SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.

STANDALONE FINANCIAL STATEMENTS

as at December 31st, 2018

prepared in accordance with the 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

AUDITED

Contents

STANDALONE STATEMENTS

SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.

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

In RON	***Note***	**2018**	**2017**
Income			
Dividend income	6	90,616,735	68,321,469
Interest income	7	432,173	68,419
Other operational income	8	27,592,578	22,867,614
Net gain from exchange rate differences		(986,647)	(387,485)
Net gain from sale of financial assets	9		12,216,446
Gains from financial assets at fair value through profit or loss statement		(56,554)	
Expenses			
Fees and charges for administration and supervision	10	(2,438,351)	(2,399,886)
Write-back of provisions		4,990,801	5,031,750
Other operational expenditures	11	(18,765,032)	(23,800,527)
Profit before tax		**101,385,703**	**81,917,800**
Profit tax	12	(5,125,903)	(7,613,836)
Net profit for the period		**96,259,800**	**74,303,964**
Gain from transactions recognized in retained earnings according to IFRS 9		606,846,980	
Related tax		(98,982,191)	
Net gain recognized in retained earnings		507,864,789	0
Other comprehensive income			
Variation of reserve from revaluation of tangible assets, net of deferred tax		956,327	-
Net variation of fair value of financial assets measured through other comprehensive income		93,577,352	165,529,167
Fair value reserve of financial assets measured through other comprehensive income, transferred to retained earnings / profit or loss		(606,881,307)	(10,405,230)
Effect of related profit tax		97,101,009	
Fair value reserve of financial assets measured through other comprehensive income - hyperinflation		5,359,613	
Total other comprehensive income		(409,887,006)	155,123,937
Total comprehensive income for the period		**194,237,583**	**229,427,901**
Earnings per share			
Basic	26	0.1659	0.1281
Diluted		0.1659	0.1281

The 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.
Chairman / General Manager

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

Ec. Sichigea Elena
Economic Manager

Notes from page 6 to page 55 are an integral part of these standalone financial statements.

Standalone 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	13	472,375,238	3,020,367
Bank deposits	14	554,340	792,848
Financial assets measured at fair value through other comprehensive income	15	1,478,457,359	1,798,097,017
Financial assets measured at fair value through the profit or loss statement	15	2,732,940	
Credits and receivables	16	15,836,743	2,755,702
Tangible assets	17	11,965,182	10,871,348
Investment property	18	555,001	539,637
Other assets	19	134,574	367,939
Total assets		**1,982,611,377**	**1,816,444,858**
Liabilities			
Dividends payable	20	42,515,955	48,087,127
Taxes and duties	21	97,715,503	4,997,330
Deferred tax liabilities	22	72,404,246	150,531,920
Other liabilities	23	9,855,891	6,349,864
Total liabilities		**222,491,595**	**209,966,241**
Equity			
Share capital	24	58,016,571	58,016,571
Reserves established following the application of the Law no. 133/1996		144,636,073	144,636,073
Legal reserves		11,603,314	11,603,314
Reserves from valuation of financial assets measured at fair value through other comprehensive income		347,779,788	781,551,351
Other reserves	25	555,210,270	521,517,906
Reserves from revaluation of tangible assets		7,844,289	7,175,074
Retained earnings except for retained earnings arising from the adoption for the first time of IAS 29		538,769,677	7,674,364
Current profit		96,259,800	74,303,964
Total equity		**1,760,119,782**	**1,606,478,617**
Total debts and equity		**1,982,611,377**	**1,816,444,858**

The 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.
Chairman / General Manager

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

Ec. Sichigea Elena
Economic Manager

Notes from page 6 to page 55 are an integral part of these standalone financial statements.

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

In RON	Share capital	Reserves from revaluation of tangible assets	Legal reserves	Other reserves	Differences from the change in fair value of financial assets measured through other comprehensive income	Other equity	Accumulated profit	TOTAL
BALANCE AS AT JANUARY 1ST, 2018	**58,016,571**	**7,175,074**	**11,603,314**	**666,153,979**	**784,613,031**	**(3,061,680)**	**81,978,328**	**1,606,478,617**
COMPREHENSIVE INCOME	-	-	-	-	-	-	-	-
Profit for the financial year	-	-	-	-	-	-	**96,259,800**	**96,259,800**
Other comprehensive income	-	-	-	-	-	-		-
1. Variation of reserve from revaluation of tangible assets, net of deferred tax	-	669,215	-	-	-	-	287,112	956,327
2. Net variation of reserve from change in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	93,577,352	-	-	93,577,352
3. Fair value reserve of financial assets measured at fair value through other comprehensive income, disposed	-	-	-	-	(606,881,307)	-	606,846,980	(34,327)
4. Related profit tax	-	-	-	-	97,101,009	-	(98,982,191)	(1,881,182)
5. Transfer of reserve to retained earnings as a result of transition to IFRS 9	-	-	-	-	(22,928,230)	-	22,928,230	0
6. Fair value reserve of financial assets measured through other comprehensive income - hyperinflation	-	-	-	-	5,359,613	-	-	5,359,613
TOTAL COMPREHENSIVE INCOME for the period	**0**	**669,215**	**0**	**0**	**(433,771,563)**	**0**	**627,339,931**	**194,237,583**
Deferred tax related to retained earnings representing taxed unobtained revaluation surplus	-	-	-	-	-	-	15182	15,182
Other reserves – own sources of financing	-	-	-	33,692,364	-	-	(33,692,364)	-
Other reserves – redemption of shares	-	-	-	-	-	-	-	-
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 2017	-	-	-	-	-	-	(40,611,600)	(40,611,600)
TOTAL TRANSACTIONS WITH SHAREHOLDERS RECOGNIZED DIRECTLY IN EQUITY	**0**	**0**	**0**	**0**	**0**	**0**	**(40,611,600)**	**(40,611,600)**
BALANCE AS AT DECEMBER 31ST, 2018	**58,016,571**	**7,844,289**	**11,603,314**	**699,846,343**	**350,841,468**	**(3,061,680)**	**635,029,477**	**1,760,119,782**

The 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.
Chairman / General Manager

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

Ec. Sichigea Elena
Economic Manager

Notes from page 6 to page 55 are an integral part of these standalone financial statements.

SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.
Standalone 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 available for sale	Other equity	Retained earnings as a result of the application of IAS 29 to equity and reserves	Accumulated profit	TOTAL
BALANCE AS AT JANUARY 1ST, 2017	**689,869,095**	**7,755,548**	**11,603,314**	**2,423,876,878**	**629,489,094**	**(3,061,680)**	**(2,438,631,885)**	**108,294,690**	**1,429,195,054**
COMPREHENSIVE INCOME									
Profit for the financial year								**74,303,964**	**74,303,964**
Other comprehensive income									
1. Variation of reserve from revaluation of tangible assets, net of deferred tax		(580,474)						580,474	
2. Net variation of reserve from change in fair value of financial assets available for sale					165,529,167				165,529,167
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)
TOTAL COMPREHENSIVE INCOME for the period	**0**	**(580,474)**	**0**	**0**	**155,123,937**	**0**	**0**	**74,884,438**	**229,427,901**
Deferred tax related to retained earnings representing taxed unobtained revaluation surplus								70,576	70,576
Other reserves – own sources of financing									
Other reserves – redemption of shares				49,056,462				(49,056,462)	
Result coverage carried over from update to hyperinflation	(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								(52,214,914)	(52,214,914)
TOTAL TRANSACTIONS WITH SHAREHOLDERS RECOGNIZED DIRECTLY IN EQUITY	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(52,214,914)**	**(52,214,914)**
BALANCE AS AT DECEMBER 31ST, 2017	**58,016,571**	**7,175,074**	**11,603,314**	**666,153,979**	**784,613,031**	**(3,061,680)**	**0**	**81,978,328**	**1,606,478,617**

The 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.
Chairman / General Manager

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

Ec. Sichigea Elena
Economic Manager

Notes from page 6 to page 55 are an integral part of these standalone financial statements.

SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.

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

In RON

Item	Reporting period	
	December 31st, 2018	**December 31st, 2017**
A	**1**	**2**
Cash flows from operating activities		
Receipts from customers, other receipts	1,504,805	1,676,157
Receipts from sales of financial investments (securities)	668,586,163	22,932,336
Payments for acquisition of shares	(218,266,792)	(54,018,729)
Payments to suppliers and employees, other payments	(11,843,474)	(9,251,927)
Payments to the state budget, social security budget and local budget	(4,633,914)	(4,861,594)
Interest receivable	431,649	70,613
Dividends receivable	86,452,238	65,302,341
Interest payable	0	0
Profit tax payable	(7,018,990)	(4,604,995)
Net cash from operating activities	**515,211,685**	**17,244,202**
Cash flows from investment		
Payments for acquisition of tangible assets	(371,967)	(266,097)
Proceeds from sale of tangible assets	0	586,888
Net cash from investment	**(371,967)**	**320,791**
Cash flows from financing activities		
Proceeds from issuance of shares	0	0
Proceeds from long-term loans	0	0
Payment of debts related to financial leasing	0	0
Amounts advanced for share redemption	(14,716,940)	0
Dividends payable	(29,237,600)	(38,217,906)
Amounts advanced to Depozitarul Central for dividend payments	(698,183)	(1,540,060)
Tax on dividends paid	(1,071,156)	(1,967,274)
Net cash from financing activities	**(45,723,879)**	**(41,725,240)**
Net increase in cash and cash equivalents	**469,115,839**	**(24,160,247)**
Cash and cash equivalents at the beginning of the reporting period	**3,813,119**	**27,973,366**
Cash and cash equivalents at the end of the reporting period	**472,928,958**	**3,813,119**

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

Notes from page 6 to page 55 are an integral part of these standalone financial statements.

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 standalone financial statements prepared as at December 31st, 2018 are audited.

2. Basis of Preparation

a) Declaration of Conformity

The standalone 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, as subsequently amended and supplemented.

The standalone financial statements were approved by the Board of Directors at its meeting dated March 20, 2019.

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 S.I.F. Oltenia S.A. 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.
The accounting records of the Company are kept in RON.
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 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 ("UE") 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;
- fair value adjustments and impairment of financial assets in accordance with IAS 39 ″Financial Instruments: Recognition and Measurement″;
- adjustments to the income 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 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 presentation adopted by the Company is based on the liquidity of the financial position, and the presentation of income and expenses was made in relation to their nature in the statement of comprehensive income. The Company believes that these methods of presentation 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 standalone financial statements are presented in local currency, rounded to the nearest division of the Romanian currency, the currency which the Company's management has chosen as presentation currency.

d) Basis of Assessment

Standalone 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.

2. Basis of Preparation *(continued)*

e) Use of estimates and judgments

The preparation of the Standalone Financial Statements in accordance with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and assumptions associated with these judgments are based on the historical experience and other factors considered reasonable in the context of these estimates. The result of these estimates form the basis for judgments about the accounting amounts of assets and liabilities that can not be obtained from other information sources. Actual results may differ from these estimates.
The Company periodically reviews the estimates and assumptions underlying the accounting records. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period in which the estimate is revised and future periods, if the revision affects both the current period and future periods.

3. Significant Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting the financial statements.
Policies that will be presented below have been applied consistently to all periods presented in the financial statements.
The financial statements are prepared on the principle that the Company will continue its operations in the foreseeable future. In assessing the applicability of this principle, the management examines the projections of future cash inflows.

a) Subsidiaries and Associated Entities

Subsidiaries are entities over which the Company has control. The company controls an entity in which it invested when it is exposed, or has rights to variable return based on its share in the entity on which it invested and has the ability to influence those revenues through its authority over the entity in which it invested.
At the time of the assessment, the potential or convertible voting rights that are exercisable at that time must also be taken into account.
Associated entities are those companies in which the Company may exercise significant influence but not control over financial and operational policies.
The list of subsidiaries and associated entities as at December 31st, 2018 and December 31st, 2017 respectively is presented in Note 28.
The Company has classified and accounted for in these standalone financial statements all financial investments in subsidiaries and associated entities as financial assets at fair value through other comprehensive income in accordance with IFRS 9 ″Financial Instruments″.

b) 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.

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

3. Significant Accounting Policies *(continued)*
b) Transactions in Foreign Currency *(continued)*

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.
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

c) Accounting for the Effect of Hyperinflation

Under IAS 29 ″Financial Reporting in Hyperinflationary Economies″, the individual 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 standalone 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.

d) 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.

e) 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;

3. Significant Accounting Policies *(continued)*

e) Financial Assets and Liabilities *(continued)*

- Financial derivatives;
- Shareholdings in subsidiaries, associates and joint ventures - subject to IFRS 10, IAS 27, IAS 28.

- ***Classification***

The Company 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 Company 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

3. Significant Accounting Policies *(continued)*
e) 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 Company 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 Company's equity investments (shares) from the Company'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 Company becomes a party to the terms of that instrument. When the Company recognizes for the first time a financial asset 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 Company initially recognizes deposits with banks at the date when they are set up.

3. Significant Accounting Policies *(continued)*

e) Financial Assets and Liabilities *(continued)*

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

- ***Measurement***

Upon initial recognition, the Company 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 Company should measure the financial liabilities in accordance with paragraphs 4.2.1 to 4.2.2 of IFRS 9. Thus, the Company 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 uncollectability.
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 Company has access at that date.

3. Significant Accounting Policies *(continued)*

e) Financial Assets and Liabilities *(continued)*

The Company 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 Company 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;
Participating units issued by OPC are valued taking into account the latest net asset value, calculated and published.

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

The Company 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.

3. Significant Accounting Policies *(continued)*

e) Financial Assets and Liabilities *(continued)*

The Company 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 Company 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 Company or created for the Company is recognized separately as an asset or liability.
The Company 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 Company uses the ″first in, first out″ method.

- ***Reclassifications***

If the Company 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 Company 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 Company 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).

3. Significant Accounting Policies *(continued)*
e) 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 Company recognizes a gain or loss in the profit or loss statement.

f) Other financial assets and liabilities

- ***Other financial assets and liabilities***

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

- ***Inventories***

In accordance with IAS 2 ″Inventories″, these assets are:

- held for sale in the normal course of business,
- assets in production that are to be sold in the normal course of business,
- assets in the form of raw materials, materials and other consumables to be used in the production or provision of services.

Inventories are presented at the lower of cost and net realizable value. The cost of inventories includes all acquisition and processing costs, as well as other costs incurred to bring inventories to the form and location they are currently located in. The net realizable value is estimated based on the sales price in the normal business, less the estimated costs for completion and sale.

For inventories of raw materials and non-moving or slow moving inventories, adjustments are made based on management's estimates.

The establishment and resumption of adjustments for impairment of inventories is made at the expense of the profit or loss statement.

During the normal course of business, the Company uses the following inventory categories: ancillary materials, fuels, spare parts, other consumables and other materials (inventory items - these are recorded at full cost when placed in service).

For inventories, the cost is determined at the exit using the ″first in, first out″ method.

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.

3. Significant Accounting Policies *(continued)*

g) Intangible Assets *(continued)*

- ***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.

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 stable purpose 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 Company 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 Company 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.

Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the date of the reporting period.

3. Significant Accounting Policies *(continued)*

h) Tangible Assets *(continued)*

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.

The record of revaluation reserves is carried out by individual asset and for each revaluation operation that took place.

The revaluation surplus included in the equity of a tangible asset item is transferred directly to the carrying amount as depreciation and when the asset is derecognized from divestiture or disposal.

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 Company 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 (accordingly increase the carrying amount of that asset).

- ***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), it 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.

Each part of a tangible asset item that shows a significant cost as compared to the total cost of that item must be depreciated separately.

3. Significant Accounting Policies *(continued)*

h) Tangible Assets *(continued)*

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

- buildings; 12-50 years
- machinery and equipment and means of transportation 3-20 years
- furniture, office equipment, equipment for protection of human and material values and other tangible assets 3-15 years

Depreciation methods, useful life estimated durations and residual values are reviewed by management at each reporting date.

From the Company history, it resulted that the residual value of assets is not significant and therefore the depreciation calculation does not take into account the residual value.

- ***Impairment***

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

At each reporting date, the Company must verify whether there is evidence of impairment. If such indices are identified, the Company 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 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 Company 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.

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.

3. Significant Accounting Policies *(continued)*

i) Investment Property *(continued)*

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 Company;
- 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 Company'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 Company'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 Company - for transfers from the category of investment property to the category of tangible assets used by the Company;

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

- 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.

If a real property used by the owner becomes an investment property that is accounted for at fair value, the Company applies IAS 16 ″Property, plant and equipment″ until the date of usage change, and any difference as from that date between the carrying amount of the property, in accordance with IAS 16 and its fair value should be treated as a revaluation, in accordance with IAS 16.

3. Significant Accounting Policies *(continued)*

i) Investment Property *(continued)*

- ***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) Assets held for sale

The Company must classify a fixed asset (or group intended for disposal) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In order to be available for sale it must be very probable, respectively to have a plan to sell the asset, to launch an active program to locate a buyer, the asset to be marketed for sale at a reasonable price to the fair value of the asset and the sale to be completed within one year from the date of the asset classification. The one year term can be extended if there are circumstances beyond the control of the entity and the unit can prove that it can maintain the intention or plan to sell the asset.

When there is a change in the use of a tangible asset in the sense that it is to be improved in the prospect of sale, the Company records the transfer of the asset from the tangible asset category to the category of fixed assets held for sale.

If the transferred tangible assets was revalued, the reserve from the relating revaluation is closed when the asset is sold.

In the case of assets included in the fixed assets held for sale, which subsequently change their destination, to be used for a longer period or to be leased to third parties, a transfer is recorded in the accounts from the category of fixed assets held for sale, to the category of tangible assets.

At present the Company has no assets that can be classified in this category because it does not have a sales plan in this regard.

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.

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.

3. Significant Accounting Policies *(continued)*

k) Impairment of Non-Financial Assets *(continued)*

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 Company 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 canceled.

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

The Company 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.

The Company will record provisions for bonuses (incentives) to be granted to employees, to managers operating under a mandate agreement and to the directors of the Company, subject to the fulfillment of the net profit indicator established through the income and expenditure budget approved by the General Meeting of Shareholders . These bonuses will be distributed after approval by the General Meeting of Shareholders of the individual annual financial statements drawn up for the year in which the profit from which the incentives are granted.

n) Employee Benefits

- ***Short-term benefits***

Short-term employee benefits include salaries, bonuses and social security contributions.

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 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 Company 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.

3. 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 plans***

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

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

The Company'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.
The current value of this obligation is not significant, and as such the Company does not recognize these future costs as a provision in the financial statements.

o) Interest Income and Expense

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

p) Dividend Income

Dividend income is recognized in the profit or loss statement at the date when the right to receive such income is determined.
Dividend income is recorded at gross amount, which includes dividend tax, which is recognized as a current tax expense.
In the case of dividends received in the form of shares as an alternative to cash payments, dividend income is recognized at the amount of cash that would have been received, in relation to the increase in the related shareholding. The Company does not record dividend income on the shares received free of charge when distributed proportionately to all shareholders.

3. Significant Accounting Policies *(continued)*

r) 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.

s) 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.

t) Income 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 and December 31st, 2017, the corporate tax rate was 16%. The tax rate on income from taxable dividends at December 31st, 2018 and December 31st, 2017 was 5% and, respectively, 0%.

Deferred tax is determined by the Company 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 standalone 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 by the Company 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.

Receivables and liabilities with deferred tax are offset only if there is a legally enforceable right to offset current debts and receivables with tax and whether they are related to the tax collected by the same fiscal authority for the same entity subject to taxation or for different tax authorities but wishing to carry out settlement of current tax receivables and liabilities using a net basis or related assets and liabilities will be realized simultaneously.

Additional taxes that arise from the distribution of dividends are recognized at the same date as the obligation to pay dividends.

3. 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.

(x) Lease Payments

Operating leases are recognized in the profit or loss statement on a straight-line basis over the lease term. The leasing facilities received are recognized as an integral part of the total lease expense during the lease term. Operating lease expense is recognized as a component of operating expenses. Minimum lease payments under finance leases are proportionally split between the lease interest expense and the lease liability reduction. The lease interest expense is allocated to each lease period so as to produce a constant interest rate on the remaining lease liability.

The Company has not concluded any leasing contracts.

y) New Standards and Amendments

a) *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.

Derivate 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.

3. Significant Accounting Policies *(continued)*

y) New Standards and Amendments (continued)

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:
- 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 intented use only is not enough.

3. Significant Accounting Policies *(continued)*

y) New Standards and Amendments (continued)

b) *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.

• **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.

3. Significant Accounting Policies *(continued)*

y) 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.

4. Financial Risk Management

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.

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.

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.

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

4. Financial Risk Management *(continued)*

The main risks identified in the Company'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 Company.

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 is subject to market risk, particularly because of its trading activity.

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.

We estimate that the market risk to which the Company is subject is medium.

The Company is exposed to the following market risks:

- ***Price risk***

The Company 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.

On December 31st, 2018 and 2017, the Company has the following asset structure at price risk:

In RON	**No. of companies**	**Market value December 31st, 2018**	**No. of companies**	**Market value December 31st, 2017**
Capital investment				
Listed companies	32	1,319,404,429	32	1,186,552,577
Unlisted companies	17	159,052,930	19	608,754,946
Fund units	4	2,732,940	4	2,789,494
Total capital investment	**53**	**1.481.190.299**	**55**	**1,798,097,017**

The market value of the portfolio of listed shares (BVB - regulated market, BVB-AERO – alternative trading system), as at December 31st, 2018, represents 89.08% (2017: 65.99%) of the total value of the administered portfolio.

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

4. Financial Risk Management *(continued)*

a) Market Risk *(continued)*

Under these circumstances, the Company 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 according to IFRS of the packages of shares held by the 8 issuers represents 65.36% of the market value of the shares held in the listed companies. Thus, the risk associated with the BET index of the BVB is average.
Investments held in companies whose securities are listed and traded on the Romanian stock market represent 89.08% (2017: 92.45% plus the investment held at BCR) as at December 31st, 2018 of the fair value of investments.
The Company also monitors the concentration of risk by sectors of activity which is as follows:

Portfolio structure	**Total market value of the package December 31st, 2018**		**Total market value of the package December 31st, 2017**	
Economic sectors with a weight in SIF value portfolio:	***(RON)***	***%***	***(RON)***	***%***
	1,481,190,299	**100.00**	**1,798,097,017**	**100.00**
finance and banking	461,252,477	31.14	802,011,358	44.60
renting and sub-renting of real estate	265,754,054	17.94	230,139,655	12.80
resources of oil, methane gas and related services	258,739,649	17.47	256,348,197	14.26
energy and gas transmission	135,190,148	9.13	143,245,566	7.97
tourism, public health nutrition, recreation	94,502,421	6.38	80,024,069	4.45
food industry	54,070,058	3.65	90,845,150	5.05
pharmaceutical industry	50,319,987	3.40	52,059,090	2.90
distribution, supply of electricity and energy services	33,766,505	2.28	1,070,539	0.06
electronics, electrotechnics	33,558,808	2.27	35,099,118	1.95
metallurgical industry	31,089,782	2.10	32,134,556	1.79
financial intermediation	28,135,844	1.90	27,545,457	1.53
machine building industry, processing	19,174,290	1.29	30,944,221	1.72
chemical industry	10,910,020	0.74	12,179,721	0.68
warehousing and grain trade	1,660,826	0.11	1,660,826	0.09
others	332,490	0.02	0	0.00
TOTAL EQUITY	**1,478,457,359**	**99.82**	**1,795,307,523**	**99.84**
FUND UNITS	**2,732,940**	**0.18**	**2,789,494**	**0.16**

From the analysis of the above data, as at December 31st, 2018, the Company held mainly shares in issuers operating in the finance sector, banks with a weight of 31.14% of the total portfolio, decreasing as compared to December 31st, 2017, when in the same business sector recorded a weight of 44.60%.

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

4. Financial Risk Management *(continued)*

a) Market Risk *(continued)*

- ***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 Company 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 443,707,220, representing 93.82% of total liquid assets.

Given that most of the Company's assets are denominated in national currency, exchange rate fluctuations do not directly affect the Company's business. These fluctuations have an influence on the valuation of investment of the type of foreign currency deposits and current account liquidities.

Liquid assets in foreign currency represent 22.52% as at December 31st, 2018 (2017: 0.03%) of total financial assets, so that the currency risk is medium.

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	472,375,238	29,100,114	443,275,059	65
Bank deposits	554,340	122,244		432,096
Financial assets measured at fair value through other comprehensive income	1,478,457,359	1,478,457,359		
Financial assets measured at fair value through the profit or loss statement	2,732,940	2,732,940		
Credits and receivables	15,836,743	15,836,743		
Other financial assets	134,574	134,574		
Total financial assets	**1,970,091,194**	**1,526,383,974**	**443,275,059**	**432,161**
Financial liabilities				
Dividends payable	42,515,955	42,515,955		
Other financial liabilities	9,855,891	9,855,891		
Total financial liabilities	**52,371,846**	**52,371,846**		

In RON	**Carrying value**	**RON**	**EUR**	**USD**
December 31st, 2017				
Financial assets				
Cash and cash equivalents	3,020,367	2,810,319	210,001	47
Bank deposits	792,848	381,928		410,920
Financial assets available for sale	1,798,097,017	1,798,097,017		
Credits and receivables	2,755,702	2,755,702		
Other financial assets	367,939	367,939		
Total financial assets	**1,805,033,873**	**1,804,412,905**	**210,001**	**410,967**
Financial liabilities				
Dividends payable	48,087,127	48,087,127		
Other financial liabilities	6,349,864	6,349,864		
Total financial liabilities	**54,436,991**	**54,436,991**		

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

4. 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 Company 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 Company is not significantly affected by the interest rate risk. Interest rates applied to cash and cash equivalents are short-term.

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 Company's exposure to interest rate risk.

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Without interest
December 31st, 2018				
Financial assets				
Cash and cash equivalents	472,375,238			472,375,238
Bank deposits	554,340	554,340		
Financial assets measured at fair value through other comprehensive income	1,478,457,359			1,478,457,359
Financial assets measured at fair value through the profit or loss statement	2,732,940			2,732,940
Credits and receivables	15,836,743			15,836,743
Other financial assets	134,574			134,574
Total financial assets	**1,970,091,194**	**554,340**	**0**	**1,969,536,854**
Financial liabilities				
Dividends payable	42,515,955			42,515,955
Other financial liabilities	9,855,891			9,855,891
Total financial liabilities	**52,371,846**	**0**	**0**	**52,371,846**

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Without interest
December 31st, 2017				
Financial assets				
Cash and cash equivalents	3,020,367			3,020,367
Bank deposits	792,848	792,848		
Financial assets available for sale	1,798,097,017			1,798,097,017
Credits and receivables	2,755,702			2,755,702
Other financial assets	367,939			367,939
Total financial assets	**1,805,033,873**	**792,848**	**0**	**1,804,241,025**
Financial liabilities				
Dividends payable	48,087,127			48,087,127
Other financial liabilities	6,349,864			6,349,864
Total financial liabilities	**54,436,991**	**0**	**0**	**54,436,991**

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

4. Financial Risk Management *(continued)*

b) Credit Risk

The credit risk is the Company'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 Company'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 share packages to ″closed″ 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.

In the case of the Company, the credit risk is mostly driven by exposures on asset items of the type of ″shares″ which represent 74.57% of the assets managed, valued in accordance with the legal provisions.

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.

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

The maximum exposure to credit risk as at December 31st, 2018 is RON 488,735,889 (2017: RON 5,743,060) and can be analysed in the following tables.

In RON	**December 31st, 2018**	**December 31st, 2017**
Deposits and accounts with banks	472,903,745	3,794,594
Other assets	15,832,144	1,948,466
TOTAL	**488,735,889**	**5,743,060**

Exposure on current accounts and bank deposits (excluding accrued interest)

In RON	**December 31st, 2018**	**December 31st, 2017**
Bank RAIFFEISEN BANK	28,977,540	2,778,355
Bank TRANSILVANIA	527,773	650,613
Bank COMERCIALĂ ROMÂNĂ	443,396,211	364,227
Bank BRD - GSG	741	436
EXIMBANK	1,480	963
Total	**472,903,745**	**3,794,594**

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

4. 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	16,545,856	2,662,178
Provisions created for the impairment of other financial assets	(735,290)	(735,290)
Total	**15,832,144**	**1,948,466**

c) Liquidity Risk

The Company 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 Company 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 Company 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″ 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 package of shares held at BCR has greatly reduced the liquidity risk, the shares held in unlisted trading companies representing only 10.76% of the value of the managed share portfolio and 8.02% 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)

4. Financial Risk Management *(continued)*
c) Liquidity Risk *(continued)*

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Without predetermined maturity
December 31st, 2018				
Financial assets				
Cash and cash equivalents	472,375,238			472,375,238
Bank deposits	554,340	554,340		
Financial assets measured at fair value through other comprehensive income	1,478,457,359			1,478,457,359
Financial assets measured at fair value through the profit or loss statement	2,732,940			2,732,940
Credits and receivables	15,836,743			15,836,743
Other financial assets	134,574			134,574
Total financial assets	**1,970,091,194**	**554,340**	**0**	**1,969,536,854**
Financial liabilities				
Dividends payable	42,515,955	42,515,955		
Other financial liabilities	9,855,891	9,855,891		
Total financial liabilities	**52,371,846**	**52,371,846**	**0**	**0**

In RON	Carrying value	Under 3 months	Between 3 and 12 months	Without predetermined maturity
December 31st, 2017				
Financial assets				
Cash and cash equivalents	3,020,367			3,020,367
Bank deposits	792,848	792,848		
Financial assets available for sale	1,798,097,017			1,798,097,017
Credits and receivables	2,755,702			2,755,702
Other financial assets	367,939			367,939
Total financial assets	**1,805,033,873**	**792,848**	**0**	**1,804,241,025**
Financial liabilities				
Dividends payable	48,087,127	48,087,127		
Other financial liabilities	6,349,864	6,349,864		
Total financial liabilities	**54,436,991**	**54,436,991**	**0**	**0**

d) Taxation Risk

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

The Company'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 Company and may calculate interest and penalties.

4. Financial Risk Management *(continued)*
d) Taxation Risk *(continued)*

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 Company 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 Company'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 Company 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.

The main responsibility for the development and implementation of operational risk controls lies with the risk manager and the Company'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.

4. Financial Risk Management *(continued)*
f) Operational Risk *(continued)*

Operational risks are inherent to the Company's business.

The Company manages operational risk by identifying, estimating, monitoring and controlling risks.

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.

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.

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

4. Financial Risk Management *(continued)*

g) Capital Adequacy

The Company's equity consists of the share capital, the reserves created, the current profit or loss and the retained earnings. As at December 31st, 2018 the Company's equity capital is RON 1,760,119,782 (2017: RON 1,606,478,617).

5. Financial Assets and Liabilities

Accounting classifications and fair values

The accounting values 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			472,375,238	472,375,238	472,375,238
Bank deposits			554,340	554,340	554,340
Financial assets measured at fair value through other comprehensive income	1,478,457,359			1,478,457,359	1,478,457,359
Financial assets measured at fair value through the profit or loss statement		2,732,940		2,732,940	2,732,940
Other financial assets			15,971,317	15,971,317	15,971,317
Total financial assets	**1,478,457,359**	**2,732,940**	**488,900,895**	**1,970,091,194**	**1,970,091,194**
Dividends payable			42,515,955	42,515,955	42,515,955
Other financial liabilities			9,855,891	9,855,891	9,855,891
Total financial liabilities			**52,371,846**	**52,371,846**	**52,371,846**

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

In RON	**Available for sale**	**Amortised cost**	**Net carrying value**	**Fair value**
Cash and cash equivalents		3,020,367	3,020,367	3,020,367
Bank deposits		792,848	792,848	792,848
Financial assets available for sale	1,798,097,017		1,798,097,017	1,798,097,017
Other financial assets		3,123,641	3,123,641	3,123,641
Total financial assets	**1,798,097,017**	**6,936,856**	**1,805,033,873**	**1,805,033,873**
Dividends payable		48,087,127	48,087,127	48,087,127
Other financial liabilities		6,349,864	6,349,864	6,349,864
Total financial liabilities		**54,436,991**	**54,436,991**	**54,436,991**

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

6. 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	**December 31st, 2018**	**December 31st, 2017**
BRD-GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest	24,329,621	11,203,197
B.C.R. S.A.	14,365,762	
OMV PETROM S.A. Bucharest	14,362,006	10,582,504
S.N.G.N. ROMGAZ S.A.	10,848,544	8,937,959
S.N.T.G.N. TRANSGAZ S.A. Mediaş	9,047,968	11,325,116
BANCA TRANSILVANIA S.A.	6,683,453	2,458,861
ANTIBIOTICE S.A.	2,616,639	3,690,653
B.T. ASSET MANAGEMENT S.A.	1,999,969	1,999,969
UNIVERS S.A. Rm.Vâlcea	1,010,533	1,862,435
MERCUR S.A. Craiova	978,336	284,192
FLAROS S.A. Bucharest	810,386	475,799
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
ȘANTIERUL NAVAL ORȘOVA S.A.	512,054	581,463
EXIMBANK S.A. Bucharest	405,825	164,693
S.I.F. MOLDOVA S.A. Bacău	200,957	842
ELBA S.A. Timişoara	131,849	80,212
S.I.F. TRANSILVANIA S.A.	124,502	249,003
TURISM S.A. Pucioasa	101,060	101,060
PROVITAS S.A. Bucharest	91,361	82,577
S.E. ELECTRICA S.A. Bucharest	89,535	70,248
DEPOZITARUL CENTRAL S.A. Bucharest	52,961	59,271
RELEE S.A. Mediaş	13,074	24,696
C.N.T.E.E. TRANSELECTICA S.A.		12,897,764
CONTACTOARE S.A. Buzău		27,295
TOTAL	**90,616,735**	**68,321,469**

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

7. Interest Income

In RON	December 31st, 2018	December 31st, 2017
Interest income from bank deposits	431,647	68,417
Interest income from current bank accounts	526	2
Total	**432,173**	**68,419**

8. Other Operating Income

In RON	December 31st, 2018	December 31st, 2017
Financial income from adjustments for impairment of financial assets		236,977
Income from provisions for impairment of current assets		219,822
Other operating income	15,310,101	22,392,819
Other financial income	12,282,477	17,996
Income from deferred income tax		
Total	**27,592,578**	**22,867,614**

In the course of 2018, according to the Ordinary General Meeting of Shareholders Decision no. 8/25.04.2018, dividends not claimed for more than three years from their due date, for which the right of action has expired by prescription, have been brought forward to other operating income. In this respect, the dividends in the balance for 2014 amounted to RON 14,942,856 (2017: RON 21,141,889, according to the Ordinary General Meeting of Shareholders Decision no. 7/04.04.2017) have been brought forward to other income.

9. 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		24,197,025
Carrying amount of disposed financial assets available for sale, reflected in profit or loss		(11,980,579)
Net gain from sale of financial assets reflected in profit or loss	**0**	**12,216,446**

As of January 1st, 2018, the Company applied IFRS 9 ″Financial Instruments″ and classified the entire portfolio of equity instruments as ″Financial assets measured at fair value through other comprehensive income″. According to IFRS 9 ″Financial Instruments″ upon derecognition of equity instruments (shares), the resulting gain or loss is not reversed through the profit or loss statement but through the retained earnings. In this respect, the net gain recognized in 2018 from derecognition and recorded in the retained earnings is RON 507,864,789, of which 98.82% represents the gain from BCR derecognition (sale).

10. 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		26,497
Expenses on fees payable to shareholders register services	144,800	145,045
Expenses on commissions with the depositary company	320,207	305,384
Bucharest Stock Exchange (BVB) expenses	24,990	24,990
Expenses on taxes payable to the capital market entities (ASF)	1,752,870	1,636,936
Expenses on audit fees	113,258	113,258
Other expenses on commissions, fees and taxes	82,226	147,776
Total	**2,438,351**	**2,399,886**

The fees paid to auditors during the year 2018 amounted to RON 113,258 (2017: RON 113,258).

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

11. Other Operating Income

In RON	December 31st, 2018	December 31st, 2017
Other taxes, duties and similar expenses	205,003	224,087
Salaries expenses and other personnel expenses	11,681,482	10,959,520
Expenses with depreciation and provisions; adjustments for impairment losses	5,943,829	11,529,699
Expenses with outsourced work	934,718	1,087,221
Total	**18,765,032**	**23,800,527**

Salaries and similar expenses

In RON	December 31st, 2018	December 31st, 2017
Salaries expenses	11,358,788	8,867,449
Social security contributions	322,694	2,092,071
Other salaries expenses according to court decisions		
Total	**11,681,482**	**10,959,520**

	December 31st, 2018	December 31st, 2017
Personnel with mandate contract	2	2
Employees with higher education degree	29	31
Employees with secondary education degree	12	12
Employees with general studies degree	3	4
Total	**46**	**49**

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	31	1	3	29
Employees with secondary education degree	12	1	1	12
Employees with general studies degree	4		1	3
Total	**47**	**2**	**5**	**44**

In the financial year ended December 31st, 2018 the average number of employees was 44 (2017: 48) and the number of employees registered at the end of 2018 was 44 (2017: 47).

The indemnities granted in the 2018 financial year to the administrative bodies, executive and key personnel representing the salary rights, as well as the incentives granted according to the Ordinary General Meeting of Shareholders Decision, amount to RON 5,699,070 (2017: RON 4,067,000).

The Company 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 Company does not operate any other pension or post-retirement benefit schemes and therefore has no other obligations regarding pensions. Furthermore, the Company is not required to provide additional benefits to employees after retirement.

Other operating expenses include expenditures with other taxes and duties, external service charges and depreciation, provision and value adjustment expenses.

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

11. Other Operating Income *(continued)*

The situation of provisions is as follows:

	Balance as at January 1st, 2018	Entries (set-up)	Exits (brought forward)	Balance as at December 31st, 2018
Provisions for litigation	272,650			272,650
Provisions for employee participation in profit and premiums to be paid	5,016,250	5,500,000	4,990,801	5,525,449
Total	**5,288,900**	**5,500,000**	**4,990,801**	**5,798,099**

12. Profit Tax

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

In RON	December 31st, 2018	December 31st, 2017
Current profit tax	**961,406**	**4,594,708**
Tax on dividends	4,164,497	3,019,128
Deferred profit tax expense		
Total income tax reflected in the profit (loss) for the period	5,125,903	7,613,836
Profit before tax	**101,385,703**	**81,917,800**
Tax according to the statutory rate of 16%	16,221,712	13,106,848
Effect on profit tax of:		
Non-deductible expenses	2,009,553	3,772,575
Non-taxable income	(17,264,859)	(12,277,715)
Dividend taxation ratios	4,164,497	3,019,128
Amounts representing sponsorship within legal limits	(5,000)	(7,000)
Records and balances brought forward of temporary differences		
Tax profit	**5,125,903**	**7,613,836**

13. Cash and Cash Equivalents

In RON	December 31st, 2018	December 31st, 2017
Cash on hand	6,229	5,952
Cash at bank	472,350,025	3,001,842
Cash equivalents	18,984	12,573
Total cash and cash equivalents	**472,375,238**	**3,020,367**

Current accounts opened with banks are permanently available to the Company and are not restricted.

14. Bank Deposits

In RON	December 31st, 2018	December 31st, 2017
Sight deposits	553,720	792,752
Attached receivables	620	96
Total bank deposits	**554,340**	**792,848**

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

15. Financial Assets

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	1,478,457,359	1,788,585,977
Shares measured at cost		6,721,546
Fund units at fair value	2,732,940	2,789,494
Total	**1,481,190,299**	**1,798,097,017**

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	1,569,695,067	6,721,546	2,386,705	1,578,803,318
2017Reclasifications				
Net variation during the period	38,451,117			38,451,117
Impairment loss	(5,366,831)			(5,366,831)
Change in fair value	185,806,624		402,789	186,209,413
December 31st, 2017	**1,788,585,977**	**6,721,546**	**2,789,494**	**1,798,097,017**
Transfer from shares measured at cost to shares valued at fair value through other comprehensive income	6,721,546	(6,721,546)		
Net variation during the period	130,456,512			130,456,512
Impairment loss				0
Change in fair value	(447,306,676)		(56,554)	(447,363,230)
December 31st, 2018	**1,478,457,359**	**0**	**2,732,940**	**1,481,190,299**

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: OMV Petrom S.A. Bucharest, BRD - Groupe Société Générale, Banca Transilvania S.A. Cluj Napoca, CNTEE Transelectrica S.A. Bucharest, SNTGN Transgaz S.A. Mediaş, S.C. Argus S.A. Constanţa, S.C. Antibiotice S.A. Iaşi.

- ***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)

15. Financial Assets *(continued)*

In RON	December 31st, 2018	December 31st, 2017
1st Tier	1,033,478,989	866,393,528
2nd Tier	269,243,692	314,181,351
3rd Tier	178,467,618	617,522,138
Total	**1,481,190,299**	**1,798,097,017**

The measurement at fair value of shareholdings (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 OPC are valued taking into account the latest unitary value of the net asset, calculated and published.

As of January 1st, 2018, the Company has applied the provisions of IFRS 9 ″Financial Instruments″. The financial statements of 2017 have not been adjusted, the Company considers that there are no major differences between IFRS 9 and IAS 39 in the sense that the valuation at fair value through other comprehensive income exists in both standards.

16. Credits and Receivables

In RON	December 31st, 2018	December 31st, 2017
Trade receivables	15,830,833	1,545,845
Debtors	736,600	1,137,911
Receivables related to the state budget and social security budget		805,842
Other receivables	4,600	1,394
Receivable impairment adjustments	(735,290)	(735,290)
TOTAL	**15,836,743**	**2,755,702**

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

17. 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
Gross value					
January 1st, 2017	**11,801,280**	**2,130,141**	**215,194**		**14,146,615**
Increases		269,180	8,496	269,180	546,856
Reductions	(385,696)	(119,528)	(2,000)	(269,180)	(776,404)
December 31st, 2017	**11,415,584**	**2,279,793**	**221,690**	**0**	**13,917,067**
Increases	1,122,773	407,569	5,237		1,535,579
Reductions	(1,190,422)	(137,973)	(18,938)		(1,347,333)
December 31st, 2018	**11,347,935**	**2,549,389**	**207,989**	**0**	**14,105,313**
Accumulated depreciation					
January 1st, 2017	**524,865**	**2,082,478**	**165,877**		**2,773,220**
Depreciation recorded during the period	390,017	27,372	13,566		430,955
Reductions or balances brought forward	(36,928)	(119,528)	(2,000)		(158,456)
December 31st, 2017	**877,954**	**1,990,322**	**177,443**	**0**	**3,045,719**
Depreciation recorded during the period	382,178	49,630	9,937		441,745
Reductions or balances brought forward	(1,190,422)	(137,973)	(18,938)		(1,347,333)
December 31st, 2018	**69,710**	**1,901,979**	**168,442**	**0**	**2,140,131**
Net carrying amount as at January 1st, 2017	**11,276,415**	**47,663**	**49,317**		**11,373,395**
Net carrying amount as at December 31st, 2017	**10,537,630**	**289,471**	**44,247**		**10,871,348**
Net carrying amount as at December 31st, 2018	**11,278,225**	**647,410**	**39,547**		**11,965,182**

The Company has no restrictions on the title deeds. Tangible assets have not been granted as guarantee. At the end of the reporting periods in 2018 and 2017, the Company did not record contractual obligations for the procurement of tangible assets (property, plant and equipment).

The last revaluation of land and buildings held was on December 31st, 2018, the revaluation differences being recorded within equity. The revaluation was performed by an authorized valuer, LERO ADVANCED CONSULTING S.R.L. Craiova, corporate member of ANEVAR under number 0016, according to contract no. 183599 of December 5th, 2018.

The management considers the net book value of land and buildings as at December 31st, 2018 to be an estimate of the fair value at the reporting date.

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

18. Investment Property

In RON	**December 31st, 2018**	**December 31st, 2017**
Balance as at January 1st	**539,637**	**483,071**
Investment property measurement	15,364	56,566
Balance as at December 31st	**555,001**	**539,637**

The last valuation of the investment property held was as at December 31st, 2018. The valuation differences were recorded in the profit or loss statement. The valuation was carried out by an authorized valuer, respectively LERO ADVANCED CONSULTING S.R.L. Craiova, corporate member of ANEVAR under number 0016, according to contract no. 183599 of December 5th, 2018.
In 2018, the revenues from investment property (rents) are in the amount of RON 104,257 (2017: RON 100,826) and the expenses (local taxes) are in the amount of RON 3,523 (2017: RON 3,591).

19. Other Assets

In RON	**December 31st, 2018**	**December 31st, 2017**
Intangible assets	2,521	2,087
Other long-term receivables	42,683	277,582
Inventories	10,549	14,830
Prepaid expenses	78,821	73,440
TOTAL	**134,574**	**367,939**

20. Dividends Payable

In RON	**December 31st, 2018**	**December 31st, 2017**
Dividends payable for the year 2013	644,780	644,780
Dividends payable for the year 2014	484,242	15,584,820
Dividends payable for the year 2015	18,079,375	18,446,071
Dividends payable for the year 2016	12,820,745	13,411,456
Dividends payable for the year 2017	10,486,813	-
Total Dividends payable	**42,515,955**	**48,087,127**

21. Taxes and Duties

In RON	**December 31st, 2018**	**December 31st, 2017**
Debts related to the Social Insurance Budget	203,938	175,664
Debts related to the State Budget	97,364,185	4,679,691
Other taxes and duties	147,380	141,975
Total	**97,715,503**	**4,997,330**

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

22. Deferred Profit Tax Liabilities

Deferred profit tax liabilities are determined by the following elements:

In RON	Assets	Liabilities	Net	Tax
December 31st, 2018				
Measurement at fair value of financial assets measured at fair value through other comprehensive income	353,778,539		353,778,539	56,604,566
Revaluation of tangible assets	9,338,439		9,338,439	1,494,150
Retained earnings representing obtained untaxed revaluation reserves	2,094,978		2,094,978	335,197
Retained earnings representing unobtained untaxed revaluation reserves	3,929,462		3,929,462	628,713
Retained earnings representing unobtained untaxed revaluation reserves – investment property	359,751		359,751	57,560
Differences from change in the fair value of financial assets measured at fair value through other comprehensive income - free shares in the balance	57,509,383		57,509,383	9,201,501
Legal reserves	11,603,314		11,603,314	1,856,530
Other reserves – dividends prescribed according to the Ordinary General Meeting of Shareholders of April 23rd, 2005	6,551,528		6,551,528	1,048,244
Other reserves	980,658		980,658	156,906
Differences from change in the fair value of financial assets measured at fair value through other comprehensive income - hyperinflation	6,380,492		6,380,492	1,020,879
TOTAL	**452,526,544**		**452,526,544**	**72,404,246**

In RON	Assets	Liabilities	Net	Tax
December 31st, 2017				
Measurement at fair value of financial assets available for sale	801,374,693		801,374,693	128,219,951
Revaluation of tangible assets	8,541,755		8,541,755	1,366,681
Retained earnings representing obtained untaxed revaluation reserves	1,772,247		1,772,247	283,560
Retained earnings representing unobtained untaxed revaluation reserves	4,005,273		4,005,273	640,844
Retained earnings representing unobtained untaxed revaluation reserves – investment property	359,751		359,751	57,560
Differences from change in the fair value of financial assets available for sale – free shares in the balance	105,635,279		105,635,279	16,901,644
Legal reserves	11,603,314		11,603,314	1,856,530
Other reserves – dividends prescribed according to the Ordinary General Meeting of Shareholders of April 23rd, 2005	6,551,528		6,551,528	1,048,244
Other reserves	980,658		980,658	156,906
TOTAL	**940,824,498**		**940,824,498**	**150,531,920**

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

23. Other Liabilities

In RON	December 31st, 2018	December 31st, 2017
Employee-related debts	403,872	616,117
Commercial debt	3,628,089	230,534
Sundry creditors		205,958
Deferred income	25,831	8,355
Provisions for risks and expenses	5,798,099	5,288,900
Total other liabilities	**9,855,891**	**6,349,864**

24. Capital and Reserves

Share capital

The share capital according to the Articles of Incorporation of the Company has a value of RON 58,016,571, it is divided into 580,165,714 shares with a face value of 0.1 RON/share and is the result of direct subscriptions made to the share capital of the Company through the transformation into shares of the amounts due as dividends under the Law no. 55/1995 and by the effect of the Law no. 133/1996.

The shares of the Company are ordinary, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders. All shares were subscribed and paid-up in full as at December 31st, 2018 and December 31st, 2017.

The right to hold shares is limited to 5% of the share capital, namely 29,008,286 shares.

During 2018 there were no changes in the number of issued shares.

Shares issued by the Company are traded on the Bucharest Stock Exchange, the Premium category on September 1st, 1999 with the SIF5 market symbol.

The record of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

The share capital according to the Articles of Incorporation is presented in the following table:

In RON	December 31st, 2018	December 31st, 2017
Statutory share capital	58,016,571	58,016,571

As at December 31st, 2018, the number of shareholders was 5,742,311 (2017: 5,748,221) which is structured as follows:

	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)

24. 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**

Reserve established under the Law no. 133/1996

The reserve for the initial portfolio was established following the application of the Law no. 133/1996, as the difference between the value of the portfolio and the value of the share capital subscribed to the Company. The reserve established following the application of the Law no. 133/1996 is as follows:

In RON	December 31st, 2018	December 31st, 2017
Reserves established following the application of the Law no. 133/1996	144.636.073	144.636.073

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. The value of the legal reserve as at December 31st, 2018 is RON 11,603,314 (2017: RON 11,603,314). In the 2018 and 2017 financial years, the Company did not set up legal reserves on profits, reaching the 20% limit of the share capital, according to the Articles of Incorporation.
Legal reserves can not be distributed to shareholders.

Dividends

According to the Ordinary General Meeting of Shareholders decisions of April 25th, 2018, in 2018 the Company has declared dividends payable in the amount of RON 40,611,600 corresponding to 2017 (2017: RON 52,214,914, dividends corresponding to 2016), respectively 0.07 RON/share for the year 2018 (2017: 0.09 RON/share).
During 2018, the Company registered as revenue dividends not claimed for more than three years from their due date, for which the right of action expired by prescription in the amount of RON 14,942,856 (2017: RON 21,141,889) according to the decisions of general assemblies.

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)

25. Other Reserves

In RON	December 31st, 2018	December 31st, 2017
Other reserves	555.210.270	521.517.906
Total	**555.210.270**	**521.517.906**

26. Earnings Per Share

In RON	December 31st, 2018	December 31st, 2017
Profit attributable to ordinary shareholders	96,259,800	74,303,964
Weighted average number of ordinary shares	580,165,714	580,165,714
Basic earnings per share	0.1659	0.1281

27. Granted Guarantees

The Company has no granted guarantees whatsoever.

28. Transactions and Balances with Parties in Special Relationships

The Company identified in the course of its business the following 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

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

28. Transactions and Balances with Parties in Special Relationships *(continued)*

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.

Holdings in these issuers were not qualified as associates due to the fact that the Company does not exercise significant influence in these companies.

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 Orșova 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

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 - Vicepreşedinte, Anina Radu, Radu Hanga, Ana- Barbara Bobirca, Nicolae Stoian, Carmen Popa.

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

The Company 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 Company 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.

29. Commitments and Contingent Liabilities

Court actions

As at December 31st, 2018, records of the Company's Legal Department list 31 cases to be in judicial phase, out of which:
- 14 cases - plaintiff;
- 11 cases - defendant;
- 3 cases - in insolvency proceedings;
- 2 cases - impleaded;
- 1 case - intervener

According to their scope of works, the causes 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.

- 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, active acquisition, operations involving shares, mergers, decisions taken in breach of the limits of competence, among defendant companies being Corealis S.A. Craiova, Prodplast S.A. Bucharest, Contactoare S.A. Buzău, Cerealcom S.A Alexandria, Sinterom S.A 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 S.A. 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 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 files an appeal which is pending before Ploieşti Court of Appeal. On December 18th, 2018, the Court rejects the appeal.

29. Commitments and Contingent Liabilities *(continued)*

- 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 Bucharest (Authority for State Assets Recovery) (currently AAAS Bucharest) 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 Bucharest to RETIZOH, 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 Bucharest has challenged the sale of the shares held in Biofarm S.A.Bucharest, appeal granted at first instance, the sentence being appealed. The Company brought forward a claim for intervention in the case. AAAS Bucharest also disputed the protocol for the distribution of the price resulting from the sale of Biofarm S.A Bucharest . shares, in which the Company is also a party, file suspended until the settlement of the first appeal of AAAS Bucharest

Last appeal by AAAS Bucharest , 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 Bucharest , which files an appeal with Dolj Regional Court. Hearing: January 16th, 2019.

- 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 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 Teleman Regional Court under file no. 483/87/2016*. Hearing: February 4th, 2019.

- Causes 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 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.

29. Commitments and Contingent Liabilities *(continued)*

- case file no. 57180/300/2015, 2nd District Bucharest Local Court, having as scope of works the appeal against foreclosure filed by AAAS Bucharest 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, Mehedinți 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 Bucharest 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 part.

During the period 01.01.2019 - 15.03.2019 the situation of the above mentioned files, which had deadlines during this period, is as follows:
- case file no. 9270/63/2017: hearing 01.04.2019;
- case file no. 7294/63/2018: on 04.03.2019 the Court admits the request of S.I.F. Oltenia S.A. and cancels the Corealis Decision on 01.04.2019. With appeal;
- case file no. 7443/63/2018: on 18.02.2019 the Court admits the request of intervention of S.I.F. Oltenia S.A. With appeal;
- case file no. 29516/215/2017: on 16.01.2019 the Court rejects the AAAS appeal;
- case file no. 483/87/2016*: hearing 01.04.2019;
- case file no. 6584/63/2014*: on 04.02.2019 the Court rejects the appeal of the claimant Buzatu Florian Teodor. With appeal;
- case file no. 7680/63/2018: hearing 18.03.2019;
- case file no. 15674/4/2018: hearing 18.04.2019;
- case file no. 57180/300/2015: on 22.02.2019 S.I.F. Oltenia S.A. appealed;
- case file no. 70/332/2017: hearing 20.03.2019.

Environmental contingencies

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

Transfer price

Romanian tax laws contain rules on transfer prices between affiliates as far back as 2000.
The current legislative framework defines the ″market value″ principle for transactions between affiliates, as well as the methods for setting transfer prices. 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.

30. Events after the Reporting Date

- 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.
- 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.

30. Events after the Reporting Date
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.

31. Basis of Preparation of the Financial Statements

IFRS 9 "Financial Instruments" - applicable as from January 1st, 2018.

Nature of the change
IFRS 9 addresses the classification, measurement and derecognition of financial instruments and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact
The Company valued its financial assets and liabilities, and the adoption of the new standard as of January 1st, 2018 had the following impact:
On December 31st, 2017, most of the Company's financial assets consisted of equity instruments in the form of shareholdings in the share capital of the various issuers that constituted the Company's portfolio (shares). Under IAS 39, these assets were classified as financial assets available for sale, whose valuation differences at the end of the period were accounted for by other comprehensive income.

As at December 31st, 2017, the Company held the following types of financial instruments that are subject to IFRS 9: equity instruments (shares), debt instruments (fund units), other assets and financial liabilities.

31. Basis of Preparation of the Financial Statements (continued)

Following the analysis for compliance with IFRS 9, the Company has decided for the subsequent valuation the following classification of financial instruments:
- equity instruments (shares) to be measured at fair value through other comprehensive income;
- debt instruments (fund units) to be measured at fair value through profit or loss.

The rest of the financial assets and liabilities are presented at amortized cost, revalued amount or historical cost.
The option to classify as equity instruments (shares) measured at fair value through other comprehensive income is found in both IAS 39 and IFRS 9.
Thus, the classification of these instruments as measured at fair value through other comprehensive income will not be affected by the new standard. Value differences will still be recorded in other items of the comprehensive income.

However, gains or losses arising from the disposal of financial assets measured at fair value through other comprehensive income under IFRS 9 will no longer be transferred to the profit or loss statement but reclassified from other comprehensive income to retained earnings.
Impairment adjustments made through the profit or loss statement for financial assets available for sale in the balance as at December 31st, 2017 to be transferred to assets measured at fair value through other comprehensive income, were transferred to ″Retained earnings from the adoption of IFRS 9″ by diminishing the reserve from the change in the fair value, amounting to RON 22,477,248.
Other assets, in the form of fund units, registered at the fair value of RON 2,789,494, were classified under the new standard as financial assets measured at fair value through the profit or loss statement.

Reserves from the change at fair value of fund units that have been transferred from financial assets available for sale to financial assets measured at fair value through profit or loss statement on the transition date have been transferred to the ″Retained earnings from the adoption of IFRS 9″, these being in the amount of RON 536,884.
Impairment adjustments made through the profit or loss statement in the amount of RON 247,407 for the fund units that were transferred from the financial assets available for sale to financial assets measured at fair value through the profit or loss statement, at the date of transition were reversed. The valuation differences that will be recorded during the financial year will directly affect the Company's profit or loss statement.
In accordance with the transitional provisions of IFRS 9, the Company has decided not to reprocess prior periods.
This was not the case for changes in fair values in the transition to IFRS 9.

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

31. Basis of Preparation of the Financial Statements *(continued)*

Changes in the classification and measurement of financial instruments as compared to 2017, as a result of the adoption of IFRS 9 as of January 1st, 2018 are as follows:

Financial asset category	**Classification of financial assets according to:**		**Closing balance as at December 31st, 2017 (IAS 39)**	**Opening balance as at January 1st, 2018 (IFRS 9)**
	IAS 39 as at December 31st, 2017	**IFRS 9 as from January 1st, 2018**		
Cash and cash equivalents (including bank deposits)	Amortized cost	Amortized cost	3,813,215	3.813.215
Debt instruments (fund units)	Financial assets available for sale (AFS)	Financial assets measured at fair value through the profit or loss statement (FVTPL)	2,789,494	2.789.494
Total debt instruments			**6.602.709**	**6.602.709**
Capital instruments	Financial assets available for sale (AFS)	Financial assets measured at fair value through other comprehensive income (FVOCI)	1,795,307,523	1.795.307.523
Total capital instruments			**1.795.307.523**	**1.795.307.523**
Other financial assets	Amortized cost	Amortized cost	3,123,641	3.123.641
Total other financial assets			**3.123.641**	**3.123.641**
Total financial assets			**1.805.033.873**	**1.805.033.873**

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