliably estimated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
n) Employee Benefits (continued)

Besides salaries and other salary rights, according to the Company contract (Articles of Incorporation) and the collective employment agreement, directors, managers with mandate contracts and employees of the Company have the right to receive bonuses (incentives) under conditions of fulfilling the net profit indicator set by the income and expenditure budget approved by the General Meeting of Shareholders for the current year, within the limit approved by the General Meeting of Shareholders for approving the financial statements of the respective year.

This obligation is recognized initially in the profit or loss statement of the financial year in which profit was achieved in the form of provisions for employees' benefits. These bonuses (incentives) are distributed the following year, after their approval by the General Meeting of Shareholders.

- ***Defined contribution plan***

The Group carries out payments on behalf of its employees to the Romanian state pension scheme, health insurance and the labour insurance contribution in the normal course of business. All employees of the Group are members and are legally obliged to contribute (through individual social contributions) to the pension scheme and health fund of the Romanian state. The labour insurance contribution is recognized in the profit or loss statement of the period.

The Group has no additional obligations.

The Group is not engaged in any independent pension scheme and therefore has no other obligations in this respect. The Group is not engaged in any other post-retirement benefit scheme. The Group is not required to provide subsequent services to former or current employees.

- ***Long-term employee benefits***

The Group's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for services rendered by them in the current period and previous periods. Under the collective employment agreement in force, persons who retire at normal retirement age receive, at the time of retirement, an indemnity equal to the value of two salaries at the time of retirement.

o) 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. The profit available for distribution is the profit of the year recorded in the profit of the financial statements prepared in accordance with IFRS.

p) Income Recognition

Income is measured at the fair value of the consideration received or to be received. Income is reduced corresponding to the estimated value of goods returned by customers, rebates and other similar items.

- ***Income from the sale of goods and the provision of services***

Income from the sale of goods and the provision of services are recorded net of trade discounts, VAT and other taxes related to turnover.

Income from the sale of goods is recognized in the profit or loss statement when the significant risks and benefits of ownership of goods are transferred to the buyer, which happens most often upon their delivery.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Income Recognition (continued)

Income from service provision is recognized in the profit or loss statement according to their stage of completion.

- ***Dividend income***

Income from dividends is recognized in the profit and loss statement at the time it is established the right to receive the income.

Dividend income is recorded at gross value including tax on dividends, which is recognized as current expense with profit tax. The actual calculation is done according to the tax provisions in force on the calculation date.

In case of dividends received in the form of shares as an alternative to cash payment, income from dividends is recognized at cash receivable in correspondence with the increase in related shareholding. The Group does not record dividend income related to shares received without consideration in money when they are distributed proportionately to all shareholders.

- ***Interest income and expenses***

Interest income and expenses are recognized in the profit or loss statement using the effective interest method. The effective interest rate is the rate that exactly discounts the expected cash receipts and payments in future for the expected life of the asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

- ***Income from rents***

Income from rents is generated by real estate investments leased by the Group under the form of operational leasing agreements and are recognized in the linear profit or loss statement throughout the entire period of the agreement.

r) Recognition of Expenses

Expenses are recorded upon their incurrence, and their recognition in the profit or loss statement is subject to the principle of independence of the financial year.

Operating expenses are recognized in the profit or loss statement in the period in which they were incurred.

Bank fee expenses are recorded as incurred.

Expenses from transactions are recognized at the same time with the income from these operations, on the date of transaction for securities traded, respectively on the date of receipt of final instalment in the case of sales in instalments of unlisted securities.

On the date of entry, the cost of securities is represented by the acquisition cost.

Expenses with management fees, rates and charges are recognized when they are incurred.

Commission expenses related to transactions are recognized on the trading date.

Salary costs and related contributions are recognized when they are incurred, with the observance of the principle of independence of the financial year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Gains and Losses from Exchange Rate Differences

Transactions in foreign currency are recorded in the functional currency (RON), by converting the amount in foreign currency at the official exchange rate of the National Bank of Romania valid on the date of the transaction.

At the reporting date, monetary items denominated in foreign currency are converted using the exchange rate on the last day of the foreign currency auction of the year.

Exchange rate differences arising on the settlement of monetary items or the conversion of monetary items to rates other than those to which they were converted to initial recognition (during the period) or in previous financial statements are recognized as gain or loss in the profit or loss statement, in the period in which they arise.

t) Corporate Tax

Income tax for the period comprises the current tax and deferred tax. Current income tax includes income tax from dividends recognized on a gross basis.

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

Current tax is the tax payable for the profit realized in the current period, determined on the basis of the percentages applied at the reporting date and all adjustments relating to previous periods.

For the financial year ended December 31st, 2018 the corporate tax rate was 16% (2017: 16%). The tax rate on income from taxable dividends as at December 31st, 2018 was 5% and, respectively, 0% (2017: 5% and zero).

Deferred tax is determined using the balance sheet method for those temporary differences that arise between the tax base for the calculation of the tax on assets and liabilities and their carrying amount used for reporting in the consolidated financial statements.

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not business combination and that affects neither the accounting profit or the tax and differences resulting from investments in subsidiaries, provided that they are not resumed in the near future.

Deferred tax is calculated on the basis of the tax rates that are expected to be applicable to temporary differences upon being brought forward, based on the laws in force at the reporting date.

The deferred tax receivable is recognized only to the extent that it is probable that future profits will be available that can be used to cover the tax loss. The receivable is reviewed at the closing of each financial year and is impaired to the extent that the related tax benefit is unlikely to be achieved. Additional taxes that arise from the distribution of dividends are recognized on the same date as the dividend payment liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Earnings Per Share

The Company shows basic and diluted earnings per share for ordinary shares. Basic earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares for the reporting period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with the dilutive effects generated by potential ordinary shares.

v) Segment Reporting

A segment is a distinct component of the Company that provides certain products or services (business segment) or provides products or services in a particular geographical environment (geographical segment) and which is subject to risks and benefits different from those of other segments.

As at December 31st, 2018 and December 31st, 2017, the Company did not identify business segments or geographical segments to be brought forward.

As at December 31st, 2018, the Company's activity together with its portfolio companies, which owns over 50% of the share capital included in the consolidation perimeter, was segmented into the following main activities:

- financial investments activity
- rental of premises
- food industry
- tourism:

x) New Standards and Amendments

- *New standards, amendments and interpretations with effect as from January 1st, 2018*

There are new standards, amendments and interpretations that apply to annual periods beginning after January 1st, 2018 that have not been applied in the preparation of these financial statements.

Below are the standards/interpretations that were issued and are applicable as from or after January 1st, 2018.

• **IFRS 9 ″Financial Instruments″** (in force since January 1st, 2018)

The full IFRS 9 version replaces the application guidelines for IAS 39. IFRS 9 retains but simplifies the mixed-valuation model and establishes three categories of primary measures for financial assets: amortized cost, fair value through other comprehensive income and fair value through the statement of recognized gains and losses. The basis for the classification depends on the entity's business model and the contractual cash flows of the financial asset.

Derivative and capital instruments are measured at fair value through the statement of gains and losses, unless the equity instruments are not held for trading and an irrevocable option is adopted to measure these instruments through other comprehensive income (without the possibility of subsequent recycling through the statement of gains and losses).

• **IFRS 15 ″Revenue from Contracts with Customers″** (in force since January 1st, 2018)

This is a convergence standard on income recognition. It replaces IAS 11 ″Construction Contracts″, IAS 18 ″Revenue″ and related interpretations.

Revenue is recognized when a customer acquires control over a good or service. The customer acquires control when it has the ability to direct the use and obtain benefits from the respective asset or service.

The underlying principle of IFRS 15 is that an entity recognizes revenue as a result of the promised transfer of goods and services to customers in the amount that reflects the consideration the entity expects to receive for those goods and services. An entity recognizes revenue in accordance with this basic principle by applying the following steps:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
x) New Standards and Amendments (continued)

- Step 1: Identification of the contract with the customer.
- Step 2: Identification of the obligations in the contract.
- Step 3: Determination of the transaction price.
- Step 4: Allocation of the transaction price on each contract obligation.
- Step 5: Recognition of the revenue when the entity meets its obligations.

IFRS 15 also includes a set of presentation requirements that will result in the provision of complete information about the nature, amount, period and uncertainty of revenue and cash flows arising from the entity's contracts with customers.
Entities applying IFRS 15 may choose between retrospective or prospective application with further detailed information.

- **Interpretation 22 "Foreign Currency Transactions and Advanced Considerations"** (in force since January 1st, 2018)

The interpretation clarifies how to determine the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income, when the entity pays or collects in advance in contracts denominated in foreign currencies.
In the case of a single payment or collection for an item, the transaction date must be the date on which the entity recognizes the non-monetary asset or the liability arising from the payment/collection in advance.
If there are multiple payments/receipts for the same item, the transaction date must be determined as above for each payment/receipt.
The new interpretations may be applied retrospectively or prospectively.

- **Amendments to IFRS 2 "Share-Based Payment"** (in force since January 1st, 2018)

The amendment clarifies the valuation basis for cash, share-based payments or those premiums that convert cash payments into share-based payments.

- **Application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" - Amendments to IFRS 4** (January 1st, 2019 on the first application of IFRS 9)

IFRS 4 will soon be replaced by a standard on new insurance contracts. Consequently, the temporary exemptions and/or the general approach of IFRS 9 for insurance companies will no longer apply when the new standard is issued.

- **Annual improvements for the 2014-2016 cycle** (in force since January 1st, 2018)

- IFRS 1 - short-term exemptions that covered the provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant have been cleared.
- IAS 28 - clarifies that the choice by venture capital funds, mutual funds, trust funds or similar entities to appraise investments in associate enterprises at fair value through the profit or loss statement must be made separately for each associated enterprise at initial recognition.

- **Investment Property Transfers - Amendments to IAS 40** (in force since January 1st, 2018)

The amendments clarify that transfers to or from the category of investment property can only be made if the change in the use of the asset is supported by evidence in this respect. A change in the use of the asset occurs when the property meets or ceases to meet the definition of investment property. Modifying the intended use only is not enough.

- *Requirements to be applied in the future*

On September 30th, 2018, the following standards and interpretations were issued but are not mandatory for annual reporting as of December 31st, 2018.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
x) New Standards and Amendments (continued)

- **IFRS 16 ″Leasing″ on the Acquisition of Interest in a Joint Operation** (in force since January 1st, 2019; earlier adoption is permitted only with the simultaneous adoption of IFRS 15)

IFRS 16 will primarily affect the lessee's accounting and will result in the recognition of almost all leased assets in the balance sheet. The standard abolishes the distinction between financial and operating leases and provides for the recording of an asset and, at the same time, a financial liability for almost all types of leasing.

- **Interpretation 23 ″Uncertainty about Tax Treatment″** (in force as from January 1st, 2019)

This interpretation clarifies how the recognition and measurement of IAS 12 applies when there is uncertainty about tax treatment. In such circumstances, an entity shall recognize and measure its tax assets and liabilities by applying IAS 12 to taxable profit, the basis of calculation, the unused tax credit and the tax rate through the application of this interpretation.

When there is uncertainty about tax treatments, this interpretation clarifies:

- if the entity has to deal with these uncertainties individually;
- the assumptions on which the entity considers tax interpretation by the tax authorities;
- how the entity determines tax profit (tax loss, basis of calculation, unused tax credit and taxation rates; and
- how the entity approaches changes in circumstances.

- **IFRS 17 ″Insurance Contracts″** (in force as from January 1st, 2021)

IFRS 17 was issued in May 2017 as a replacement of IFRS 4 ″Insurance Contracts″. It requires that the estimates be reassessed at the end of each reporting period. At the same time, it describes the assessment of each insurance contract and the methods that can be applied using a staged approach.

- **Amendment to IFRS 9 - Aspects of Anticipated Payments with Negative Consideration** (in force as from January 1st, 2019)

The amendment to IFRS 9 issued in December 2017 allows entities to measure certain financial assets paid in advance with the negative consideration at amortized cost. These assets, which include certain receivable and debt instruments, should normally be measured at fair value through the profit or loss statement.

- **Amendments to IAS 28 - Interests in Associates** (January 1st, 2019)

The amendments clarify the long-term interests in associates, which are essentially part of the net investment in the associate but for which the equity method does not apply. Entities should first apply the treatment in IFRS 9 ″Financial Instruments″ before applying the impairment allocation and IAS 28 impairment requirements.

- **Annual Improvements for the 2015-2017 cycle** (in force as from January 1st, 2019)

– IFRS 3 – it has been clarified that obtaining control over a business that is a joint venture is a staged business combination.

– IFRS 11 – it has been clarified that obtaining control over a business that is a joint venture does not lead to a revaluation of the previously held shareholding.

– IAS 12 – it clarifies that the tax consequences of dividends paid on financial instruments classified as equity have to be recognized in the period in which the transactions or events that generated the distributable profit were recorded.

– IAS 23 – it clarifies that if a particular loan remains in the balance after the asset to which it relates is ready for use or for sale, it becomes part of the general liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
x) New Standards and Amendments (continued)

• **Amendments to the IFRS Conceptual Framework** (in force as from January 1st, 2020) – The IASB has issued a revised Concept Framework for Financial Reporting. It sets out the fundamental concepts of financial reporting that guide the council in the development of IFRS standards.

5. FINANCIAL RISK MANAGEMENT

The Group, through the complexity of its activity, is subject to various risks.
The management permanently assesses the risks that may affect the achievement of the Company's objectives and takes the necessary measures in case of change in the conditions in which it operates.
The risk management activity, an important component of the Company's activity, covers both the general risks and the specific risks, as provided by the Law no. 297/2004, as subsequently amended and supplemented, and the CNVM/ASF Regulation no. 15/2004, as subsequently amended and supplemented, the Regulation (EU) no. 575/2013 of the European Parliament and of the Council of June 26th, 2013, the Law no. 74/2015 on alternative investment fund managers, the Regulation no. 10/2015 on the management of alternative investment funds and the Delegated Regulation (EU) no. 231/2013 of the Commission supplementing the Directive no. 2011/61/EU of the European Parliament and of the Council as regards derogations, general conditions of operation, deposit-taking, leverage effect, transparency and supervision.
The Company's approach to risk management is consistent with the overall business strategy and is planned to deliver business objectives aligned with the risk strategy objectives.
Among the main objectives of the risk strategy we highlight:
- development and implementation of a risk-management process of wide-spread transparency for risk identification and management;
- promoting at the Company level a risk management approach through education and awareness raising;
- identification of options for permanent risk management;
- description of the external environment expected to have an impact on the planned business and its evolution, such as: market outlook, regulatory developments;
- description of the Company's business strategy, strategy goals, basic activities;
- definition of the key elements of the risk management framework to ensure the implementation of a strategy appropriate to the general business strategy;
- a description of the current and targeted risk profile for the main types of risks.

Considering that the structure of the companies that enter the consolidation perimeter, respectively the only company listed on the Bucharest Stock Exchange in the Premium category, is S.I.F. Oltenia S.A., the activity of management and risk management is carried out in compliance with the provisions of the legal framework by S.I.F. Oltenia S.A.
At the Company level a special, independent structure is organized, which supervises and coordinates this activity - Risk Manager.
The Risk Manager received the ASF Authorization no. 46 of February 15th, 2018, being entered in the ASF register under no. PFR13²FARA/160051 upon receipt by the Company of the Authorization no. 45 of February 15th, 2018 through which the Company is authorized as an AIFM.
The Company attaches the utmost importance to effective risk management to achieve the objectives of the strategy and to provide shareholders with benefits.
The management of significant risks involves providing the framework for identifying, evaluating, monitoring and controlling these risks in order to maintain them at an acceptable level in relation to the Company's appetite to risk and its ability to mitigate or hedge these risks.

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

5. FINANCIAL RISK MANAGEMENT (continued)

Risk monitoring is done at each hierarchical level, with procedures for supervising and approving decision limits.
Internal reporting of risk exposure is made on a continuous basis, on each line of business, the management of the Company being constantly informed about the risks that may arise in the course of the business.
By nature of the object of activity, the Company is exposed to various types of risks associated with the financial instruments and markets it has exposure to.
The main risks identified in the Group's activity are:

a) market risk (price risk, currency risk, interest rate risk)
b) credit risk
c) liquidity risk.
d) taxation risk
e) economic environment risk
f) operational risk

a) Market Risk
Market risk is the current or future risk of adverse outcome on profits, caused by fluctuations in the market prices of equity securities - in terms of activities belonging to the trading portfolio - interest rate and exchange rate fluctuations for the entire activity of the Group.
Efficient management of market risk is made by using the fundamental analysis that gives an indication of the soundness of an investment and by estimating potential companies, and considering the forecasts regarding the evolution of economic sectors and financial markets.
The main issues pursued in the market risk analysis are: valuation of the portfolio of shares in terms of profitability and growth potential, strategic allocation of long-term investments, identification of short-term investments to capitalize on price fluctuations on the capital market, setting limits on the concentration of assets in a particular economic sector.
The Company's management has consistently pursued and pursues the minimization of possible market risk side effects through an active policy of prudential diversification of the portfolio of managed financial assets.
The Group is subject to market risk, particularly because of its trading activity.
We estimate that the market risk to which the Group is subject is medium.
The Group is exposed to the following market risks: stock price risk, interest rate risk, currency risk.

- ***Price risk***

The Group is at risk of fair value of financial instruments held that fluctuate as a result of changes in market prices, whether caused by factors specific to the activity of the issuer or factors affecting all the instruments traded on the market.
The market value of the portfolio of listed shares (BVB - regulated market, BVB-AERO – alternative trading system), as at December 31st, 2018, represents 91.78% (2017: 62.44%) %) of the total value of the administered portfolio.
As at December 31st, 2018 and 2017, the Group has the following asset structure at price risk:

In RON	**No. of companies**	**Market value 31.12.2018**	**No. of companies**	**Market value 31.12.2017**
Capital investment				
Listed companies	31	1,086,671,973	31	940.376.548
Unlisted companies	28	97,316,757	33	565.696.728
Fund units	4	2,732,940	4	2.789.494
Total capital investment	**63**	**1.186.721.670**	**68**	**1,508,862,770**

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

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Under these circumstances, the Group has a medium risk, associated with the fluctuation of the prices of financial assets on the capital market.

Within the managed portfolio there are 8 issuers, out of the 15 that are the BET index of the Bucharest Stock Exchange.

The market value of the stock packages held by the 8 issuers represents - as at December 31st, 2018 - 74.33% (2017: 76.36%) of the market value of the shares held in the listed companies.

The Group management monitors the market risk and confers powers on trading limits on the capital market to the Company's senior management.

Investments held in companies whose securities are listed and traded on the Romanian stock market represent, as at December 31st, 2018 - 91.57% (2017: 93.86% plus the investment held in Banca Comercială Română) of the fair value of investments.

The Group also monitors the concentration of risk by sectors of activity which is as follows:

Portfolio structure	**Issuers**		**Total face value of the investment**		**Total market value of the investment**	
Economic sectors with a weight in SIF value portfolio:	***No. of companies***	***%***	***(RON)***	***%***	***(RON)***	***%***
December 31st, 2018	**64**	**100.00**	**469,608,566**	**100.00**	**1,186,721,670**	**100.00**
finance and banking	4	6.25	147,183,456	31.34	469,204,657	39.54
resources of oil, methane gas and related services	2	3.13	76,657,521	16.32	268,544,786	22.63
energy and gas transmission	2	3.13	29,552,190	6.29	135,221,748	11.39
tourism, public health nutrition, recreation	4	6.25	52,750,485	11.23	79,676,054	6.71
pharmaceutical industry	1	1.56	10,375,104	2.21	50,526,758	4.26
financial intermediation	8	12.50	12,791,605	2.72	46,066,277	3.88
distribution, supply of electricity and energy services	1	1.56	34,810,830	7.41	33,766,505	2.85
electronics, electrotechnics	4	6.25	18,797,854	4.00	33,558,808	2.83
metallurgical industry	3	4.69	36,465,834	7.77	31,089,782	2.62
machine building industry, processing	5	7.81	22,359,717	4.76	19,985,614	1.68
chemical industry	1	1.56	4,702,595	1.00	10,910,020	0.92
renting and sub-renting of real estate	2	3.13	1,646,563	0.35	1,987,099	0.17
warehousing and grain trade	2	3.13	3,582,340	0.76	1,736,160	0.15
food industry	1	1.56	2,493,255	0.53	1,196,762	0.10
production of electricity	1	1.56	457,590	0.10	373,393	0.03
others	19	29.69	12,481,610	2.66	144,307	0.01
TOTAL EQUITY	**60**	**93.75**	**467,108,549**	**99.47**	**1.183.988.730**	**99.77**
FUND UNITS	**4**	**6.25**	**2,500,017**	**0.53**	**2,732,940**	**0.23**

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

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Portfolio structure	Issuers		Total face value of the investment		Total market value of the investment	
Economic sectors with a weight in SIF value portfolio:	*No. of companies*	*%*	*(RON)*	*%*	*(RON)*	*%*
December 31st, 2017	**68**	**100.00**	**480,075,928**	**100.00**	**1,508,862,770**	**100.00**
finance and banking	5	7,35	192,171,549	40,03	805,042,306	53.35
resources of oil, methane gas and related services	1	1,47	75,880,152	15,81	217,017,232	14.38
energy and gas transmission	2	2,95	30,052,620	6,26	143,316,222	9.50
tourism, public health nutrition, recreation	4	5,88	52,750,485	10,99	68,037,429	4.51
pharmaceutical industry	1	1,47	9,718,869	2,02	52,266,825	3.46
methane gas resources	1	1,47	1,608,414	0,34	50,343,359	3.34
financial intermediation	8	11,77	8,957,980	1,87	39,931,310	2.65
electronics, electrotechnics	8	11,77	25,417,706	5,29	35,099,118	2.33
metallurgical industry	3	4,41	21,658,324	4,51	32,134,556	2.13
machine building industry, processing	10	14,71	36,240,663	7,55	31,750,339	2.10
chemical industry	1	1,47	4,702,595	0,98	12,179,721	0.81
financial market management	1	1,47	3,837,090	0,80	10,590,368	0.70
food industry	3	4,41	2,980,168	0,62	3,421,670	0.23
domestic trade	4	5,88	4,026,322	0,84	1,788,383	0.12
renting and sub-renting of real estate	1	1,47	1,639,393	0,34	1,639,393	0.11
distribution, supply of electricity and energy services	1	1,47	947,380	0,20	1,070,539	0.07
others	7	10,29	4,109,975	0,86	444,506	0.03
construction	3	4,41	876,226	0,18	0	0.00
TOTAL EQUITY	**64**	**94.12**	**477,575,911**	**99.48**	**1,506,073,276**	**99.82**
FUND UNITS	**4**	**5.88**	**2,500,017**	**0.52**	**2,789,494**	**0.18**

From the analysis of the above data, as at December 31st, 2018, the Group held mainly shares in issuers operating in the finance sector, banks with a weight of 39.54% of the total portfolio, decreasing as compared to December 31st, 2017, when in the same business sector recorded a weight of 53.35%.

- ***Currency risk***

Currency risk is the risk that the value of a portfolio is negatively affected by a currency exchange rate fluctuation. As regards the currency risk, the Group is exposed to this risk, the amount collected from the sale of BCR being in euro. As at December 31st, 2018 liquid assets in foreign currency amounted to RON 449,002,037, representing 90.80% of total liquid assets.
Given that most of the Group's assets are denominated in national currency, exchange rate fluctuations do not directly affect the Group's business.
These fluctuations have an influence on the valuation of investment of the type of foreign currency deposits.
Liquid assets in foreign currency represent 23.92% as at December 31st, 2018 (2017: 0.20%) of total financial assets, so that the currency risk is medium.

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

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

Investments in foreign currency deposits are permanently monitored and investment, disinvestment measures are taken, taking into account the forecasted evolution of the exchange rate.
The concentration of assets and liabilities by types of currency is summarized in the table below:

In RON	Carrying value	RON	EUR	USD
December 31st, 2018				
Financial assets				
Cash and cash equivalents	480,439,807	37,085,849	443,352,479	1,479
Bank deposits	14,037,297	8,389,218	196,807	5,451,272
Financial assets measured at fair value through other comprehensive income	1,183,214,785	1,183,214,785		
Financial assets measured at fair value through the profit or loss statement	3,506,885	3,506,885		
Credits and receivables	38,856,954	38,856,954		
Other financial assets	157,037,888	157,037,888		
Total financial assets	**1,877,093,616**	**1,428,091,579**	**443,549,286**	**5,452,751**
Financial liabilities				
Dividends payable	43,355,439	43,355,439		
Other financial liabilities	139,907,725	139,365,366	542,359	
Total financial liabilities	**183,263,164**	**182,720,805**	**542,359**	**0**

In RON	Carrying value	RON	EUR	USD
December 31st, 2017				
Financial assets				
Cash and cash equivalents	9,869,368	9,657,421	211,900	47
Bank deposits	13,030,043	9,794,906	1,786,170	1,448,967
Financial assets measured at fair value through other comprehensive income	1,506,578,556	1,506,578,556		
Financial assets measured at fair value through the profit or loss statement	2,284,214	2,284,214		
Credits and receivables	29,563,961	29,563,961		
Other financial assets	167,843,871	167,843,871		
Total financial assets	**1,729,170,013**	**1,725,722,929**	**1,998,070**	**1,449,014**
Financial liabilities				
Dividends payable	48,791,984	48,791,984		
Other financial liabilities	137,743,812	137,743,812		
Total financial liabilities	**186,535,796**	**186,535,796**	**0**	**0**

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

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

- ***Interest rate risk***

Interest rate risk is the current or future risk of adverse profits and capital losses as a result of adverse changes in interest rates. The factors that define this type of market risk are a wide range of interest rates corresponding to a variance of markets, currencies and maturities for which the Group holds positions.

The interest rate directly affects the income and expense of variable assets and liabilities bearing variable interest.

Most assets in the portfolio are not interest-bearing. Consequently, the Group is not significantly affected by the interest rate risk. Interest rates applied to cash and cash equivalents are short-term.

At Group level, the share of resources borrowed in the companies' total financing resources is not significant, with the exception of ARGUS S.A. Constanţa and MERCUR S.A. Craiova.

To benefit from the volatility of interest rates, for greater flexibility in the cash allocation policy, it will be pursued that the money supply in monetary instruments will be made especially in the short term, 1-3 months.

The following table summarizes the Group's exposure to interest rate risk.

In RON	**Carrying value**	**Under 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Without interest**
December 31st, 2018					
Cash and cash equivalents	480,439,807				480,439,807
Bank deposits	14,037,297	12,046,298	1,587,421	403,578	
Financial assets measured at fair value through other comprehensive income	1,183,214,785				1,183,214,785
Financial assets measured at fair value through the profit or loss statement	3,506,885				3,506,885
Credits and receivables	38,856,954				38,856,954
Other financial assets	157,037,888				157,037,888
Total financial assets	**1,877,093,616**	**12,046,298**	**1,587,421**	**403,578**	**1,863,056,319**
Financial liabilities					
Dividends payable	43,355,439				43,355,439
Other financial liabilities	139,907,725	694,839	99,347,287	9,436,476	30,429,123
Total financial liabilities	**183,263,164**	**694,839**	**99,347,287**	**9,436,476**	**73,784,562**

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

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market Risk (continued)

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Without interest
December 31st, 2017					
Cash and cash equivalents	9,869,368				9,869,368
Bank deposits	13,030,043	11,701,664	979,801	348,578	
Financial assets available for sale	1,506,578,556				1,506,578,556
Financial assets measured at fair value through the profit or loss statement	2,284,214				2,284,214
Credits and receivables	29,563,961				29,563,961
Other financial assets	167,843,871				167,843,871
Total financial assets	**1,729,170,013**	**11,701,664**	**979,801**	**348,578**	**1,716,139,970**
Financial liabilities					
Dividends payable	48,791,984				48,791,984
Other financial liabilities	137,743,812	44,414,992	59,169,165	12,746,479	21,413,176
Total financial liabilities	**186,535,796**	**44,414,992**	**59,169,165**	**12,746,479**	**70,205,160**

b) Credit Risk

The credit risk is the Group’s risk of incurring losses as a result of the insolvency of its debtors.

The credit risk expresses the possibility for debtors or issuers not to meet their obligations at maturity due to the deterioration of the borrower’s financial situation or the general economic situation. The credit risk arises in relation to any type of receivable.

The issuer risk is the risk of loss in the value of a security in a portfolio as a result of the deterioration in its economic and financial position.

The main credit risk items identified, that can significantly influence the Group’s activity are:

- the risk of non-collection of dividends from companies in the portfolio;
- the risk of non-collection of the value of the contract in the case of the sale of the stock packages to ″closed-end″ companies through a sales and purchase contract;
- the risk that, in the event of the liquidation of a company in the portfolio, the value obtained is less than the initial investment.

The credit risk assessment is carried out in two stages both before the investment operations and after the actual approval and performance of the operations, following the evolution of the assets in order to take adequate measures in the event of the emergence of events that may lead to the deterioration of the economic activity of the companies and in extreme cases upon their entry into insolvency.

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

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit Risk (continued)

In the case of the Group, the credit risk is mostly driven by exposures on asset items of the type of ″shares″ which represent 57.53% of the assets managed, valued in accordance with the legal provisions.

Credit risk may affect the work of the Group indirectly, in the case of portfolio companies that have financial difficulties in meeting their payment obligations for dividends. In view of the diversity of investments and the fact that most of them are carried out in stable entities and with increased liquidity on the market, this risk is much diminished and properly managed by the Group.

The Group may be exposed to credit risk by investing in bonds, current accounts, bank deposits, and other receivables. At Group level, there are no investments in bonds, derivatives, which minimize credit risk.

We estimate that the credit risk to which the Group is exposed is medium.

The maximum exposure to credit risk as at December 31st, 2018 is RON 531,430,683 (2017: RON 50,568,638) and can be analysed in the following data.

In RON	**December 31st, 2018**	**December 31st, 2017**
Deposits and accounts with banks	494,136,055	22,679,467
Other assets	37,294,628	27,889,171
TOTAL	**531,430,683**	**50,568,638**

Exposure on current accounts and bank deposits

In RON	**December 31st, 2018**	**December 31st, 2017**
Banca Comercială Română	445,616,270	4,658,288
Raiffeisen Bank	30,211,043	3,699,675
Banca Transilvania	9,531,882	11,121,782
Garanti Bank	5,132,840	11,724
BRD - GSG	2,748,062	2,362,306
Marfin Bank	441,509	286,431
Libra Bank	205,375	404,143
Treasury	181,637	76,457
CEC Bank	39,424	45,848
Credit Europe Bank	25,513	7,657
Exim Bank	1,480	963
Banc Post	1,020	4,193
Total	**494,136,055**	**22,679,467**

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

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit Risk (continued)

Other assets

In RON	December 31st, 2018	December 31st, 2017
Dividends receivable	21,578	21,578
Other sundry debtors and commercial receivables	39,046,189	29,892,275
Adjustments created for the impairment of other financial assets (debtors)	(1,773,139)	(2,024,682)
Total	**37,294,628**	**27,889,171**

c) Liquidity Risk

The Group seeks to maintain a liquidity level appropriate to its underlying obligations, based on an assessment of the relative liquidity of assets on the market, taking into account the time required for liquidation and the price or the value at which the assets can be liquidated and their sensitivity to market risks or other external factors.

The Group must have liquid assets the aggregated value of which covers the difference between liquidity outflows and liquidity inflows in crisis situations so as to ensure that the Group maintains liquidity reserve levels that are adequate to enable it to cope with possible imbalances between cash inflows and outflows in crisis situations.

The liquidity risk is mainly linked to shareholdings held in ″closed-end″ trading companies in the managed portfolio. Thus, the sale of shareholdings - in the event of negative aspects in their economic and financial situation or in the pursuit of obtaining liquidity - is particularly cumbersome, with the risk of not being able to obtain a price higher or at least equal to one at with which these shareholdings are valued in the calculation of the net asset, according to the ASF regulations.

The sale of the stock package held in BCR has greatly reduced the liquidity risk, the shares held in unlisted trading companies representing 8.22% of the value of the managed share portfolio and 4.73% of the value of the total assets.

The low liquidity of the Romanian capital market often makes it difficult even to trade shares held in listed trading companies.

Looking ahead to 2019, we expect to maintain a low liquidity level for the Romanian capital market.

This aspect is constantly in the attention of the management, seeking solutions to increase the liquidity of the managed portfolio.

We estimate that this risk is medium, correlated with the liquidity of the Romanian capital market.

The structure of assets and liabilities in terms of liquidity is analysed in the following table:

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

5. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity Risk (continued)

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Without predetermined maturity
December 31st, 2018					
Financial assets					
Cash and cash equivalents	480,439,807				480,439,807
Bank deposits	14,037,297	12,046,298	1,587,421	403,578	
Financial assets measured at fair value through other comprehensive income	1,183,214,785				1,183,214,785
Financial assets measured at fair value through the profit or loss statement	3,506,885				3,506,885
Credits and receivables	38,856,954				38,856,954
Total financial assets	**1,720,055,728**	**12,046,298**	**1,587,421**	**403,578**	**1,706,018,431**
Financial liabilities					
Dividends payable	43,355,439				43,355,439
Other financial liabilities	139,907,725	694,839	99,347,287	9,436,476	30,429,123
Total financial liabilities	**183,263,164**	**694,839**	**99,347,287**	**9,436,476**	**73,784,562**

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Without predetermined maturity
December 31st, 2017					
Financial assets					
Cash and cash equivalents	9,869,368				9,869,368
Bank deposits	13,030,043	11,701,664	979,801	348,578	
Financial assets available for sale	1,506,578,556				1,506,578,556
Financial assets measured at fair value through the profit or loss statement	2,284,214				2,284,214
Credits and receivables	29,563,961				29,563,961
Total financial assets	**1,561,326,142**	**11,701,664**	**979,801**	**348,578**	**1,548,296,099**
Financial liabilities					
Dividends payable	48,791,984	48,791,984			
Other financial liabilities	137,743,812	65,828,168	59,169,165	12,746,479	
Total financial liabilities	**186,535,796**	**114,620,152**	**59,169,165**	**12,746,479**	**0**

5. FINANCIAL RISK MANAGEMENT (continued)

d) Taxation Risk

Since the date of Romania's accession to the European Union (EU), the Group has had to comply with EU tax regulations and implement the changes brought about by European laws. The way the Group implemented these changes remains open to the fiscal audit for five years.

The Group's management believes that it has correctly interpreted the legal provisions and has recorded fair values for taxes, duties and other debts to the State but, under these circumstances, there is some attached risk.

The Romanian tax system is subject to various interpretations and permanent changes. In certain situations, tax authorities may adopt different interpretations of the tax aspects than the Group and may calculate interest and penalties.

Statements of taxes and duties may be subject to control and review for a period of five years, generally after the date of their filing.

The Romanian Government holds a large number of agencies authorized to control the companies operating on the territory of Romania. These controls are similar to tax audits in other countries and can cover not only tax issues but also other legal and regulatory issues of interest to these agencies. The Group may be subject to tax controls as new tax regulations are issued.

e) Economic Environment Risk

This risk is extremely important, through the direct effect on the Group's activity, as well as indirectly through the companies in which shares are held.

The Romanian economy continues to show the peculiarities of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment.

From the point of view of the Romanian economy, 2018 was a very good year, with GDP growth of 5.5%.

The Romanian economy is still a fragile economy and is affected by the evolution of other economies, especially of the EU countries, which are the main business partners for our country.

The EU economy will be subject to political risks in 2019. Politics will influence the economy and generate uncertainty.

The way Great Britain will leave the EU, the conditions to be negotiated, still raises questions about the evolution of the EU economy in 2019.

These changes also mark the economic evolution. In Romania, there is also a high political risk. In the year 2018 there have been many changes at government level and they will probably continue in 2019.

We estimate that the risk to the economic environment to which the Group is exposed is moderate (medium).

f) Operational Risk

Operational risk is defined as the risk of loss or failure to achieve profit due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as changes in economic conditions, legislative changes on the capital market, socio-political events.

5. FINANCIAL RISK MANAGEMENT (continued)

f) Operational Risk (continued)

The main responsibility for the development and implementation of operational risk controls lies with the risk manager and the Group's management, acting on the development of the Company's general risk management standards in the following areas:

- the proper establishment of the organizational structure and duties;
- requirements for separation of duties;
- alignment with the requirements of the regulatory framework;
- requirements for reporting operational losses and proposals for remediation;
- professional development and training;
- setting standards of ethics for staff;
- documentation of controls and procedures;
- prevention of the litigation risk;
- the establishment and implementation of conflict prevention and management procedures;
- establishment and implementation of the risk management strategy, establishment of the risk appetite and risk profile.

Operational risks are inherent to the Group's business.

The Group manages operational risk by identifying, estimating, monitoring and controlling risks, taking the necessary measures for their efficient management.

It should be emphasized that in the management of operational risk, not the models and techniques are the most important, but the attitude towards risk, which is formed in time and is an aspect of the organizational culture.

In 2018, the Company carried out the internal assessment of the operational risks generated by the IT systems according to the ASF Rule no. 4/2018 on the management of operational risks generated by computer systems used by entities authorized / approved / registered, regulated and/or supervised by ASF From the point of view of ASF Rule no. 4/2018, the Company falls within the ″medium″ risk category.

Company department/division officers have reassessed the risks of their own organizational structure and attempted to identify new emerging risks. In order to document the process of risk reassessment, the ″Reporting on the Management and Review of the Operational Risks Generated by the Information Systems″ was drawn up in compliance with the procedure ″Procedure for Internal Assessment of Operational Risks Generated by the Information Systems″, approved by the management of the Company.

The person designated by the leadership team with responsibilities for the management of the operational risks generated by the IT systems has received the ″Reports on the Management and Review of the Operational Risks Generated by the Information Systems″ from the department/division officers and updated the Risk Register with the data / information on the risks to be managed at the level of all organizational structures.

Company department/division officers have monitored existing risk control measures, finding that no new measures are needed.

Based on the risk analysis, it was found that the probability of occurrence of unwanted events generated by computer systems is negligible or low, the impact level is negligible or medium, resulting in a low risk level. It has also been found that the necessary control measures have already been implemented, without the need for further measures.

According to art. 49 let. a) of the ASF Rule no. 4/2018, the outcome of the Company's internal operational risk assessment should be transmitted to ASF by March 31st, 2019 for 2018. It was submitted on February 26th, 2019.

5. FINANCIAL RISK MANAGEMENT (continued)

f) Operational Risk (continued)

Also, according to art. 21 of the ASF Rule no. 4/2018, the Company has the obligation to audit IT externally or with internal certified resources the major computer systems used, once every 3 years, so that the audit period is 3 consecutive calendar years, starting with the first month of January after the end of the period under the previous IT audit, according to the classification in the medium risk category.

At the end of 2016, the external audit of the relevant information systems of the Company was carried out by Mazars România S.R.L. at the Company's premises. The next audit of the relevant information systems of the Company is to be carried out in 2020.

The frequent legislative changes induce some risks related in particular to understanding the complexity of the activity and adapting it to legislative requirements and, on the other hand, lead to a higher (professional) supervision of risk-generating activities.

An important element of risk taking into account the structure of the administered portfolio is the way in which the Government Emergency Ordinance no. 114/2018 shall be applied at the level of trading companies and how it will affect the quotations of the shares listed on the BVB.

We estimate at Company level that this risk is moderate (medium).

The Company has a policy of maintaining an optimal level of equity for the purpose of developing the Company and achieving its objectives. The main objective of the Company is the continuity of business in order to provide profitability to its shareholders.

g) Capital Adequacy

The Group has a policy of maintaining equity for the purpose of developing and achieving the objectives. The primary objective is the continuity of business in order to provide profitability to its shareholders.

The equity consists of the share capital, the reserves created, the current profit (loss) and the retained earnings. As at December 31st, 2018, the Group's equity was RON 1,731,897,801 (2017: RON 1,589,400,548).

The Group is not subject to legal capital adequacy requirements.

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

6. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and liabilities are presented as at December 31st, 2018, as follows:

In RON	Fair value through other comprehensive income	Fair value through profit or loss statement	Amortised cost	Net carrying value	Fair value
Cash and cash equivalents			480,439,807	480,439,807	480,439,807
Bank deposits			14,037,297	14,037,297	14,037,297
Financial assets measured at fair value through other comprehensive income	1,183,214,785			1,183,214,785	1,183,214,785
Financial assets measured at fair value through the profit or loss statement		3,506,885		3,506,885	3,506,885
Investments held to maturity					
Other financial assets			195,894,842	195,894,842	195,894,842
Total financial assets	**1,183,214,785**	**3,506,885**	**690,371,946**	**1,877,093,616**	**1,877,093,616**
Dividends payable			43,355,439	43,355,439	43,355,439
Other financial liabilities			139,907,725	139,907,725	139,907,725
Total financial liabilities	**0**	**0**	**183,263,164**	**183,263,164**	**183,263,164**

The carrying amounts and fair values of financial assets and liabilities are presented as at December 31st, 2017 as follows:

In RON	Tradeable	Available for sale	Amortised cost	Net carrying value	Fair value
Cash and cash equivalents			9,869,368	9,869,368	9,869,368
Bank deposits			13,030,043	13,030,043	13,030,043
Financial assets available for sale		1,506,578,556		1,506,578,556	1,506,578,556
Financial assets measured at fair value through the profit or loss statement	2,284,214			2,284,214	2,284,214
Investments held to maturity					
Other financial assets			197,407,832	197,407,832	197,407,832
Total financial assets	**2,284,214**	**1,506,578,556**	**220,307,243**	**1,729,170,013**	**1,729,170,013**
Dividends payable			48,791,984	48,791,984	48,791,984
Other financial liabilities			137,743,812	137,743,812	137,743,812
Total financial liabilities	**0**	**0**	**186,535,796**	**186,535,796**	**186,535,796**

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

7. REVENUE FROM DIVIDENDS

Dividend income is recorded at gross value. Dividend tax rates for the year ended December 31st, 2018 were 5% and zero (2017: 5% and zero).

Income from dividends, mainly by contributors, are as follows:

In RON	**31 decembrie 2018**	**31 decembrie 2017**
BRD - GROUPE SOCIÉTÉ GÉNÉRALE S.A.	24,334,295	11,278,673
OMV PETROM S.A. Bucharest	14,972,091	11,043,099
BCR Bucharest	14,365,762	0
S.N.G. ROMGAZ S.A. Mediaș	10,849,004	9,248,076
S.N.T.G.N. TRANSGAZ S.A. Mediaș	9,055,884	11,335,726
BANCA TRANSILVANIA S.A. Cluj-Napoca	7,097,971	2,503,210
ANTIBIOTICE S.A. Iaşi	2,627,349	3,706,107
B.T. ASSET MANAGEMENT S.A.	1,999,969	1,999,969
COMCEREAL TULCEA S.A.	966,955	0
ALIMENT MULFATLAR S.R.L. Constanţa	899,600	830,400
BURSA DE VALORI BUCHAREST S.A.	647,010	353,120
TURISM FELIX S.A. Băile Felix	646,886	488,211
IAMU BLAJ S.A.	546,444	320,329
SANTIERUL NAVAL Orşova	512,054	581,463
EXIMBANK - BANCA DE EXPORT IMPORT A ROMÂNIEI S.A.	405,825	164,693
S.I.F. MOLDOVA S.A.	367,428	15,934
ELBA Timișoara	131,849	0
S.I.F. TRANSILVANIA S.A.	124,502	249,003
ELECTRICA S.A. Bucharest	89,535	70,248
C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	0	12,897,764
Others	196,387	232,505
TOTAL	**90,836,800**	**67,318,530**

8. INTEREST INCOME

In RON	**December 31st, 2018**	**December 31st, 2017**
Interest income from bank deposits	491,865	111,385
Interest income from current bank accounts	6,846	10,435
Total	**498,711**	**121,820**

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

9. OTHER OPERATING INCOME

In RON	**December 31st, 2018**	**December 31st, 2017**
Financial income from adjustments for impairment of financial assets	1,973,786	596,787
Income from provisions for impairment of current assets	1,093,056	1,281,923
Income from sold production	176,216,500	178,348,993
Rental income	21,801,730	20,842,179
Income from sales of merchandise	5,707,304	3,598,169
Other operating income	18,356,675	26,669,944
Other financial income	12,283,612	19,829
Total	**237,432,663**	**231,357,824**

During 2018, other operating income was brought forward, according to the decisions of the Ordinary General Meetings of the Shareholders, dividends not claimed for more than three years from the date of their due date, for which the right of action has expired by prescription. In this respect, dividends in the amount of RON 14,942,856 (2017: RON 21,528,198) in balance were brought forward to other income. There were also income from the sale of real estate in the amount of RON 465,940 (2017: RON 586,888) and revenues resulted from the enforcement of the final Court decisions in the amount of RON 541,325.

10. NET GAINS AND LOSSES FROM EXCHANGE RATE DIFFERENCES

In RON	**December 31st 2018**	**December 31st 2017**
Income from differences of exchange rate	1,465,359	959,248
Expenses from differences of exchange rate	2,429,010	1,219,656
Net profit from differences of exchange rate	**(963,651)**	**(260,408)**

11. NET EARNINGS FROM THE SALE OF FINANCIAL ASSETS

In RON	**December 31st 2018**	**December 31st 2017**
Income from sale of financial assets available for sale	-	24,323,864
Carrying amount of disposed financial assets available for sale, reflected in profit or loss	-	12,233,058
Net gain from sale of financial assets reflected in profit or loss	**(163,041)**	**12,090,806**

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

12. COMMISSIONS, CHARGES AND ADMINISTRATION AND SUPERVISION FEES

In RON	December 31st, 2018	December 31st, 2017
Expenses on commissions payable to SSIF for transactions with shares	28,211	103,467
Expenses on fees payable to shareholders register services	163,498	160,841
Expenses on commissions with the depositary company	322,067	306,392
Bucharest Stock Exchange (BVB) expenses	37,370	37,490
Expenses on taxes payable to the capital market entities (ASF)	1,752,870	1,652,128
Expenses on audit fees	260,083	272,791
Other expenses on commissions, fees and taxes	161,540	274,253
Total	**2,725,639**	**2,807,362**

13. OTHER OPERATING INCOME

In RON	December 31st, 2018	December 31st, 2017
Raw materials and materials expenses	157,940,613	159,928,377
Other taxes, duties and similar expenses	3,086,856	3,069,026
Salaries expenses and other personnel expenses	29,002,034	27,403,300
Expenses with depreciation and provisions	12,101,960	16,724,466
Expenses with outsourced work	29,338,796	25,015,762
Expenses with supplier delay penalties	62,022	25,386
Total	**231,532,281**	**232,166,317**

Salaries and similar expenses

In RON	December 31st, 2018	December 31st, 2017
Salaries expenses	28,106,891	22,285,360
Social security contributions	895,143	5,117,940
Total	**29,002,034**	**27,403,300**

	December 31st, 2018	December 31st, 2017
Personnel with mandate contract	12	13
Employees with higher education degree	119	124
Employees with secondary education degree	293	300
Employees with general studies degree	49	47
Total	**473**	**484**

The evolution of the number of employees by category in 2018 is as follows:

	No. of employees December 31st, 2017	Employee entries in 2018	Employee exits in 2018	No. of employees December 31st, 2018
Employees with higher education degree	124	11	16	119
Employees with secondary education degree	300	56	63	293
Employees with general studies degree	47	16	14	49
Total	**471**	**83**	**93**	**461**

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

13. OTHER OPERATING INCOME (continued)

Other operating expenses include raw materials and materials expenses, salaries expenses and other personnel expenses, other taxes, duties and similar expenses, expenses with depreciation and provisions, and expenses with outsourced work. The number of employees as at December 31st, 2018 was 461 (2017: 471).

The indemnities granted in the 2018 financial year to the administrative, executive and supervisory bodies representing the salary rights, as well as the incentives from the profit participation fund, amounted to RON 7,667,975 (2017: RON 5,232,096).

The group makes payments to the Romanian state institutions for the pensions of its employees.

All employees are members of the Romanian state's pension scheme. The Group does not operate any other pension or post-retirement benefit scheme and therefore has no other obligations regarding pensions. Moreover, the Group is not obliged to provide additional benefits to employees after retirement.

The Group did not grant advances or credits to Board members, managers during the reporting period, except for travel advances for the business interest, justified within the legal time, so no amount of this kind is due at the end of the period.

14. PROFIT TAX

In RON	**December 31st, 2018**	**December 31st, 2017**
Current profit tax	1,300,747	5,616,011
Income tax on micro-enterprises / specific	243,249	126,051
Tax on dividends	4,165,047	3,023,221
Deferred profit tax expense	200,368	423,831
Total profit tax	**5,909,411**	**9,189,114**

Reconciliation of profit before tax with profit tax expense in the profit or loss statement:

In RON	**December 31st, 2018**	**December 31st, 2017**
Profit before tax	99,132,064	81,134,985
Tax according to the statutory rate of 16% and other rates	16,907,097	14,119,512

Effect on profit tax of:

In RON	**December 31st, 2018**	**December 31st, 2017**
Non-taxable income	(17,724,490)	(12,504,385)
Dividend taxation rate	4,165,047	3,023,221
Non-deductible expenses	2,133,140	4,016,657
Amounts representing sponsorship within legal limits	(15,000)	(15,773)
Records and balances brought forward of temporary differences	200,368	423,831
Profit tax	**5,666,162**	**9,063,063**
Income tax on micro-enterprises / specific	243,249	126,051
Total profit tax	**5,909,411**	**9,189,114**

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

15. CASH AND CASH EQUIVALENTS

In RON	December 31st, 2018	December 31st, 2017
Cash on hand	218,469	132,573
Cash at bank	480,112,752	9,660,615
Cash equivalents	108,586	76,180
Total cash and cash equivalents	**480,439,807**	**9,869,368**

16. BANK DEPOSITS

In RON	December 31st, 2018	December 31st, 2017
Sight deposits	14,023,303	13,018,852
Attached receivables	13,994	11,191
Total bank deposits	**14,037,297**	**13,030,043**

17. FINANCIAL ASSETS

- ***Financial assets measured at fair value through other comprehensive income / available for sale***

As at December 31st, 2018 the structure of the Group's portfolio according to the market on which it was traded was the following:

In RON

Name	Purchase value	Fair Value or Market Value	Differences +/-
- Securities admitted or traded on a regulated market in Romania;	916,601,488	1,067,170,686	150,569,198
- Securities admitted or traded on an alternative market in Romania;	21,314,046	18,727,342	(2,586,704)
- Securities not admitted to trading on a regulated market or on an alternative trading system;	83,699,608	97,316,757	13,617,149
Total	**1,021,615,142**	**1,183,214,785**	**161,599,643**

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

17. FINANCIAL ASSETS (continued)

As at December 31st, 2017 the structure of the Group's portfolio according to the market on which it was traded was the following:

In RON

Name	Purchase value	Fair Value or Market Value	Differences +/-
- Securities admitted or traded on a regulated market in Romania;	675,338,411	905,226,747	229,888,336
- Securities admitted or traded on an alternative market in Romania;	26,748,670	32,865,587	6,116,917
- Securities not admitted to trading on a regulated market or on an alternative trading system;	181,966,188	565,696,728	383,730,540
-Securities of collective investment undertakings (CIU)	2,500,016	2,789,494	289,478
Total	**886,553,285**	**1,506,578,556**	**620,025,271**

As at December 31st, 2018 and December 31st, 2017, in the category of shares valued at fair value are included mainly the value of shares held by the following issuers: BRD – GROUPE SOCIÉTÉ GÉNÉRALE, OMV Petrom S.A. Bucharest, Banca Transilvania S.A. Cluj-Napoca, SNTGN Transgaz S.A. Mediaş, CNTEE Transelectrica S.A. Bucharest, Antibiotice S.A. Iaşi, SNGN Romgaz S.A. Mediaş, Eletromagnetica S.A. Bucharest, etc.

- ***Financial assets measured at fair value through other comprehensive income / available for sale***

In RON	December 31st, 2018	December 31st, 2017
Shares measured at fair value	1,183,214,785	1,497,067,516
Shares measured at cost	-	6,721,546
Fund units at fair value	-	2,789,494
Total	**1,183,214,785**	**1,506,578,556**

The turnover of financial assets measured at fair value through other comprehensive income / available for sale in the financial years ended December 31st, 2018 and December 31st, 2017 is presented in the table below:

In RON	Shares measured at fair value	Shares measured at cost	Fund units	Total
January 1st, 2017	**1,310,934,009**	**6,721,546**	**2,386,705**	1,320,042,260
Net variation during the period	38,403,688			38,403,688
Impairment loss	(5,462,092)			(5,462,092)
Change in fair value	153,191,911		402,789	153,594,700
2017 Reclassifications				0
December 31st, 2017	**1,497,067,516**	**6,721,546**	**2,789,494**	**1,506,578,556**

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

17. FINANCIAL ASSETS (continued)

Net variation during the period	135,430,313			135,430,313
Impairment loss	(2,550,096)			(2,550,096)
Change in fair value	(453,454,594)			(453,454,594)
2018 Reclassifications	6,721,646	(6,721,546)	(2,789,494)	(2,789,394)
December 31st, 2018	**1,183,214,785**	**0**	**0**	**1,183,214,785**

- ***Financial assets at fair value through profit or loss statement***

Financial assets at fair value through profit or loss statement at the end of 2018 are as follows:

In RON

Name	Purchase value	Fair Value or Market Value	Differences +/-
- Securities admitted or traded on a regulated market in Romania;	1,118,122	773,945	(344,177)
- Fund units	2,500,017	2,732,940	232,923
Total	**3,618,139**	**3,506,885**	**(111,254)**

Financial assets at fair value through profit or loss statement at the end of 2017 are as follows:

In RON

Name	Purchase value	Fair Value or Market Value	Differences +/-
- Securities admitted or traded on a regulated market in Romania;	2,643,108	2,284,214	(358,894)

- ***Fair value hierarchy***

For the calculation of the fair value of equity instruments (shares), the Company uses the following hierarchy of methods:
- 1st Tier: quoted (unadjusted) prices in active markets for identical assets and liabilities
- 2nd Tier: entries other than quoted prices included in the 1st Tier which are observable for assets or liabilities, either directly (e.g., prices) or indirectly (e.g., derived from prices).
- 3rd Tier: valuation techniques based largely on unobservable elements. This category includes all instruments for which the valuation technique includes items that are not based on observable data and for which unobservable entry parameters can have a significant effect on the instrument valuation.

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

17. FINANCIAL ASSETS (continued)

In RON	**December 31st, 2018**	**December 31st, 2017**
1st Tier	1,068,623,709	900,891,897
2nd Tier	14,824,457	33,459,428
3rd Tier	103,273,504	574,511,445
Total	**1,186,721,670**	**1,508,862,770**

The measurement at fair value equity instruments (shares) held as at December 31st, 2018 was as follows:
for securities quoted and traded during the reporting period, the market value was determined by taking into account the quotation from the last trading day (closing quotation on the main capital market for those listed on the regulated market - BVB, respectively the reference price for the alternative system - AERO for 1st Tier, and for 2nd Tier, the quotations for shares traded in the last 30 trading days are taken into account);
- for quoted securities that do not have transactions in the last 30 days of the reporting period, and for unquoted securities, the market value is determined as derived from the entity's last approved annual financial statement;
- for securities not admitted to trading on a regulated market or under an alternative trading system in Romania issued by issuers in which shareholdings of more than 33% of the share capital are held, they are valued exclusively in accordance with the International Valuation Standards on the basis of a valuation report updated at least annually;
- for securities of trading companies under insolvency or reorganization, the valuation is made at zero;
Securities issued by collective investment undertakings (CIU) are valued taking into account the latest unitary value of the net asset, calculated and published.

18. CREDITS AND RECEIVABLES

In RON	**December 31st, 2018**	**December 31st, 2017**
Trade receivables	36,765,000	27,399,680
Debtors	2,748,990	2,514,173
Receivables related to the state budget and social security budget	605,798	1,357,512
Other receivables	611,854	317,278
Receivable impairment adjustments (debtors)	(1,874,688)	(2,024,682)
TOTAL	**38,856,954**	**29,563,961**

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

19. PROPERTY, PLANT AND EQUIPMENT

In RON	Land and buildings	Equipment and machinery	Other plant, machinery and furniture	Advance payments and tangible assets in progress	Total
December 31st, 2016	**97,204,185**	**65,461,562**	**2,517,945**	**3,705,779**	**168,889,471**
Increases	16,282,340	1,479,742	337,988	1,888,872	19,988,942
Reductions	(16,045,963)	(335,869)	(59,504)	(2,154,911)	(18,596,247)
December 31st, 2017	**97,440,562**	**66,605,435**	**2,796,429**	**3,439,740**	**170,282,166**
Increases	1,411,674	2,221,102	185,669	2,574,167	6,392,612
Reductions	(1,286,269)	(549,365)	(137,301)	(1,621,412)	(3,594,347)
December 31st, 2018	**97,565,967**	**68,277,172**	**2,844,797**	**4,392,495**	**173,080,431**
Accumulated depreciation					
January 1st, 2016	**20,676,937**	**56,474,635**	**1,127,049**	**1,274,373**	**79,552,994**
Depreciation recorded during the period	3,454,405	1,817,675	175,816	0	5,447,896
Reductions or balances brought forward	(1,342,744)	(328,549)	(59,504)	0	(1,730,797)
December 31st, 2017	**22,788,598**	**57,963,761**	**1,243,361**	**1,274,373**	**83,270,093**
Depreciation recorded during the period	2,649,932	1,881,712	261,374	0	4,793,018
Reductions or balances brought forward	(1,554,193)	(509,468)	(135,877)	0	(2,199,538)
December 31st, 2018	**23,884,337**	**59,336,005**	**1,368,858**	**1,274,373**	**85,863,573**
Net carrying amount as at January 1st, 2016	**76,527,248**	**8,986,927**	**1,390,896**	**2,431,406**	**89,336,477**
Net carrying amount as at December 31st, 2017	**74,651,964**	**8,641,674**	**1,553,068**	**2,165,367**	**87,012,073**
Net carrying amount as at December 31st, 2018	**73,681,630**	**8,941,167**	**1,475,939**	**3,118,122**	**87,216,858**

20. INVESTMENT PROPERTY

In RON	December 31st, 2018	December 31st, 2017
Balance as at January 1st	**93.360.493**	**92.053.162**
Investment property measurement	289.386	180.051
Reclassifications from the category of tangible assets	(3.002)	(15.866.060)
Reclassifications in the category of tangible assets		16.625.733
Acquisitions of investment property	505.280	367.607
Sales of investment property	(247.756)	0
Balance as at December 31st	**93.904.401**	**93.360.493**

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

21. OTHER ASSETS

In RON	**December 31st, 2018**	**December 31st, 2017**
Intangible assets	47,615,058	47,574,129
Other long-term receivables	15,976,470	16,213,855
Inventories	91,455,876	101,217,546
Prepaid expenses	1,990,484	2,838,341
TOTAL	**157,037,888**	**167,843,871**

22. DIVIDENDS PAYABLE

In RON	**December 31st, 2018**	**December 31st, 2017**
Dividends payable for the year 2017	10,649,640	
Dividends payable for the year 2016	13,060,993	13,667,853
Dividends payable for the year 2015	18,177,014	18,549,921
Dividends payable for the year 2014	600,747	15,704,962
Dividends payable for the year 2013	754,755	756,168
Dividends payable for the year 2012	13,287	13,470
Dividends payable for the year 2011	10,773	10,860
Dividends payable for the year 2010	8,066	8,139
Dividends payable for the previous year s	80,164	80,611
Total dividende de plata	**43,355,439**	**48,791,984**

23. TAXES AND DUTIES

In RON	**December 31st, 2018**	**December 31st, 2017**
Debts related to the Social Insurance Budget	820,355	682,120
Debts related to the State Budget	98,361,558	6,067,516
Other taxes and duties	189,231	322,345
Total	**99,371,144**	**7,071,981**

24. DEFERRED PROFIT TAX LIABILITIES

Deferred tax liabilities are determined by the following items:

In RON	**Assets**	**Liabilities**	**Net**	**Tax**
December 31st, 2018				
Measurement at fair value of financial assets measured at fair value through other comprehensive income	188,119,311	4,077,906	184,041,405	26,930,325
Financial assets measured at fair value through other comprehensive income - received free of charge	54,421,532		54,421,532	8,707,445
Revaluation of tangible assets	9,862,394		9,862,394	1,577,983
Retained earnings representing reserves from revaluation of tangible assets	11,971,889	1,138,389	10,833,500	1,733,358
Fixed asset adjustments	2,267,323	239,353	2,027,970	324,475
Provisions for litigation and other provisions	81,669	211,203	(129,534)	(20,726)
Other reserves	27,686,908		27,686,908	4,429,906
TOTAL	**294,411,026**	**5,666,851**	**288,744,175**	**43,682,766**

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

24. DEFERRED PROFIT TAX LIABILITIES (continued)

The amount of the tax liability is recognized directly by the decrease in equity and does not affect the income and expenses.

In RON	Assets	Liabilities	Net	Tax
December 31st, 2017				
Measurement at fair value of financial assets available for sale	628.853.329	1.286.689	627.566.640	100.067.159
Financial assets available for sale received free of charge	101.952.344		101.952.344	16.312.374
Revaluation of tangible assets	12.704.691		12.704.691	2.032.751
Retained earnings representing reserves from revaluation of tangible assets	27.407.342	753.719	26.653.623	4.264.579
Fixed asset adjustments	3.990.468	881.590	3.108.878	497.421
Provisions for litigation and other provisions	141.240	447.845	(306.605)	(49.057)
Other reserves	21.306.417		21.306.417	3.409.027
TOTAL	**796.355.831**	**3.369.843**	**792.985.988**	**126.534.254**

25. OTHER LIABILITIES

In RON	December 31st, 2018	December 31st, 2017
Employee-related debts	1,203,207	1,600,570
Commercial debt	17,554,765	8,797,835
Bank loans and other assimilated debts (leases)	108,870,357	116,300,243
Guarantees received	2,295,431	2,188,238
Sundry creditors	2,008,242	1,398,644
Deferred income	900,928	826,407
Provisions for risks and expenses	7,074,795	6,631,875
Total other liabilities	**139,907,725**	**137,743,812**

As at December 31st, 2018, the Group's loans are mainly based on bank units as follows:

In RON

Company	Bank	Currency	Interest rate	Final maturity	Balance as at December 31st, 2018
Argus S.A. Constanţa	Banca Transilvania	RON	Robor 3M + bank margin	21.08.2019	90,000,000
Argus S.A. Constanţa	Banca Transilvania	RON	Robor 3M + bank margin	16.08.2019	7,247,287
Mercur S.A.	Raiffeisen Bank SA	RON	Robor 1M +1.5%	31.01.2021	11,536,476
Total					**108,783,763**

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

25. OTHER LIABILITIES (continued)

As at December 31st, 2017, the Group's loans are mainly based on bank units as follows:

In RON

Company	Bank	Currency	Interest rate	Final maturity	Balance as at December 31st, 2017
Argus S.A. Constanţa	Banca Transilvania	RON	Robor 3M + bank margin	17.07.2018	101,200,000
Argus S.A. Constanţa	Banca Transilvania	RON	Robor 3M + bank margin	16.08.2018	1,394,165
Mercur S.A.	Raiffeisen Bank S.A.	RON	Robor 1M +1.5%	31.01.2021	13,636,477
Total					**116,230,642**

26. CAPITAL AND RESERVES

Share capital

The subscribed and paid-up share capital of the Company is RON 58,016,571, divided into 580,165,714 shares with a face value of 0.1 RON/share. The shares of the Company are ordinary, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders.
As at December 31st, 2018 the number of Company shareholders was 5,742,311 (2017: 5,748,221).
The Company's shares are listed on the Bucharest Stock Exchange, the Premium category, with SIF 5 market symbol, as from November 1st, 1999.
The record of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.
The structure of the Company share capital is presented hereafter.

	Number of shareholders	Number of shares	Amount (RON)	(%)
December 31st, 2018				
Resident natural persons	5,740,203	237,561,073	23,756,107	40.95
Non-resident natural persons	1,852	2,168,581	216,858	0.37
Total natural persons	5,742,055	239,729,654	23,972,965	41.32
Resident legal persons	213	246,894,549	24,689,455	42.56
Non-resident legal persons	43	93,541,511	9,354,151	16.12
Total legal persons	256	340,436,060	34,043,606	58.68
Total 2018	**5,742,311**	**580,165,714**	**58,016,571**	**100.00**

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

26. CAPITAL AND RESERVES (continued)

	Number of shareholders	**Number of shares**	**Amount** (RON)	**(%)**
December 31st, 2017				
Resident natural persons	5,746,147	231,390,642	23,139,064	39.88
Non-resident natural persons	1,812	2,221,396	222,139	0.38
Total natural persons	5,747,959	233,612,038	23,361,203	40.26
Resident legal persons	216	240,120,238	24,012,024	41.39
Non-resident legal persons	46	106,433,438	10,643,344	18.35
Total legal persons	262	346,553,676	34,655,368	59.74
Total 2017	**5,748,221**	**580,165,714**	**58,016,571**	**100.00**

In RON	**December 31st, 2018**	**December 31st, 2017**
Share capital	58,016,571	58,016,571
Effect of the application of IAS 29 on share capital	103,847,238	103,806,500
Restated share capital	**161,863,809**	**161,823,071**

Legal reserves

Legal reserves are established according to the legal requirements in the ratio of 5% of the profit registered according to the applicable accounting regulations up to the level of 20% of the share capital, according to the Articles of Incorporation. Legal reserves can not be distributed to shareholders.

Dividends

During 2018, the Group declared payment of dividends in the amount of RON 44,257,561 (2017: RON 55,881,301).

Reserves from valuation of financial assets measured at fair value through other comprehensive income / available for sale

The reserve comprises the cumulative net changes in fair values of financial assets measured at fair value through other comprehensive income / available for sale from the date of classification in these categories until derecognition or impairment.

Reserves from the valuation of financial assets measured at fair value through other comprehensive income / available for sale are recorded at their net value off corresponding deferred tax.

Deferred tax on these reserves is recorded in equity and deducted from the reserves from the valuation of financial assets measured at fair value through other comprehensive income / available for sale.

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

27. OTHER RESERVES

In RON	**December 31st, 2018**	**December 31st, 2017**
Own financing sources	522,592,250	488,444,826
Other reserves	212,997,323	213,459,883
Total	**735,589,573**	**701,904,709**

28. MINORITARY INTEREST

The minority interest in the equity of the companies included in the consolidation is as follows:

In RON	**December 31st, 2018**	**December 31st, 2017**
Profit or loss of the financial year for non-controlling interests	510,612	255,505
Other equity	30,012,439	32,163,944
Total	**30,523,051**	**32,419,449**

29. EARNINGS PER SHARE

In RON	**December 31st, 2018**	**December 31st, 2017**
Profit attributable to ordinary shareholders	92,712,041	71,690,366
Weighted average number of ordinary shares	580,165,714	580,165,714
Basic earnings per share	0.1598	0.1236

The diluted earnings per share are equal to the basic earnings per share because the Group has not registered potential ordinary shares.

30. GRANTED GUARANTEES

Besides the guarantees granted to obtain bank loans, the Group has no granted guarantees whatsoever.

31. ENVIRONMENTAL CONTINGENCIES

The Group has not recorded any provision for future environmental costs regarding environmental items. The management does not consider the expenses associated with these items to be significant.

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

32. TRANSFER PRICE

Romanian tax laws contain rules on transfer prices between affiliates as far back as 2000.

Tax laws in Romania include the principle of market value, according to which transactions between affiliated parties must be carried out at market value, observing the principles of transfer pricing. Local taxpayers conducting transactions with affiliated parties must prepare and provide the tax authorities, at their request in writing with the transfer pricing documentation file within the time limit set by the authorities (large taxpayers conducting transactions with affiliated persons over the ceilings established by the law have the obligation to prepare the annual transfer pricing file starting with 2016 transactions).

Failure to submit the transfer pricing documentation or submitting an incomplete file may result in penalties for non-compliance.

However, regardless of the existence of the file, in addition to the content of the transfer pricing documentation file, tax authorities may interpret transactions and circumstances differently from the management's interpretation and, as a result, may impose additional tax liabilities resulting from the transfer pricing adjustment (materialized in income increases, reductions in deductible expenses, thus increasing the taxable profit tax base).

As a result, the tax authorities are expected to initiate thorough transfer price verifications to ensure that the tax profit/loss is not distorted by the effect of the prices charged in relation to affiliates. The Company can not quantify the outcome of such verifications.

33. EXPOSURE CONCENTRATION

Financial assets

As at December 31st, 2018, the Group had a shareholding portfolio of companies and investment funds at a market value of RON 1,186,721,670. Companies with a weight in the total securities in which the Group held interest are as follows:

No.	Company	Percentage of total - % -	Market value as at December 31st, 2017 - RON -
1	B.R.D. - GROUPE SOCIÉTÉ GÉNÉRALE S.A.	19.66	233,351,890
2	OMV PETROM S.A. Bucharest	18.92	224,514,340
3	BANCA TRANSILVANIA S.A. Cluj	16.95	201,158,243
4	S.N.T.G.N. TRANSGAZ S.A. Mediaş	6.48	76,917,876
5	C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	4.91	58,303,872
6	ANTIBIOTICE S.A. Iaşi	4.26	50,526,758
7	S.N.G.N. ROMGAZ S.A. Mediaş	3.71	44,030,446
8	TURISM FELIX S.A. Băile Felix	3.63	43,125,729
9	EXIMBANK - BANCA DE EXPORT IMPORT A ROMÂNIEI S.A.	2.92	34,694,525
10	TURISM LOTUS FELIX S.A. Băile Felix	2.89	34,239,739
Total		**84.33**	**1,000,863,418**

As at December 31st, 2017, the Group held a portfolio of shareholdings in companies and investment funds at a market value of RON 1,508,862,770. Companies with a weight in the total securities in which the Group held interest are as follows:

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

33. EXPOSURE CONCENTRATION (continued)

No.	Company	Percentage of total - % -	Market value as at December 31st, 2017 - RON -
1	BANCA COMERCIALĂ ROMÂNĂ S.A.	31.53	475,816,901
2	OMV PETROM S.A. Bucharest	14.38	217,017,232
3	B.R.D. - GROUPE SOCIÉTÉ GÉNÉRALE S.A.	12.77	192,709,166
4	BANCA TRANSILVANIA S.A. Cluj	6.83	103,012,512
5	S.N.T.G.N. TRANSGAZ S.A. Mediaş	4.92	74,286,336
6	C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	4.57	69,029,886
7	ANTIBIOTICE S.A. Iaşi	3.46	52,266,825
8	S.N.G.N. ROMGAZ S.A. Mediaş	3.34	50,343,359
9	TURISM LOTUS FELIX S.A. Băile Felix	2.26	34,139,573
10	EXIMBANK - BANCA DE EXPORT IMPORT A ROMÂNIEI S.A.	2.22	33,503,727
	Total	**86.28**	**1,302,125,517**

34. TRANSACTIONS AND BALANCES WITH PARTIES IN SPECIAL RELATIONSHIPS

Subsidiaries

Under the current laws in force, the Company holds control of 11 issuers as at December 31st, 2018 (2017: 11 issuers). All subsidiaries of the Company as at December 31st, 2018 and December 31st, 2017 are based in Romania. For these, the holding percentage is not different from the percentage of votes held.

Company name	Percentage held as at December 31st, 2018 - % -	Percentage held as at December 31st, 2017 - % -
COMPLEX HOTELIER DAMBOVITA S.A. Târgoviște	99.94	99.94
VOLTALIM S.A. Craiova	99.19	99.19
MERCUR S.A. Craiova	97.86	97.86
GEMINA TOUR S.A. Rm. Vâlcea	88.29	88.29
ARGUS S.A. Constanța	86.42	86.34
FLAROS S.A. Bucharest	81.07	81.04
CONSTRUCȚII FEROVIARE S.A. Craiova	77.50	77.50
UNIVERS S.A. Rm. Vâlcea	73.75	73.75
PROVITAS S.A Bucharest	70.28	70.28
TURISM PUCIOASA S.A. Dâmbovița	69.22	69.22
ALIMENTARA S.A. Slatina	52.24	52.24

Associated entities

As at December 31st, 2018, the Company held shareholdings of over 20% but not more than 50% of the share capital in a number of 8 issuers (2017: 9 issuers). All of them are based in Romania. For these issuers the holding percentage is not different from the percentage of votes held.

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

34. TRANSACTIONS AND BALANCES WITH PARTIES IN SPECIAL RELATIONSHIPS (continued)

Company name	**Percentage held as at December 31st, 2018 - % -**	**Percentage held as at December 31st, 2017 - % -**
LACTATE NATURA S.A. Târgoviște	40.38	39.70
SINTEROM S.A. Cluj-Napoca	31.88	31.88
ELECTRO TOTAL S.A. Botoșani	29.86	29.86
TURISM FELIX S.A. Băile Felix	28.97	28.97
ȘANTIERUL NAVAL Orşova S.A.	28.02	28.02
PRODPLAST S.A. Bucharest	27.55	27.55
TURISM LOTUS FELIX S.A. Băile Felix	27.46	27.46
MAT S.A. Craiova	-	25.83
ELECTROMAGNETICA S.A. Bucharest	26.14	25.40

Following the analysis of the quantitative and qualitative criteria presented in IAS 27 - *"Standalone Financial Statements"* and IFRS 10 - *"Consolidated Financial Statements"*, the Group concluded that it does not have investments in associates as at December 31st, 2018 and 2017.
Inter-Group settlements and transactions, as well as unrealized gains arising from transactions within the Group, are eliminated in their entirety from the consolidated financial statements.

35. KEY MANAGEMENT PERSONNEL

December 31st, 2018

Members of the Board of Directors: Tudor Ciurezu - Chairman, Cristian Bușu - Deputy Chairman, Anina Radu, Radu Hanga, Ana-Barbara Bobirca, Nicolae Stoian, Carmen Popa.

Top management: Tudor Ciurezu – General Manager, Cristian Bușu – Deputy General Manager.

December 31st, 2017

Members of the Board of Directors: Tudor Ciurezu - Preşedinte, Cristian Bușu – Deputy Chairman, Anina Radu, Radu Hanga, Ana- Barbara Bobirca, Nicolae Stoian, Carmen Popa.

Top management: Tudor Ciurezu - General Manager, Cristian Bușu - Deputy General Manager.
The Group has no contracted obligations regarding the payment of pensions to former members of the Board of Directors and management and therefore has no accruals of this kind.
The Group has not granted credits or advances (except for legally justified travel expenses for business interest) to the members of the Board of Directors and management and has not accounted for commitments of this nature.
The Company did not receive and did not grant guarantees in favour of any affiliated party.

36. SEGMENT REPORTING

The segment reporting is the segmentation by activity that takes into account the branch of activity that is the main object of activity of the companies in the consolidation perimeter. The Company together with the companies in the portfolio in which it holds more than 50%, included in the consolidation perimeter, operates in the following main business segments:
- financial investment activity
- rental of premises
- food industry
- tourism

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

36. SEGMENT REPORTING (continued)

Hereunder are the reference indicators for a possible analysis:

Indicators	Renting		Food industry		Tourism		Financial activity		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed assets	148,511,657	143,269,078	60,372,327	60,968,399	14,444,553	14,419,241	1,208,080,833	1,528,072,012	1,431,409,370	1,746,728,730
Current assets	13,321,251	21,804,053	119,952,973	129,374,145	2,767,243	2,213,563	488,776,870	6,583,747	624,818,337	159,975,508
Prepaid expenses	1,826,258	2,683,184	61,019	60,464	21,070	21,253	78,821	73,440	1,987,168	2,838,341
Liabilities	19,147,030	25,353,815	112,564,916	111,800,458	786,505	854,967	185,769,025	174,598,069	318,267,476	312,607,309
Deferred income	846,597	824,364	3,507	3,675	61,610	66,453	25,831	8,355	937,545	902,847
Provisions	500,260	579,804	719,196	675,675	94,498	87,496	5,798,099	5,288,900	7,112,053	6,631,875
Minority interests							30,523,051	32,419,449	30,523,051	32,419,449
Equity	143,165,279	140,998,332	67,098,700	77,923,200	16,290,253	15,645,141	1,474,820,518	1,322,414,426	1,701,374,750	1,556,981,099

Total income	27,939,687	26,357,843	178,573,858	177,856,265	7,397,821	6,351,216	120,640,611	105,525,354	334,551,977	316,090,678
Total expenses	17,119,943	15,871,366	189,398,120	186,653,396	6,655,266	5,803,261	22,246,584	26,627,670	235,419,913	234,955,693
Gross profit (loss)	10,819,744	10,486,477	(10,824,262)	(8,797,131)	742,555	547,955	98,394,027	78,897,684	99,132,064	81,134,985
Net profit (loss)	10,160,819	9,096,662	(10,824,500)	(8,864,464)	618,210	429,825	93,268,124	71,283,848	93,222,653	71,945,871

The indicators presented were based on the standalone financial statements of the Company and the companies in the consolidation perimeter.

In the case of fixed assets held as at December 31st, 2018 by the Group, 84.40% of the assets are held by the financial investment activity represented by the financial asset portfolio, namely 87.48% as at December 31st, 2017.

The net profit as at December 31st, 2018 was achieved from the financial investment activity, the companies included in the consolidation registering a global loss of RON 45,471.

37. COMMITMENTS AND CONTINGENT LIABILITIES

Court actions

The group has a number of actions in Court arising from the normal course of business. The management of the Group believes that these actions will not have a significant impact on the financial statements.

As at December 31st, 2018, records listed 105 cases to be in judicial phase, out of which:

- 45 cases in which it acts as plaintiff;
- 31 cases in which it acts as defendant;
- 2 cases in which it acts as intervener;
- 20 cases in insolvency proceedings;
- 5 causes in which it acts as a third party garnishee;
- 2 cases in which it acts as impleaded;

According to their scope of works, the cases are structured as follows:

- 41 commercial cases;
- 8 cases – invalidations of the General Meetings of Shareholders, in which it acts as plaintiff;
- 20 cases in insolvency proceedings: in 4 cases it acts as unsecured creditor;
- 36 other cases.

The total of 105 cases is structured as follows:

- 74 cases are found in the companies included in the consolidation perimeter, as follows:
  - 31 cases in which it acts as plaintiff for the amount of RON 2,208,613;
  - 20 cases in which it acts as defendant for the amount of RON 2,853,855;
  - 17 cases in insolvency proceedings for the amount of RON 4,214;
  - 5 cases in which it acts as a third party garnishee;
  - 1 case in which it acts as intervener;
- 31 cases belong to the Company and consist mainly of:
  - 14 cases - plaintiff;
  - 11 cases - defendant;
  - 3 cases - in insolvency proceedings;
  - 2 cases - impleaded;
  - 1 cases - intervener

By their scope of works, the cases are structured as follows:

- 3 cases - companies in insolvency proceedings, as follows:
  - in 2 cases, the Company acts as unsecured creditor;
  - in one case acts as contribution creditor.
- 8 cases - invalidation of the decisions of the General Meeting of Shareholder / cancellation of operations involving shares, in which the Company acts as plaintiff;
- 20 – other cases.

37. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

- In the insolvency files, at the time of the analysis there are 3 cases left, of which in two the Company is unsecured creditor, namely Electrototal S.A. Botoşani and SCCF S.A. Bucharest and a case in which the Company is a contribution creditor - Corint S.A. Târgovişte.
- In the capacity as plaintiff, the main causes concern the invalidations of the General Meeting of Shareholders decisions concerning: amendments to articles of incorporation, establishment of new companies with contributions in kind, asset acquisition, operations involving shares, mergers, decisions taken in breach of the limits of competence, among defendant companies being Corealis Craiova, Prodplast Bucharest, Contactoare Buzău, Cerealcom Alexandria, Sinterom Cluj-Napoca, of which we give as example:

- case file no. 9270/63/2017, pending before Dolj Regional Court, having as scope of works the invalidation of Corealis Extraordinary General Meeting of Shareholders of May 18th, 2017 on the enforcement of some irrevocable court judgments. Hearing: February 4th, 2019.
- case file no. 7294/63/2018, pending before Dolj Regional Court, having as scope of works the fact-finding judgment of absolute nullity of the Decisions of Corealis S.A. Extraordinary General Meeting of Shareholders of October 1st, 2018. Hearing: January 21st, 2019;
- case file no. 7400/63/2018, pending before Dolj Regional Court, having as scope of works the suspension of the Decisions of Corealis S.A. Extraordinary General Meeting of Shareholders of October 1st, 2018. Case solved by granting the claim of the Company. Corealis S.A. filed appeal. On December 13th, 2018 Craiova Court of Appeal rejects the appeal filed by Corealis S.A.;
- case file no. 7443/63/2018, pending before Dolj Regional Court, having as scope of works the application for intervention against the registration of the annotation no. 69549/October 12th, 2018 with Dolj Trade Register Office regarding the Decisions of Corealis S.A. Extraordinary General Meeting of Shareholders of October 1st, 2018. Hearing: February 4th, 2019.
- case file no. 32433/3/2015, having as scope of works the invalidation of the transaction involving PPLI shares, defendant - Prodplast S.A. Bucharest, of August 26th, 2015; on December 20th, 2018, the Court rejects the claim. Appealable within 30 days of communication.
- case file no. 806/1285/2017, having as scope of works the invalidation of the Decision of Sinterom S.A. Extraordinary General Meeting of Shareholders of October 2nd, 2017. Cluj Specialized Regional Court grants the claim of the Company and rules the invalidation of the Decision of Sinterom S.A. Extraordinary General Meeting of Shareholders of October 2nd, 2017. Appealable within 30 days of communication.
- case file no. 3625/114/2017, having as scope of works the invalidation of Contactoare S.A. Extraordinary General Meeting of Shareholders of September 28th, 2017 - major participation in Chimcomplex. Buzău Regional Court grants the claim of the Company on March 12th, 2018. Contactoare S.A. files an appeal which is pending before Ploieşti Court of Appeal. On December 18th, 2018, the Court rejects the appeal.

- In the chapter ″Other Causes″, in which the Company acts as plaintiff, there are registered files with various scope of works: criminal complaints, foreclosures, claims for damages, appeals against foreclosure by garnishment to the due dividends, claims for intervention, of which we give as examples:

- foreclosure against the debtor AVAS (Authority for State Assets Recovery) (currently AAAS) for the recovery of the amount of RON 633,567, according to the Civil Judgment no. 1581/October 21st, 2010, file no. 19477/3/2010, representing the amount owed by AAAS to Retizoh S.A., i.e. 70% of the value of a real estate returned to former owners. That company also executed this amount from the Company's account, making use of the provisions applicable to joint and several liability.

Up to now, the amount of RON 7,875 was collected and the Company was distributed the amount of RON 35,565 of the sale price of the shares held by AAAS in Biofarm S.A. Bucharest (in foreclosure by other creditors), amount not collected until the reporting date. Foreclosure continues. AAAS has challenged the sale of the shares held in Biofarm S.A., appeal granted at first instance, the sentence being appealed. The Company brought forward a claim for intervention in the case. AAAS also disputed the protocol for the distribution of the price resulting from the sale of BIOFARM S.A. shares, in which the Company is also a party, file suspended until the settlement of the first appeal of AAAS.

Last appeal by AAAS, carried out in the framework of this foreclosure, concerns the claim for garnishment of the dividends due to AAAS, third party garnishee - MERCUR S.A. Craiova: case file no. 29516/215/2017. On September 12th, 2018, Craiova Local Court dismisses the claim filed by AAAS, which files an appeal with Dolj Regional Court. Hearing: January 16th, 2019.

37. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

- action having as scope of works the compensation for non-fulfilment of the obligation to carry out the mandatory public offer of shares in application of the provisions of art. 203 of the Law no. 297/2004 - regarding the shares of Mobila Rădăuţi S.A. The case file on Mobila Rădăuţi S.A. shares is in the stage of foreclosure of the claims from the executory titles obtained at with Cojocaru Mihai Bogdan Judicial Executor Office (foreclosure file no. 666/2015), which on September 25th, 2018 issued to Banca Transilvania an official notice for garnishment on Amattis S.A. bank account, and on October 25th, 2018 Banca Transilvania communicated the establishment of the garnishment without taking down any sums of money.
- The Company has undertaken a pecuniary claim for the obligation of Cerealcom S.A. Alexandria to pay the amount of RON 1,660,826, representing the equivalent value of the package of shares due upon the withdrawal from the company, according to the provisions of art. 134 of the Law no. 31/1990 republished, as subsequently amended and supplemented. The case was settled on December 28th, 2017 by rejecting the Company's request. An appeal was filed and, on July 3rd, 2018, Bucharest Court of Appeal granted the Company's appeal and remanded the case for retrial. The case is pending before Teleorman Regional Court under file no. 483/87/2016*. Hearing: February 4th, 2019.

• Cases in which the Company acts as defendant:

- - case file no. 6584/63/2014, plaintiff Buzatu Florian Teodor, having as scope of works pecuniary claims amounting to RON 1,758,550 and moral damages amounting to RON 40,000, motivated by the fact that he was revoked from the position of administrator in the Company's Ordinary General Meeting of Shareholders of April 29th, 2011: the case is under retrial under no. 6584/63/2014*. On April 12th, 2018, Dolj Regional Court dismisses the plaintiff's appeal. The case is pending before Craiova Court of Appeal. Hearing: February 4th, 2019.
- case file no. 7680/63/2018, Corealis S.A. filed a claim for invalidation of the Decisions of the Company Extraordinary General Meeting of Shareholders of October 4th, 2018, pending before Dolj Regional Court, Hearing: February 4th, 2019, and case file no. 7693/63/2018, claim for suspension - Presidential Ordinance on the Decisions of the Company Extraordinary General Meeting of Shareholders of October 4th, 2018, pending before Dolj Regional Court. Hearing: January 21st, 2019.
- case file no. 15674/4/2018, pending before 4th District Bucharest Local Court, having as scope of works the claims raised by Prodplast S.A. Bucharest, consisting of court charges incurred in case file no. 19321/3/2016, both on the merits and in appeal, in total amount of RON 57,913.51. The Court grants in part Prodplast S.A.'s claim and obliges the Company to pay the amount of RON 30,000 as court charges in the case file no. 19321/3/2016 and the amount of RON 1,505 in this case. The Company filed an appeal on December 14th, 2018.
- case file no. 57180/300/2015, 2nd District Bucharest Local Court, having as scope of works the appeal against foreclosure filed by AAAS to the garnishment through the Depozitarul Central - third party garnishee, the Court grants in part the action. The sentence has not been communicated to the parties. The possibility of filling the appeal is being considered.
- case file no. 70/332/2017, Mehedinţi Regional Court, plaintiffs Nae Gabriel and Nae Claudiu, having as scope of works the ″Unjust enrichment″. On the merits and on appeal it was admitted the Company's lack of capacity to stand trial. AAAS filed an appeal, which is suspended until the settlement of the exception of unconstitutionality in art. 520 para. 4 of the New Civil Procedure Code, in conjunction with art. 27 of the New Civil Procedure Code by the Constitutional Court of Romania.
- case file no. 6876/1/2006, Timişoara Court of Appeal, having as scope of works the Law no. 10/2001, against Tincu Emilian, Claude Silvia Alice and Hoch Ileana: case suspended until the awarding of a solution to the case file no. 4040/101/2008, pending before Mehedinţi Regional Court, in which the Company is not a party.

During the period January 1st, 2019 - March 15th, 2019, the situation of the above mentioned case files, which had hearings during this period, is as follows:
- case file no. 9270/63/2017: hearing scheduled for April 1st, 20192019;
- case file no. 7294/63/2018: on March 4th, 2019, the Court granted the Company's claim and annulled Corealis S.A. Decision dated April 1st, 2019. Appealable;
- case file no. 7443/63/2018: on February 18th, 2019, the Court granted the application for intervention filed by the Company. Appealable;
- case file no. 29516/215/2017: on January 16th, 2019 the Court dismisses the appeal filed by AAAS Bucharest;
- case file no. 483/87/2016*: hearing scheduled for April 1st, 2019;

37. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

- case file no. 6584/63/2014*: on February 4th, 2019, the Court dismisses the appeal of the plaintiff Buzatu Florian Teodor. Appealable;
- case file no. 7680/63/2018: hearing scheduled for March 18th, 2019;
- case file no. 15674/4/2018: hearing scheduled for April 18th, 2019;
- case file no. 57180/300/2015: on February 22th, 2019 an appeal was lodged by the Company;
- case file no. 70/332/2017: hearing scheduled for March 20th, 2019.

38. EVENTS AFTER THE BALANCE SHEET DATE

SOCIETATEA DE INVESTIŢII FINANCIARE OLTENIA S.A.

I. On February 25th, 2019, the Company published preliminary financial profit/loss for the year ended December 31st, 2018, prepared in accordance with IFRS, through market communication (BVB), ASF, and display in the website www.sifolt.ro.

II. Public takeover bid.

On April 25th, 2018, the Company's Extraordinary General Meeting of Shareholders took place.

The Company approved a program of redemption of its own shares, in accordance with the applicable legal provisions, under the following conditions:

- program size - maximum 32,704,308 shares with a face value of 0.10 RON/share representing a maximum of 5.637% of the share capital;
- share acquisition price - the minimum price will be 1.50 RON/share and the maximum price will be 2.50 RON/share;
- program duration - the maximum period of 12 months from the date of publication of the decision of the Extraordinary General Meeting of Shareholder in the Official Gazette of Romania, Part IV;
- payment of redeemed shares and amount of the corresponding fund - of the available reserves, the maximum amount of the repurchases being of RON 49,056,462.55, according to the decision of the Ordinary General Meeting of Shareholders no. 3 of September 6th, 2017;
- program intended scope - diminution of the share capital.

On December 13th, 2018, the Public Offering Document for the Acquisition of Shares issued by the Company, together with the related documentation, was filed with the Financial Supervisory Authority by SSIF Voltinvest Craiova, as an intermediary in the Public Offering of Acquisition of Shares issued by the Company.

On January 17th, 2019, the Company received from the Financial Supervisory Authority the Decision no. 66/16.01.2019 approving the document for public offering of shares issued by the Company.

The bid was carried out successfully during the period from January 28th, 2019 to February 8th, 2019, and 19,622,585 shares were purchased at the price of 2.5 RON/share, representing 3.3822% of the share capital. The offer was subscribed 13.2 times, demonstrating the interest of shareholders in such shares.

The settlement of the transaction related to the public offering was made on February 14th, 2019 through Depozitarul Central.

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

ALIMENTARA S.A. Slatina

I. As from January 1st, 2019, the mandate contract for the General Manager was extended until December 31st, 2019.

II. The Ordinary General Meeting of Shareholders, convened in statutory session on February 19th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the profit achieved in 2018 will remain undistributed;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- The Income and Expenditure Budget for 2019;
- the extension by two years of the directors' mandate;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- the validation of the decisions of the Board of Directors regarding investments on the capital market in 2018.

ARGUS S.A. Constanţa

I. The Board of Directors of the company convened the Ordinary General Meeting of Shareholders for March 15th/16th, 2019 with the following agenda:

- the approval of the standalone financial statements as at December 31st, 2018, based on the Report of the Board of Directors and the Report of the Financial Auditor;
- the approval of the way of covering the loss registered by the company as at December 31st, 2018;
- the approval of the discharge of the directors of the company for the 2018 financial year;
- the approval of the directors' allowance valid as from April 1st, 2019 and the level at which the professional liability insurance of the directors is concluded;
- the approval of the Income and Expenditure Budget and the Investment Program for the year 2019;
- the approval of the preparation of annual financial statements according to IFRS as at December 31st, 2018, independently of the annual financial statements prepared and published in accordance with the Romanian laws in force;
- the approval of the extension of the audit agreement with the financial auditor JPA Audit&Consultanta Bucharest for a two-year term, for the audit of the standalone and consolidated financial statements for the 2019 and 2020 financial years, and the empowering of the Board of Directors to negotiate and conclude the audit agreement with JPA Audit&Consultanta.

COMPLEX HOTELIER DÂMBOVIŢA S.A. Târgovişte

I. Following the death of General Manager, Mr. Ungureanu Ion, the Board of Directors decided that the duties of the position of General Manager to be taken over by the Economic Manager, Mrs. Sfetcu Florina Viorica.

II. The Ordinary General Meeting of Shareholders, convened in statutory session on February 18th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget and the Investment Program for 2019;
- the extension by two years of the directors' mandate;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the preparation of the annual financial statements for the year 2018, according to IFRS.

CONSTRUCŢII FEROVIARE CRAIOVA S.A.

I. As from January 1st, 2019, the mandate contract for the General Manager was extended until June 30th, 2019.

II. The Ordinary General Meeting of Shareholders, convened in statutory session on February 20th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the profit achieved in 2018 will remain undistributed;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget for 2019;
- the extension by two years of the directors' mandate;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the preparation of the annual financial statements for the year 2018, according to IFRS.

FLAROS S.A. Bucharest

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 28th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the income accrual of undistributed dividends corresponding to the 2014 financial year;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget for 2019;
- the extension by two years of the directors' mandate;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the validation of the decision of the Board of Directors on supplementing the Investment Program in 2018.

GEMINA S.A. Rm. Vâlcea

I. As from January 1st, 2019, the mandate contract for the General Manager was extended until December 31st, 2019.

II. The Ordinary General Meeting of Shareholders, convened in statutory session on February 18th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget and the Investment Program for 2019;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the preparation of the annual financial statements for the year 2018, according to IFRS;

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

MERCUR S.A. Craiova

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 25th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- The Income and Expenditure Budget, the activity schedule and the Investment Program for 2019;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020.

PROVITAS S.A. Bucharest

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 18th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the profit achieved in 2018;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- the discharge of the sole director for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget for 2019;
- the election of the financial auditor for the financial year 2019.

TURISM S.A. Pucioasa

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 20th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- the Income and Expenditure Budget and the Investment Program for 2019;
- the election of the Board of Directors for a two-year term;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;

UNIVERS S.A. Rm. Vâlcea

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 18th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget for 2019;
- the election of the Board of Directors for a four-year term;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;

38. EVENTS AFTER THE BALANCE SHEET DATE (continued)

- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020;
- the preparation of the annual financial statements for the year 2018, according to IFRS.

VOLTALIM S.A. Craiova

I. The Ordinary General Meeting of Shareholders, convened in statutory session on February 20th, 2019, approved the following:

- the financial statements as at December 31st, 2018;
- the distribution of the net profit achieved in 2018;
- the discharge of the directors for the activity carried out in the 2018 financial year;
- the Income and Expenditure Budget for 2019;
- the level of remuneration of the directors and the value of the insurance policy for the professional liability of the directors in 2019;
- the preparation of the annual financial statements for the year 2018, according to IFRS;
- the extension by two years of the financial auditor's mandate to audit the financial statements for the years 2019 and 2020.

None of the trading companies included in the consolidation perimeter fall within the scope of the Order of the Minister of Public Finance no. 881/June 25th, 2012, respectively, is not required to prepare and report financial statements under IFRS. They keep accounts according to the regulations of the Order of the Minister of Public Finance no. 1802/2014 for the approval of the accounting regulations on standalone annual financial statements and consolidated annual financial statements. For consolidation, they prepare the second set of financial statements under IFRS provisions. Financial statements prepared under IFRS result from the restatement of the financial statements prepared under the Order of the Minister of Public Finance no. 1802/2014.

The consolidated financial statements have been prepared in accordance with the Rule no. 39/2015 for the approval of accounting regulations compliant with international financial reporting standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investment Sector.

These financial statements are intended solely for use by the Group, its shareholders and the ASF and do not give rise to changes in the shareholders' dividend rights.

Assoc. Prof. Ec. Ciurezu Tudor, Ph.D.
Chairman / General Manager

Assoc. Prof. Bușu Cristian, Ph.D.
Deputy Chairman / Deputy General Manager

Ec. Sichigea Elena
Economic Manager