SOCIETATEA DE INVESTIŢII FINANCIARE OLTENIA S.A.

Consolidated financial statements for the period of six month concluded on June 30th, 2018

prepared in accordance with the Rule no. 39/2015 for the approval of the Accounting Regulations complying with the International Financial Reporting Standards, applicable to authorized entities, regulated and supervised by the Financial Supervisory Authority from the Financial Instruments and Investment Sector

UNAUDITED

Contents

The consolidated situation of profit and loss and other elements of the global result
for the period of 6 months concluded as of June 30th, 2018

In lei	Note	June 30th 2018	June 30th 2017
Incomes			
Incomes from dividends	7	74,749,296	40,797,889
Incomes from interests	8	43,715	49,616
Other operational incomes	9	99,119,396	96,613,217
Net earning from exchange differences	10	(96,380)	(138,747)
Net earning from selling financial assets	11	3,494,832	3,416,196
Expenses			
Commissions and administration and supervisory fees	12	(1,183,751)	(1,249,034)
Incomes from reversal of provisions for risks and charges		480,550	324,094
Other operational expenses	13	(105,918,881)	(99,822,410)
Profit before tax		**70,688,777**	**39,990,821**
Corporate tax	14	(4,842,779)	(2,925,386)
Net profit of the financial exercise		**65,845,998**	**37,065,435**
Other elements of the global result			
Variation of reserve from the tangible assets reassessment, net of delayed tax			
Net variation of reserve from the fair modification of the assessed financial assets value to the fair value by other elements of the global result		43,793,662	135,516,740
Reserve related to the difference from the fair value modification of the assessed financial assets to the fair value by other elements of the global result transfered into profit and loss, net of tax		(4,534,200)	(2,989,863)
Total global result afferent to the period		**105,105,460**	**169,592,312**
Related net profit			
Company shareholders		65,784,506	36,935,958
Minority interest		61,492	129,477
		65,845,998	**37,065,435**
Related global result			
Company shareholders		105,490,358	169,257,775
Minority interest		(384,898)	334,537
		105,105,460	**169,592,312**
Result per share	29		
Basic		0.1134	0.0637

The consolidated financial statements have been approved by the Administration Council in the meeting from 27 September 2018 and have been signed on behalf of it by:

Associate Professor PhD. Ec. Ciurezu Tudor	Associate Professor PhD. Buşu Cristian	Ec. Sichigea Elena
Chairman/General Manager	Vicepresident/Deputy General Manager	Financial Manager

The notes from pag. 6 to pag. 57 make an integral part of the consolidated financial statements.

The consolidated situation of the financial position
for the period of 6 months concluded as of June 30th, 2018

In lei	Note	June 30th 2018	December 31st 2017
Assets			
Cash and cash equivalents	15	18,370,337	9,869,368
Deposits in banks	16	53,429,343	13,030,043
Financial assets assessed at the fair value by other elements of the global result	17	1,556,770,379	1,506,578,556
Financial assets assessed at the fair value by the profit or loss account	17	3,834,510	2,284,214
Credits and claims	18	38,127,037	29,563,961
Tangible assets	19	86,609,591	87,012,073
Real-estate investments	20	93,203,002	93,360,493
Other assets	21	96,023,935	167,843,871
Total assets		**1,946,368,134**	**1,909,542,579**
Liabilities			
Payment dividends	22	88,970,251	48,791,984
Taxes and charges	23	3,322,610	7,071,981
Liabilities with the delayed tax	24	134,321,030	126,534,254
Other liabilities	25	67,746,791	137,743,812
Total liabilities		**294,360,682**	**320,142,031**
Equities			
Share capital	26	58,016,571	58,016,571
Adjustments of the share capital		103,806,500	103,806,500
Other elements of equities		640,808,133	619,775,291
Reserves from tangible assets related		38,901,297	39,562,594
Legal and statutory reserves		28,144,283	27,963,377
Other reserves	27	735,511,972	701,904,709
The reported result representing the unpartitioned profit or uncovered loss		(18,755,201)	(11,100,021)
The reported result due to IAS 29 over the share capital and reserves		(158,148,438)	(158,148,438)
The reported result duet o IAS without IAS 29		127,081,911	103,510,150
Current profit		65,784,506	71,690,366
Total equities attributable to the mother company		**1,621,151,534**	**1,556,981,099**
Minority interest			
From which:	28	**30,855,918**	**32,419,449**
Profit or loss of the financial exercise afferent to the interest which fail to control		61,492	255,505
Other equities		30,794,426	32,163,944
Total equities		**1,652,007,452**	**1,589,400,548**
Total liabilities and equities		**1,946,368,134**	**1,909,542,579**

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Chairman/General Manager	Vicepresident/Deputy General Manager	Financial Manager

The notes from pag. 6 to pag. 57 make an integral part of the consolidated financial statements.

The consolidated situation of the equities modifications
for the period of 6 months as of June 30th, 2018

- lei –

	Inflated share capital	Reserves from the tangible assets reassessment	Legal and statutory reserves	Other reserves	Reserves from the assessment of financial assets assessed at the fair value by other elements of the global result	Other elements of equities	Reported result duet o IAS 29 over the share capial and reserves	Cumulated profit	Total equities attributable to the mother company	Minority interests	TOTAL
BALANCE AT JANUARY 1ST, 2018	**161,823,071**	**39,562,594**	**27,963,377**	**701,904,709**	**624,978,826**	**(5,203,535)**	**(158,148,438)**	**164,100,495**	**1,556,981,099**	**32,419,449**	**1,589,400,548**
GLOBAL RESULT											
Financial exercise profit								65,784,506	65,784,506	61,492	65,845,998
Other elements of the global result											
1. Variation of the reserve from the tangible assets related net of delayed tax		(135,321)						135,321			
2. Net variation of the reserve from fair value modification of related financial assets to the fair value by other elements of the global result					44,043,414	7,281			44,050,695	(257,033)	43,793,662
3. The afferent reserve to the difference from fair value modification of related financial assets to the fair value by other elements of the global result transfered into profit or loss net of tax					(4,344,843)				(4,344,843)	(189,357)	(4,534,200)
4. Transfer of reserve at the reported result due to IFRS 9					(18,607,490)			18,607,490			
TOTAL GLOBAL RESULT afferent to the period	**0**	**(135,321)**	**0**	**0**	**21,091,081**	**7,281**	**0**	**84,527,317**	**105,490,358**	**(384,898)**	**105,105,460**
Afferent delayed tax to the result reported as a surplus of related unachieved and taxed								53,290	53,290		53,290
Other reserves – own financing sources			129,886	34,346,137		(122,122)		(34,476,023)	(122,122)		(122,122)
Other elements of equities (delayed tax afferent to the reserves)											
Other transfers (reported result)		(702,094)	51,020			65,921		(353,403)	(938,556)		(938,556)
Cover of reported result from hyperinflation update											
Transactions with shareholders known directly in the equities											
1. Dividends prescribed according to the law – transfer into the profit or loss account from other reserves											
2. Payment dividends afferent to 2017								(43,314,276)	(43,314,276)		(43,314,276)
3. Afferent variation of branches				(622,624)				2,991,676	2,369,052		2,369,052
4. Increase/decrease participation interests in branches		176,118		(116,250)		(9,319)		582,140	632,689	(1,178,633)	(545,944)
TOTAL TRANSACTIONS WITH SHAREHOLDERS KNOWN DIRECTLY IN EQUITIES	**0**	**176,118**	**0**	**(738,874)**	**0**	**(9,319)**	**0**	**(39,740,460)**	**(40,312,535)**	**(1,178,633)**	**(41,491,168)**
BALANCE AT JUNE 30TH, 2018	**161,823,071**	**38,901,297**	**28,144,283**	**735,511,972**	**646,069,907**	**(5,261,774)**	**(158,148,438)**	**174,111,216**	**1,621,151,534**	**30,855,918**	**1,652,007,452**

The consolidated financial statements have been approved by the Administration Council in the meeting from 27 September 2018 and have been signed on behalf of it by:

Associate Professor PhD. Ec. Ciurezu Tudor	Associate Professor PhD. Bușu Cristian	Ec. Sichigea Elena
Chairman/General Manager	Vicepresident/Deputy General Manager	Financial Manager

Notele de la pag. 6 la pag. 57 fac parte integrantă din situațiile financiare consolidate.

The consolidated situation of the equities modifications
for the period of 6 months as of June 30th, 2017

- lei –

	Inflated share capital	Reserves from the tangible assets reassessment	Legal and statutory reserves	Other reserves	Reserves from the assessment of financial assets assessed at the fair value by other elements of the global result	Other elements of equities	Reported result duet o IAS 29 over the share capial and reserves	Cumulated profit	Total equities attributable to the mother company	Minority interests	TOTAL
BALANCE AT JANUARY 1ST, 2017	**793,612,219**	**40,580,683**	**27,767,864**	**2,461,325,656**	**499,423,183**	**(5,151,611)**	**(2,596,780,323)**	**187,031,111**	**1,407,808,782**	**32,017,726**	**1,439,826,508**
GLOBAL RESULT											
Profit of the financial exercise								36,935,958	36,935,958	129,477	37,065,435
Other elements of the global result											
1. Variation of the reserve from the tangible assets related net of delayed tax		(298,604)						298,604			
2. Net variation of the reserve from modifying the fair value of available financial assets for sale					135,311,680				135,311,680	205,060	135,516,740
3. Afferent reserve to the difference from modifying the fair value of available financial assets for sale transfered into profit or loss net of tax					(2,989,863)				(2,989,863)		(2,989,863)
TOTAL GLOBAL RESULT afferent to the period	**0**	**(298,604)**	**0**	**0**	**132,321,817**	**0**	**0**	**37,234,562**	**169,257,775**	**334,537**	**169,592,312**
Afferent delayed tax to the result reported as a surplus of related unachieved and taxed						12,280		62,987	75,267		75,267
Other reserves - own financing sources			11,419	342,511				(353,930)			
Other elements of equities (delayed tax afferent to the reserves)											
Other transfers (reported result)		(561,868)	113,430	(2,174,352)	(498,620)	4,435		4,016,621	899,646		899,646
Cover of reported result from hyperinflation update	(631,852,524)			(1,806,779,361)			2,438,631,885				
Transactions with shareholders known directly in equities											
1. Dividends prescribed according to the law – transfer into the profit or loss account from other reserves											
2. Payment dividends afferent to 2016								(3,112,275)	(3,112,275)		(3,112,275)
3. Afferent variation of branches								2,521,870	2,521,870		2,521,870
4. Increase/decrease participation interests in branches	12,864	(29,310)		963,240		(1,133)		835,835	1,781,496	(1,589,057)	192,439
TOTAL TRANSACTIONS WITH SHAREHOLDERS KNOWN DIRECTLY IN EQUITIES	**12,864**	**(29,310)**	**0**	**963,240**	**0**	**(1,133)**	**0**	**245,430**	**1,191,091**	**(1,589,057)**	**(397,966)**
BALANCE AT JUNE 30TH, 2017	**161,772,559**	**39,690,901**	**27,892,713**	**653,677,694**	**631,246,380**	**(5,136,029)**	**(158,148,438)**	**228,236,781**	**1,579,232,561**	**30,763,206**	**1,609,995,767**

The consolidated financial statements have been approved by the Administration Council in the meeting from 27 September 2018 and have been signed on behalf of it by:

Associate Professor PhD. Ec. Ciurezu Tudor — Chairman/General Manager

Associate Professor PhD. Bușu Cristian — Vicepresident/Deputy General Manager

Ec. Sichigea Elena — Financial Manager

The notes from pag. 6 to pag. 57 make an integral part of the consolidated financial statements.

The consolidated situation of treasury flows

for the period of 6 months concluded as of June 30th, 2018

lei

Element name	Reporting period	
	June 30th, 2018	**June 30th, 2017**
A	**1**	**2**
Treasury flows from exploitation activities		
Cashing from clients, other cashing	124,118,013	102,676,537
Cashing from sales of financial investments (participation titles)	9,315,180	14,079,338
Payments for shares purchase	(10,369,387)	(35,394,028)
Payments to providers and employees, other payments	(45,842,552)	(65,210,816)
Payments to the state budget, social insurances budget and local budget	(11,339,447)	(12,064,849)
Cashed interests	16,185	50,425
Cashed dividends	65,256,216	32,489,270
Paid interests	(2,004,581)	(795,282)
Paid income tax	(5,177,068)	(4,857,666)
Cashing from insurance against earthquakes		
Net cash from exploitation activities	**123,972,559**	**30,972,929**
Treasury flows from investment activities:		
Payments for tangible assets purchase	(1,520,345)	(1,954,727)
Cash from tangible assets sales	535,046	586,888
Net cash from investment activities	**(985,299)**	**(1,367,839)**
Treasury flows from financing activities:		
Cashing from shares issuance	0	15,192,440
Cashing from short-term loans	11,590,566	54,153,933
Reimbursements short-term loans	(80,650,790)	(112,159,246)
Cashing from long-term loans	0	0
Reimbursement from long-term loans	(1,050,000)	(1,354,743)
Payment of afferent debts to the financial leasing	(9,228)	(5,922)
Paid dividends	(1,542,893)	(2,977,993)
Downpayments to The Central Deposit for dividend payments	(1,991,366)	(702,608)
Paid tax for dividends	(456,618)	(642,197)
Net cash from financing activities	**(74,110,329)**	**(48,496,336)**
Net increase of treasury and cash equivalence	**48,876,931**	**(18,891,246)**
Cash and cash equivalence at the start of the financial exercise - January 1st	**22,888,220**	**69,765,643**
Cash and cash equivalence at the end of the financial exercise – June 30th	**71,765,151**	**50,874,397**

Within the structure of the treasury and the treasury equivalence, the balance of the following accounts are herewith comprised: 508, 5121, 531, 532, (exclusive the interest to be cashed).

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Chairman/General Manager	Vicepresident/Deputy General Manager	Financial Manager

The notes from pag. 6 to pag. 57 make an integral part of the consolidated financial statements.

1. THE REPORTING ENTITY

Societatea de Investiții Financiare Oltenia S.A. („The company") has been established on November 1st, 1995 in Craiova – Romania, a successor of The Private Property Fund V Oltenia, reorganized and transformed in accordance with the provisions of the Law no. 133/1996, law for transformation of Private Property Funds in financial investment companies.

The company is classified within the category of Administrators for Alternative Investment Funds (AFIA) authorized by The Financial Supervisory Authority ("ASF") with number 45/15 February 2018 and operates in respect of the provisions of the Law no. 74/2015 on administrators of alternative investment funds, Law no. 24/2017 on the issuers of financial instruments and market operations, Law no. 297/2004 on capital market, with further completions and amendments and the Law no. 31/1990R on companies.

The company is self-administrated and has its headquarters in Craiova, str. Tufănele nr. 1, cod poștal 200767, județul Dolj.

The company is registered at The Trade Register Office nearby Dolj Court with number J16/1210/1993 and the Tax Code 4175676, fiscal attribute RO.

The company shares are subscribed at Bucharest Stock Exchange share, Premium category, with market symbol SIF 5, starting with November 1st, 1999.

The evidence of shares and shareholders of the company is kept under the law by Depozitarul Central S.A. Bucharest.

The depositing activity foreseen by the regulation and rules of CNVM / ASF is insured by Raiffeisen Bank S.A. as of January 22nd, 2014, till this very date, with the depositing activity being kept by ING Bank NV Amsterdam – Bucharest Branch.

According to the articles and memorandum of association, the company has the following activity objective:

a) administering and managing shares at companies for which treasury stocks have been issued, according to the Ownership Certificates and Privatized Nominative Cupons subscribed by citizens in accordance with the provisions of art. 4 p. 6 from the Law no. 55/1995;

b) administering and managing own portfolio of securities and performing securities investments in accordance with the current regulations;

c) risk management;

d) other alike and auxiliary activities from the collective management.

The subscribed and paid share capital is of 58,016,571 lei, divided in 580,165,714 shares with a nominal value of 0.1 lei / share.

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

The consolidated financial statements for the period concluded as of June 30th, 2018, comprise the company and its branches (hereinafter called "the group") and are not audited.

The basic activities of the group are represented by the financial investments activity developed by the company, as well as the activities developed by the branches, which belong to some different sectors from the activity, as in: food, toursim, leases etc.

2. THE ESTABLISHMENT BASIS

a) The conformity statement

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

2. THE ESTABLISHMENT BASIS (continued)

a) The conformity statement (continued)

In accordance with the provisions of the regulation no. 1606/2002 of The European Parliament and The European Union Council from July 19th, 2002, as well as the Law no. 24/2017 – regarding the issuers of financial instruments and market operations, the company has the obligation to establish and submit to ASF yearly consolidated financial statements, in accordance with the International Financial Reporting Standards adopted by the European Union („IFRS"), in terms of no more than 4 months from the closure of the financial exercise and ensuring their availability for at least 10 years-time.

The consolidated financial statements of the group as of December 31st, 2017 have been established, approved and made available to the public on April 25th, 2018. These can be viewed electronically on the company website: www.sifolt.ro, at the section "Investors info / Reports / Periodical Reports".

Likewise, under the same regulations, the company establishes quarterly consolidated accounting report in accordance with the IFRS and ensures its availability for at least 10 years.

The quarterly consolidated accounting reporting is established and submitted to ASF in terms of no later than 3 months after the quarter end. This will be established, approved by The Administration Council and made available to the public electronically on the company website: www.sifolt.ro, section "Investors info / Reports / Periodical Reports".

The accounting evidence of the group are stated in lei.

The main specific adjustments of the consolidation are as follows:

- removal from the position of the financial situation of participation titles held by the companies from the group;
- removal of transactions with participation titles from within the group and the fair value adjustments as well;
- recording the identified commercial fund as difference between the purchase value and the market value of titles held by the companies from the group;
- removal from the situation of profit or loss account and other elements of the global results in terms of incomes from dividends at the gross value settled within the group;
- removal of balances, transactions, incomes and expenses from within the group;
- minority intersts are presented in the consolidated financial situation position as an equity element, separated from the equities of the mother company and representing the share part held by it in the equity's elements and profits from the group companies.

December 31st, 2015 is the transaction date at IFRS as an accounting basis by the company, date from which by retreatment, the determined accounting operations have also been carried out and recorded from CNVM regulation no. 4/2011 to accounting regulations according to IFRS.

The accounting evidence of the company branches are stated in lei, in accordance with the Romanian accounting regulations ("RCR"). These acounts are retreated to reflect the existent differences between the accounts according to RCR and IFRS. Corresponsively, the RCR accounts are adjusted if appropriate, to harmonize the consolidated financial statements, in all significant aspects with IFRS.

Besideds the adjustments specific to the consolidation, the main retreatment of financial information comprised in financial statements are established in accordance with RCR, to be in line with the IFRS requirements consisting in:

- grouping more elements into more comprising categories;
- adjusting active elements and equities according to IAS 29 *„Financial reporting in hyperinflationist economies "*, because the Romanian economy has been a hyperinflationist economy till December 31st, 2003;

2. THE ESTABLISHMENT BASIS (continued)

a) The conformity statement (continued)

- adjustment in the profit or loss account to record incomes from dividends upon stating and at the gross value;
- adjustment of the real-estate investments for their assessment to the fair value according to IAS 40 "*Real-estate investments*";
- adjustments of the tangible assets for their assessment according to the accounting policies of the group and according to IAS 16 *"tangible assets"*;
- adjustments to recognise claims and liabilities regarding the delayed tax according to IAS 12 "*tax";*
- presentation requirements according to IFRS.

b) Presenting the financial statements

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

The group adopted a presentation based upon liquidity within the consolidated situation financial position, and the presentation of incomes and expenses have been done in report with their nature within the consolidated situation of profit or loss and other elements of the global result. These methods of presentation have been considered to give information which are credible and more relevant than the ones which should have been presented based upon other methods allowed by IAS 1 *"Presentation of financial statements"*.

c) The functional and presentation currency

The group management considers that the functional currency is that as defined by IAS 21 *"The effects of currency exchange rate variation"* that being the Romanian leu (lei). The consolidated financial statements are established in lei, rounded at the closest leu, with the currency which the group management chosed as presentation currency.

d) Assessment basis

The consolidated financial statements are established under the fair value convention for assets and financia liabilities at fair value by profit or loss account and for the assessed financial assets to the fair value by other elements of the global result, except those for which the fair value cannot be established in a credible manner.

Other assets and financial liabilities, as well as the assets and non-financial liabilities are presented at a liquidated cost, reassessed value or historical cost.

e) The use of estimates and judgements

The preparation of financial statements in accordance with the regulation 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 Supervision Authority of the Financial Instruments and Investments Sector requires the Group's management to use estimates, judgments and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses.

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

2. THE ESTABLISHMENT BASIS (continued)
e) The use of estimates and judgements (continued)

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

3. THE CONSOLIDATION BASIS
a) Branches

The branches/subsidiaries are entities under the control of the Company. Control exists when the Company is exposed or has rights to variable returns based on its participation in the entity in which it invested and has the ability to influence that income through its authority over the investee.
Upon assessment, the potential or convertible voting rights that are exercisable at that time are also considered.
The financial statements of the branches are also included in the consolidated financial statements from the time the control begins and until it ceases. The accounting policies of the Group's branches have been amended to align them with those of the Group.
Companies where the Company holds more than 50% of the share capital of the Issuer are in the amount of 11 (eleven).
Within the consolidation perimeter, all 11 (eleven) companies have been comprised where the holding is over 50% of the voting rights, as follows:

Item no.	Company Name	Address	CUI	Trade Register No.	% held by SIF on 30.06.2018	% held by SIF on 31.12.2017
1	ALIMENTARA S.A. SLATINA	STR. ARINULUI NR.1, JUD. OLT	1513357	J28/62/1991	52.24	52.24
2	TURISM S.A. PUCIOASA	STR. REPUBLICII NR.110 , JUD. DAMBOVITA	939827	J15/261/1991	69.22	69.22
3	PROVITAS S.A. BUCURESTI	B-DUL UNIRII NR. 14, BL. 6C, SECT. 4, Bucharest	7965688	J40/10717/1995	70.28	70.28
4	UNIVERS S.A. RM.VALCEA	STR.REGINA MARIA NR.4, JUD. VALCEA	1469006	J38/108/1991	73.75	73.75
5	CONSTRUCTII FEROVIARE S.A. CRAIOVA	ALEEA I BARIERA VALCII NR.28, JUD. DOLJ	2292068	J16/2209/1991	77.50	77.50
6	FLAROS S.A. BUCURESTI	STR. ION MINULESCU 67-93 SECTOR 3, Bucharest	350944	J40/173/1991	81.04	81.04
7	ARGUS S.A. * CONSTANTA	STR. INDUSTRIALA NR. 1, JUD. CONSTANTA	1872644	J13/550/1991	86.34	86.34
8	GEMINA TOUR S.A. RM.VILCEA	STR. STIRBEI VODA NR. 103, JUD. VALCEA	1477750	J38/876/1991	88.29	88.29
9	MERCUR S.A. CRAIOVA	STR. CALEA UNIRII NR.14, JUD. DOLJ	2297960	J16/91/1991	97.86	97.86
10	VOLTALIM S.A. CRAIOVA	B-DUL DACIA NR. 120 A, JUD. DOLJ	12351498	J16/698/1999	99.19	99.19
11	COMPLEX HOTELIER DAMBOVITA S.A.	B-DUL LIBERTATII NR. 1, JUD. DAMBOVITA	10108620	J15/11/1998	99.94	99.94

3. THE CONSOLIDATION BASIS (continued)

a) Branches (continued)

* Argus SA Constanța holds participations at: Comcereal S.A. Tulcea, Aliment Murfatlar SRL and Argus Trans SRL which were not included in the financial statements of the company and which do not represent a significant influence over them.

On June 30, 2018, the eleven companies included in the consolidation perimeter account for 15.24% (December 31, 2017: 18.15%) in the total assets of the Company and 15.99% respectively (31 December 2017: 18.70%) in the net asset and were consolidated by the global integration method.

The core activities of the Company and the companies included in the consolidation perimeter are represented by the financial investment activity of the Company and the activities of the respective companies, mainly represented by the following sectors: food, tourism, lease, etc.

The Company management has classified from 1 January 2018 all portfolio securities in the financial assets' category at fair value through other elements of the global result except for fund units that are measured through profit or loss.

b) Associated entities

The associated entities are those companies where the group can exercise a significant influence, but not the control over the operational and financial policies.

The participations in which the Group holds between 20% and 50% of the voting rights but over which they have no significant influence are classified as financial assets at fair value through other elements of the global result.

After the quantitative and qualitative criteria analysis presented in IAS 28 - *"Investments on associated entities and participation associations",* the group has concluded that it does not hjold investments in associated entities on June 30, 2018 and December 31, 2017.

c) Transactions removed at consolidation

The settlements and transactions within the group, as the unperformed profits resulted from transaction within the group, are totally removed from the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies represent the principles, basis, conventions, regulations and specific practices applied by the group upon the establishment and presentation of financial statements.

The accounting policies presented hereinafter have been consequently applied over all periods presented in the consolidated financial statements established by the group.

a) Transactions in foreign currency

The transactions expressed in foreign currency are initially recorded in lei at the official exchange rate from the date of transactions. The monetary assets and liabilities recorded in the foreign exchange upon the establishment of the consolidated financial statement in that position are transformed in the functional currency at the exchange rate from the respective day. The earning and losses from their settlement and from the conversion using the exchange rate from the end of the financial exercise of assets and monetary liabilities denominated in the foreign currency are known in the profit or loss account, except the ones which were known in equities due to the recording in accordance with the cover accounting of risks.

The conversion differences over the elements in kind of participations held at fair value by profit or loss account, are presented as earnings or losses from the fair value. The conversion differences over the elements in kind of the financial instruments assessed at the fair value through other elements of the global result, are included in the reserve from fair value modification of these financial instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Transactions in foreign currency (continued)

The foreign currency exchange rate, reported to lei, used at the reporting date are as follows:

Currency	June 30, 2018	December 31, 2017	Variation
EUR	4.6611	4.6597	+ 0.03%
USD	4.0033	3.8915	+ 2.87%

b) Accounting the hyperinflation effect

According to IAS 29 *"Financial reporting in hyperinflationist economies"*, the financial statements of a company of which functional coin is that of an hyperinflationist economy, should be presented in terms of current buying power of the coin at the establishment date in the position of the financial statement, meaning the non-monetary elements are retreated by applying the general index of prices from the date of purchase or contribution. IAS 29 stipulates that an economy is considered hyperinflationist if, amongst other factors, the cumulated rate of the inflation exceeds 100% during a period of three years.

The continued fall in inflation rates and other factors related to the economic environment in Romania indicate that the economy has ceased to be hyperinflationary with effect on financial periods beginning on 1 January 2004. Therefore, IAS 29 was adopted in the preparation of the consolidated financial statement until 31 December 2003.

Thus, the amounts expressed in the current measurement unit as of December 31, 2003 are treated as the basis for the accounting values reported in the consolidated financial statements and are not valued, replacement cost or any other measurement of the current value of the assets or prices at which the transactions would happen at this moment.

For the preparation of the consolidated financial statements, the Group has adjusted the following items to be expressed in the current measurement unit at 31 December 2003:

- the share capital and elements in kind of the reserves;
- available financial assets available for sale at a cost for which there is no active market or the market is not active.

c) Cash and cash equivalence

Cash includes home and bank deposits and sight deposits.

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

In preparing the cash flow statement, the Group considers cash and cash equivalents: cash, current accounts with banks and deposits with an initial maturity of less than 90 days.

d) Assets and financial liabilities

January 1, 2018 is the date of transition to the application of IFRS 9 "Financial Instruments" (IFRS 9). It replaces the existing IAS 39 "Financial Instruments: Recognition and Measurement" provisions.

The main changes in accounting policies resulting from the application of IFRS 9 are:

- Financial assets are classified into three measurement categories: those that will subsequently be measured at depreciation cost, those that are subsequently measured at fair value through other elements of the global result (FIFs) and those that will be subsequently measured at fair value through profit or loss (FVTPL);

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
d) Assets and financial liabilities (continued)

- Classification of debt securities are determined by the entity's business model for the management of financial assets and contractual cash flows representing only principal and interest payments (SPPIs). If a debt instrument is held to be cashed, it can be valued at the depreciated cost if it also meets the SPPI requirement.
Debt instruments that meet the requirement of SPPI, held in a portfolio by an entity, both to collect asset cash flows and to sell assets, can be classified as FIVI. Financial assets that do not contain cash flows that are SPPIs should be measured at FVTPL (eg: derivatives). Embedded derivatives are no longer separated from financial assets but will be included in the assessment of the SPPI status;
- Investments in equity instruments are always measured at fair value. In initial recognition, management may make an irrevocable choice to present fair value changes in other elements of the global result, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss;
- Elimination of impairment testing of equity instruments (shares);
- Recognize in retained earnings on share sale transactions, measured at fair value through other elements of the global result;
- Most of the requirements in IAS 39 for Classification and Valuation of Financial Liabilities have been carried forward unchanged in IFRS 9. The key change is that an entity should disclose the effects of changes in the credit risk of financial liabilities designated at fair value through profit or loss in other elements of the global result.

As at 31 December 2017, most of the Company's financial assets consisted of equity instruments in the form of shareparticipations in the various issuers that constituted the Company's (equity) portfolio. Under IAS 39, these assets were classified as available-for-sale financial assets, whose valuation differences at the end of the period were accounted for by other elements of global result.

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

The Company adopted IFRS 9 from 1 January 2018.

Following the analysis for compliance with IFRS 9, the Company has decided for the subsequent valuation of the following classification of financial instruments:
- Equity instruments (equity) are valued at fair value through other elements of global results (FIV);
- debt instruments (fund units) are valued at fair value through profit or loss (FVTPL).

The rest of the financial assets and liabilities are stated at depreciated cost.

The option to classify as equity instruments (equities) measured at fair value through other elements of the global result is reflected in both IAS 39 and IFRS 9.

Therefore, the classification of these instruments at fair value through other elements of the global result will not be affected by the new standard. Value differences will still be recorded in other elements of the global result.

Impairment adjustments made through the profit and loss account for available-for-sale financial assets at 31 December 2017 that were transferred to assets measured at fair value through otherelements of the global results, were transferred to "Retained earnings from IFRS 9 "by diminishing the reserve from the change in fair value.

e) Other assets and financial liabilities

Other assets and financial liabilities are assessed at the depreciated cost using the method of the effective debt minus any loss by depriciation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Assets held for sale

The fixed assets and the groups destined to cease are classified as held for sale if their accounting value will be recovered mainly by a sale operation and not by their continuous use. This condition is considered as being fulfilled inly when the sale is probable and it is estimated to be finalized in more than one year from classification date, and the assets are available for immediate sale, as presented in the respective moment.

g) Intangible assets

The intangible assets are assessed initially at cost. After the initial recognition, an intangible asset is accounted at the cost minus the cumulated depreciation and any loss by the cumulated depreciation.

- ***Further expenses***

Further expenses are capitalized only when they increase the value of the future economic benefits incorporated in the designated asset. All other expenses, including the expenses for the deprecation of the commercial fund and the marks internally generated, are recognized in the profit or loss account when they are supported.

- ***Depreciation of the intangible assets***

The depreciation is calculated for the cost of the asset or another value which substitutes the cost, minus the residual value. The depreciation is known in th profit or loss account using the linear method for the useful lifetime estimated for the intangible assets, from the date when available for use, with this method reflecting the most appropriate way foreseen to consume the economic benefits incorporated in the asset.

The useful lifetime estimated for the current period and the comparative periods are:

- informational programs 3 ani.

Depreciation methods, useful lifetimes and resudal values are reviewed at each end of the financial year and are properly adjusted.

h) Tangible assets

- ***Recognition and assessment***

Tangible assets recognised as assets are initally assessed at the purchase price (for those bought with onerous title), at the purchase value (for those received as a contribution in kind to the constitution / increase of share capital), respectively at the fair value from the date of acquiring for the ones received free.

The cost of an element of tangible assets is formed from the purchase price, including the unrecoverable taxes, after deducing any price discounts of commercial kind and any costs which may be attributed directly to the asset brought to the location and under the necessary condition for which it can be used for the established purpose by the management, as in: expenses with employees resulting directly from the construction or purchase of the asset, emplacement expenses, initial delivery and handling expenses, commissioning and assembly expenses, professional honorariums.

The tangible assets are classified by the group in the following asset classes of the same kind with the following similar uses:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Tangible assets (continued)

- areas and constructions;

- technical installs and transportation mean;

- other installs, machineries and furniture.

- ***Assessment by recognition***

For the later recognition, the group adopted the model of reassessment.

After recognition as an asset, tangible and intangible assets whose fair value can be measured reliably are accounted at a reassessed amount, i.e. the fair value at the date of reassessment minus any subsequent accumulated depreciation and any accumulated impairment losses. Other tangible assets are measured at cost less cumulative depreciation and any impairment losses.

Reassessments should be done with sufficient regularity to ensure that the accounting value does not differ materially from what would have been determined by using fair value at the end of the reporting period.

If an item of property, plant and equipment is reassessed, then the entire group of property, plant and equipment to which that asset belongs is subject to reassessment.

If the accounting value of an asset is increased as a result of a reassessment, the increase is recognized in other elements of the global result and accrued in equity as reassessment surplus.

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

If the accounting value of an asset is reduced as a result of a reassessment, that decrease is recognized in profit or loss.

However, the impairment will be recognized in other elements of the global result to the extent that the reassessment surplus has a credit balance for that asset. Transfers from reassessment surplus to retained earnings are not carried out through profit or loss.

Land and buildings are reassessed at reassessed amount, which is the fair value at the reassessment date less cumulative depreciation and impairment losses. Reassessments are carried out by specialized evaluators, members of the National Association of Evaluators in Romania (ANEVAR). The reassessment frequency is dictated by the dynamics of the markets owned by the Group's land and buildings.

- ***Further expenses***

Expenses with maintenance and daily repairs related to tangible assets are not capitalized, they are recognized as costs of the period in which they are incurred. These costs consist mainly in labor and consumable expenditures and may include the cost of low value components.

Expenses for the maintenance and repair of property, plant and equipment are recorded in the income statement when incurred.

Significant improvements in tangible assets that increase their value or their useful lives or significantly increase the ability to generate economic benefits by them are capitalized.

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

- ***Depreciation***

Depreciation is calculated at the accounting value (acquisition cost or revalued amount minus residual value). Depreciation is recognized in the income statement using the straight-line method over estimated useful lives for property, plant and equipment (less land and plant in progress).

Depreciation is recorded as of the date they are available for use, for the business they are intended for, this way reflecting in the most accurate manner the expected pattern of consumption of the economic benefits embodied in the asset.

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

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

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

- construction 12-75 years
- technical installations and means of transportation 2-20 years
- other installations, equipment and furniture 2-15 years

At Voltalim SA Craiova, there are registered use times over those stipulated in the legislation. These durations were established following the works' reassessment works by the evaluators.

- ***Accounting treatment of the surplus from reassessment***

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

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

- ***Impairment***

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

At each reporting date, the Group has to verify whether there are indications of impairment of the assets. If such indices are identified, the Group should estimate the recoverable amount of the asset.

If the accounting value of an asset is diminished as a result of a reassessment, that impairment should be recognized in profit or loss. However, the decrease should be recognized in other elements of the global result to the extent that the reassessment surplus has a credit balance for that asset. The recognized impairment in other elements of the global result decreases the cumulative amount in equity as a reassessment surplus.

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

The lands are not to be impaired. The impairment of other tangible goods is calculated using the method of linear depreciation, allocating the costs afferent to the residual value, in concordance with the afferent lifetime.

- ***Derecognition***

The accounting value of an item of property, plant and equipment is derecognized (eliminated from the consolidated statement of financial position) upon disposal or when no future economic benefits are expected from its use or disposal.

Tangible assets that are scrapped or sold are removed from the balance sheet together with the appropriate cumulative depreciation. The gain or loss resulting from the derecognition of an item of property, plant and equipment is included in the current profit or loss account when the item is derecognised.

i) Real-estate investments

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

- be used in the production or supply of goods or services or for administrative purposes; or

- be sold during the normal course of business.

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

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

- ***Recognition***

A real estate investment is recognized as an asset if and only if:

- It is likely that a future economic benefit associated with real estate investment will enter the Group.

- the cost of real estate investment can be determined reliably.

- ***Assessment***

Initial assessment

A real estate investment 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, property transfer fees and other transaction costs).

Further assessment

The Group's accounting policy for the subsequent valuation of real estate investments is based on the fair value model. This policy is applied uniformly to all real estate investments.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
i) Real-estate investments (continued)

The assessment of fair value of real estate investments is carried out by ANEVAR assessors. Fair value shall be based on market price quotations, adjusted, where appropriate, to reflect differences in the nature, location or conditions of that asset. These assessments are periodically reviewed by the Group's management.

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

The fair value of real estate investments reflects market conditions at the balance sheet date.

- ***Transfers***

Transfers from and in the category of real estates also need to be done only when there is a modification in the evidenced asset use byTransferurile în şi din categoria investiţiilor imobiliare trebuie făcute atunci şi numai atunci când există o modificare in utilizarea activului evidenţiată de:

- the start of Group use - for transfers in the category of real estate investments in the category of property, plant and equipment used by the Group;

- start of the sales process - for transfers in the category of real estate investments in the category of held-for-sale stocks, accounted for in accordance with IFRS 5;

- Termination of use by the Group - for transfers in the category of property, plant and equipment used by the Group in the category of real estate investments;

- start of an operating lease with another party - for transfers in the category of stocks in the category of real estate investments.

For the transfer of real estate assessed at a fair value to tangible assets, the implicit cost of the asset for subsequent accounting purposes will be its fair value at the date of use change.

- ***Derecognition***

The accounting value of an investment property is derecognised on disposal or when the investment is definitively withdrawn from use and no future economic benefits from its disposal are expected.

Gains or losses arising from the disposal or disposal of a real estate investment shall be determined as the difference between the net disposal proceeds and the accounting value of the asset and shall be recognized in profit or loss at the time of disposition or disposal.

j) Stocks

Stocks are assets held for sale in the ordinary course of business, assets in progress to be sold in the ordinary course of business, or assets in the form of raw materials, materials and other consumables to be used in the production process or for the provision of services.

Inventories are measured at the lower of cost and net achievable 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
j) Stocks (continued)

The net achievable value is the estimated selling price that could be obtained in the ordinary course of business, less estimated costs for completion of the good and estimated costs for the sale. The cost of non-fungible stocks and of goods and services produced for and intended for separate orders is determined by specific identification of individual costs. For stocks, the cost is determined using the first-come, first-out (FIFO) method.

k) Impairment of assets others than the financial ones

The accounting value of the Group's non-financial assets, other than deferred tax assets, is reviewed at each reporting date to determine the existence of impairment. If such indices exist, the recoverable amount of those assets is estimated.

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

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

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

l) Share capital

The share capital is formed from ordinary, indivisible, nominative, equal-valued, issued shares in dematerialized form and grants equal rights to their holders.

m) Provisions

Provisions are recognized in the income statement when the Company has a present (legal or constructive obligation) arising from a past event when an outflow of resources embodying 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 liability at the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)
m) Provisions (continued)

Provisions are reviewed at the end of the reporting period and adjusted to reflect the best current estimate. If the provision of resources embodying economic benefits is no longer probable, the provision must be canceled.

No allowances are recognized for the costs that are incurred for the conduct of business in the future.

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

n) Employee benefits

- ***Short-term benefits***

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

Obligations with short-term employee benefits are not updated and are recognized in the income statement as the related service is provided.

Short-term employee benefits are recognized as expense when services are rendered. A provision is recognized for the amounts that are expected to be paid in the form of short-term cash bonuses or employee participation schemes, provided that the Group has a legal or constructive obligation to pay such amounts as a result of past service rendered by the employees and if the respective obligation can be estimated reliably.

Besides salaries and other wage rights, according to the company's (constitutive) agreement and the collective labor contract, administrators, directors with a mandate agreement and employees of the company have the right to receive incentives in the form of bonuses representing the participation of the staff to profit. This obligation is recognized first in the profit or loss account of the financial year in which profit was realized in the form of provisions for employee participation in profit and premiums to be paid and will be distributed after approval by the general meeting of shareholders of individual annual financial statements, drawn up for the year in which the profit from which the incentives are granted.

- ***Determined contribution plan***

The group makes payments on behalf of its employees to the Romanian pension system, health insurance and the unemployment fund, in the course of normal business. Also, all Group employees are members and are legally obliged to contribute (through individual social contributions) to the Romanian state pension system. All related contributions are recognized in the income statement for the period when incurred. The Group has no additional obligations.

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

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

The Group's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in exchange for services rendered by them in the current period and prior periods. On the basis of the collective labor agreement in force, persons who retire at old age and full-time employment, benefit at the date of retirement of an amount equal to the maximum of two salaries at the time of retirement.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Dividends to be distributed

Dividends are treated as a distribution of profit in the period where they have been stated and approved by the Ordinary General Meeting of Shareholders. The available profit for distribution is the profit of the year recorded in the financial statements established in accordance with the IFRS.

p) Recognition of incomes

Incomes are assessed at the fair value of the counter provision received or to be received. The incomes are properly reduced with the estimated value of the returned goods by the clients, rebates and other alike elements.

- ***Incomes from sales of goods and service provisions***

Incomes from sales of goods and services provisions are recorded netly by commercial discounts, VAT and other turnover legal charges.

Incomes from sales of goods are recognised in the profit or loss account when the significant risks and advantages deriving from the property over the goods are transferred to the buyer, fact which happens often upon their delivery.

Incomes from services provisions are recognised in the profit or loss account according to the state of their performance.

- ***Incomes from dividends***

Incomes from dividends are recognised in the profit or loss account on the date when the right is established to receive these incomes.

Incomes from dividends are recorded at the gross value which includes the dividend tax, which is recognised also as a current expense with the income tax. The effective calculation is done according to the current fiscal provisions at the calculation date.

In case of dividends received as shares as an alternative to cash, incomes from dividends are recognised at the cash level which should have been received, in correspondence with the increase of the afferent participation. The group does not record incomes from dividends afferent to the shares received freely when distributed proportionally to all shareholders.

- ***Incomes and expenses with interests***

Incomes and expenses with interests are recognised in the profit and loss account by the method of effective interest. The rate of the effective interest represents the rate to which the payments and cashing is exactly updated under foreseeing the expected lifetime of the asset or the financial debt (or, where appropriate, on a shorter duration) applied at the accounting value of the asset or financial debt.

- ***Incomes from rents***

Incomes from rents are generated by real-estate investments rented by the group under operational leasing agreements and are recognised in the profit and loss account linearly during the whole period of the agreement.

r) Expenses recognition

The expenses are underlined in the period of their performance, antd their recognition in the profit and loss account is done in respect of the principle of the exercise independence.

Exploitation expenses are recognised in the profit or loss account in the period when they are performed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Expenses recognition (continued)

Expenses from banking commissions are recorded upon their apparition.

Expenses from transactions are recognised together with the incomes from these operations, at the date of transaction in case of quoted titles, respectively on the date of the last cash instalment in case of sales on instalments of unquoted titles.

Upon entry date, the cost of the titles is represented by the acquisition cost.

Expenses with administration commissions, shares and fees are recognised upon their apparition. ***Expenses with commissions afferent to transactions*** are recognised on the date of transactions.

Salary expenses and afferent contributions are recognised upon their apparition, in respect of the principle of exercise independence.

s) Earning and losses from difference of exchange rates

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

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

Exchange 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 previous financial statements are recognized as gain or loss in the income statement or loss, in the period in which they appear.

t) Income tax

The income tax for the year includes current tax and deferred tax. Current income tax includes income tax on dividends recognized as gross.

Income tax is recognized in profit or loss or other elements of the global result if the tax is attributable to equity.

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 the previous periods.

For the period ended June 30, 2018, the corporate tax rate was 16% (2017: 16%). The tax rate on income from taxable dividends at 30 June 2018 was 5% and zero (2017: 5% and zero).

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

Deferred tax is not recognized for the following temporary differences: initial recognition of goodwill, initial recognition of assets and liabilities arising from transactions that are not business combinations and that do not affect either the accounting profit or the taxable income and differences arising from investments in subsidiaries, provided 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 their resumption, based on the legislation in force at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Income tax (continued)

Deferred tax assets and liabilities are offset only if there is a legal right to offset current tax liabilities and receivables with tax and whether they are related to the tax collected by the same tax authority for the same taxable entity or for different tax authorities but who wish to settle debts and current tax liabilities using a net basis, or the related assets and liabilities will be realized simultaneously.

The deferred tax asset is recognized only to the extent that it is probable that future profits will be available that can be used to cover the tax loss. The claim is reviewed at the close of each financial year and is diminished to the extent that the related tax benefit is unlikely to occur. Additional taxes arising from the distribution of dividends are recognized on the same date as the payment of dividends.

u) result per share

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

The 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 dilution effects generated by potential ordinary shares.

v) Segment reporting

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

On June 30, 2018, the activity of the Company together with the companies in the portfolio in which it owns over 50% of the share capital included in the consolidation perimeter was segmented on the following main activities:

- financial investment activity
- rental of premises
- food industry
- tourism

x) New standards and amendments

- ***Initial application of new amendments to existent and current standards for the current reporting period***

On the reporting date, the following new standards and amendments issued by IASB and adopted by EU are in force:

- IFRS 9 "Financial instruments" (into force starting with January 1st, 2018)
The complete version of IFRS 9 replaces the application guidelines of IAS 39. IFRS 9 holds, but simplifies, the mixed assessment model and establishes three main measurement categories for the financial assets:

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) New standards and amendments (continued)

depreciated cost, fair value by other elements of the global result and the fair value by profit or loss account. Basis of the classification depending on the business model of the entity and the contractual treasury flows of the financial asset.
The derrivative instruments and captial ones are measured at a fair value by the profit or loss account, except the case in which the capital instruments are not held for transactioning and an irrevocable action is adopted to measure these instruments by other elements of the global result (without the possibility to recycle further by the profit or loss account).

- IFRS 15 "Incomes from agreements with the clients" (into force as of January 1st, 2018)
This is a convergence standard on revenue recognition. Replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.
Revenue is recognized when a customer obtains control of a good or service. The customer obtains control when it has the ability to direct the use and obtain benefits from the respective asset or service.
The underlying principle of IFRS 15 is that an entity recognizes revenue as a result of the promised transfer of goods and services to clients in the amount of 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: Identify the customer contract
- Step 2: Identify the contract obligations.
- Step 3: Determine the transaction price
- Step 4: Allocation of the transaction price on each contract obligation.
- Step 5: Recognition of income when eniness meets its obligations.

IFRS 15 also includes a set of disclosure requirements that will result in the disclosure of complete information about the nature, amount, timing and uncertainty of the income and cash flows arising from the entity's customer contracts.
- Amendments to IFRS 2 „payment per share" (into force as of January 1st, 2018)
The amendment clarifies the assessment basis for cash, share-based payments or those that convert cash payments into share-based payments.

- Amendments to IFRS 4 "Insurance agreements" (into force as of January 1st, 2018)
The amendment introduces a general approach and a differentiated approach. The standard will:
- Allows companies that issue insurance contracts the option to record in the statement of comprehensive income rather than within the profit or loss account the volatility that may occur when IFRS 9 is applied before the standard insurance contracts are issued; and
- Allows businesses whose business is predominantly linked to the insurance business an optional temporary exception from the application of IFRS 9 by 2021. Entities applying this exception will continue to apply the existing IAS 39 Financial Instruments.

- Amendments to IAS 40 – Transfer of real-estate investments (into force as of January 1st, 2018)
The amendments clarify that transfers to or from the category of real estate investments can only be made if the change in the use of the asset is supported by evidence to that end. A change in the use of the asset occurs when the property meets or ceases to meet the definition of real estate investment. Only changing the intention to use is not enough.

- Yealry improvement for the cycle 2014 - 2016 (into force as of January 1st, 2018)
- IFRS 1 – excemptions on short-terms which cover the provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant, have been deleted.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

x) New standards and amendments (continued)

- IAS 28 - clarifies that the choice by venture capital funds, mutual funds, trust funds, or similar entities to measure investments in associates at fair value through profit or loss must be made separately for each enterprise associated with initial recognition.

- Interpretation 22 "Foreign Currency Transactions and Advanced Considerations" (effective from 1 January 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 prepares for foreign currency contracts.

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 debt arising from prepayment / prepayment.

If there are multiple payments / collections for the same item, the transaction date must be determined as above for each payment / receipt.

New interpretations may be applied retrospectively or prospectively.

- ***New standards and amendments to existing standards but not yet adopted:***

La data raportării, următoarele standarde noi, amendamente la standardele existente și noi interpretări au fost emise, însă nu sunt încă în vigoare:

- IFRS 16 "Leasing" on the acquisition of interest in a joint operation (effective from 1 January 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 operational leasing and provides for the recording of an asset and, at the same time, a financial debt for almost all types of leasing.

- IFRS 17 "Insurance Contracts" (effective from 1 January 2021)

IFRS 17 was issued in May 2017 as a replacement for 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 way of assessing each insurance contract and the methods that can be applied by using a phased approach.

- Amendments to IFRS 10 and IAS 28 - Sale or Asset Contribution between the investor and its associate (application date indefinitely)

The IASB has made amendments to the scope of IFRS 10 and IAS 28 limited.

The amendments clarify the accounting treatment for asset sales between the investor and the associ ate. It is confirmed that the accounting treatment depends on whether the non-monetary asset that is sold or represents a contribution in an associate is a business.

5. FINANCIAL RISK MANAGEMENT

The group, through the complexity of its activity, is subject to various risks.

Management continuously evaluates the risks that may affect the achievement of the objectives of the company and takes the necessary measures in case of changing 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 Law no. 297/2004, as subsequently amended and supplemented, by CNVM / ASF Regulation no. 15/2004, as amended and supplemented, Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013.

5. FINANCIAL RISK MANAGEMENT (continued)

The Company's approach to risk management is consistent with the overall business strategy and is planned to achieve business objectives aligned with the risk strategy objectives.

Among the main objectives of the risk strategy we highlight:

- Developing and implementing a risk-management process of wide transparency for the identification and management of risks;

- 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;

- defining the key elements of the risk management framework to ensure the implementation of a strategy appropriate to the overall business strategy;

- description of the current and target risk profile for the main types of risks.

Considering that the structure of the companies that enter the consolidation perimeter, ie the only company listed on the Bucharest Stock Exchange in the Premium Tier, is SIF Oltenia SA, the activity of risk management and management is carried out in compliance with the provisions of the legal framework with the to SIF Oltenia SA

A special structure, the Risk Management Officer, is supervised and coordinated at the Company level.

The Company attaches the utmost importance to effective risk management in order to achieve the objectives of the strategy and to provide shareholders with benefits.

Managing 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 risk appetite and its ability to mitigate or hedge these risks.

Risk monitoring is done at each hierarchical level, with procedures for supervising and approving decision boundaries.

Internal reporting of risk exposure is made on a continuous basis, on each line of business, the management of the company being permanently informed of the risks that may arise in the course of the business.

By nature of the object of activity, the Group is exposed to various types of risks associated with the financial instruments and markets it has exposure to.

The main risks identified in the Group's activity are:

a) market risk (price risk, foreign exchange risk, interest rate risk)

b) credit risk

c) liquidity risk

d) the risk related to taxation

e) the risk to the economic environment

f) operational risk

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

Market risk represents the current or future risk of adverse profits, driven by market fluctuations in equity prices - in terms of trading portfolio activities - of the interest rate as well as fluctuations in the exchange rate for the Group's entire business.

Efficient market risk management is done through the use of fundamental analysis that gives indications on the soundness of an investment, as well as the estimation of the potential of some companies, and considering forecasts of the evolution of the economic branches and financial markets.

The main aspects of 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 Group is exposed to the market value of the financial instruments held fluctuating as a result of changes in the capital market conditions. Periodically, the risk management strategy requires the preparation and submission of reports to the Audit Committee and management structures that analyze how to assess, manage, monitor and report the identified risks, compliance with established risk limits, and measures to be taken for the most efficient management.

The Group is subject to market risk, particularly because of its trading activity. Taking into account the specifics of the activity, the most relevant risks for the current activity are: stock price risk, interest rate risk, currency risk.

Price risk

The Group is exposed to the fair value risk of the financial instruments held fluctuating as a result of changes in market prices, whether caused by factors specific to the issuer's activity or factors affecting all the instruments traded on the market.

The market value of the listed stock portfolio (on BVB - regulated market, BVB-AERO - alternative trading system) on 30 June 2018 represents 61.71% (31 December 2017: 62.44%) of the total portfolio value of administered shares.

Under these circumstances, the Group identified an average market risk - associated with the variation in the prices of financial assets on the capital market.

Within the managed portfolio there are 8 issuers, out of the 13 that are the BET index of the Bucharest Stock Exchange.

The market value of the stock packages held by the 8 issuers represents - on 30 June 2018 78.20% (31 December 2017: 76.36%) of the market value of the shares held in the listed companies.

Group management monitors market risk and confers competence on trading limits on the capital market of the company's top management.

On 30 June 2018, the group has the following structure of assets subjected to the price risk:

In lei	**No. com.**	**Market value 30 June 2018**	**No. com.**	**Market value 31 December 2017**
Capital investments				
Listed companies	31	961,305,764	31	940,376,548
Unlisted companies	30	596,390,695	33	565,696,728
Fund units	4	2,908,430	4	2,789,494
Total capital investments	**65**	**1,560,604,889**	**68**	**1,508,862,770**

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

The investments held in companies whose securities are listed and traded on the Romanian stock market plus the placement held with the Banca Comercială Română represent, on June 30, 2018 - 93.66% (31 December 2017: 93.86%) of the fair value investments.
The Group also monitors the concentration of risk by sector of activity, which is presented as follows:

Portfolio structure	**Issuers**		**Total nominal value of participation**		**Total market value of participation**	
Economic sectors with percentage in the value portfolio of SIF:	***Nr. Com.***	*%*	*(lei)*	*%*	*(lei)*	*%*
30 June 2018	**65**	**100.00**	**471.644.168**	**100.00**	**1.560.604.889**	**100.00**
Finances, banks, insurances	5	7.69	194,390,746	41.22	851,532,460	54.56
Petrol resources and alike services	1	1.53	75,063,692	15.92	240,532,741	15.41
Transportation energy and gas	2	3.08	29,052,620	6.16	123,519,459	7.91
Tourism, public food, agrement	4	6.15	52,750,485	11.18	72,149,203	4.62
Methane gas resources	1	1.53	1,583,829	0.34	59,156,013	3.79
Pharmaceutical industry	1	1.53	9,897,009	2.10	50,870,625	3.26
Other financial interims	7	10.77	8,726,945	1.85	37,736,930	2.43
Metal industry	3	4.61	21,675,862	4.60	37,227,114	2.39
Electronic and electrotechnics ind.	8	12.31	25,131,264	5.33	30,410,333	1.95
Car industry, processing	9	13.85	29,991,978	6.36	25,722,492	1.65
Chemical industry	1	1.53	4,702,595	1.00	11,756,488	0.75
Financial market management	1	1.53	3,837,090	0.81	9,554,354	0.61
Food industry	3	4.61	2,980,168	0.63	2,451,133	0.16
Leases and subleases of real estate goods	1	1.53	1,639,393	0.35	1,932,607	0.12
Internal trade	4	6.15	4,020,274	0.85	1,780,035	0.11
Distribution, provision of electrical energy and energetic services	1	1.53	1,237,180	0.26	1,217,385	0.08
Other activities	6	9.31	1,586,795	0.32	147,087	0.01
Constructions	3	4.61	876,226	0.19	0	0.00
TOTAL CAPITAL TITLES	**61**	**93.85**	**469,144,151**	**99.47**	**1,557,696,459**	**99.81**
FUND UNITS	**4**	**6.15**	**2,500,017**	**0.53**	**2,908,430**	**0.19**

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

Portfolio structure	**Issuers**		**Total nominal value of participation**		**Total market value of participation**	
Economic sectors with percentage in the value portfolio of SIF:	***Nr. Com.***	*%*	*(lei)*	*%*	*(lei)*	*%*
31 December 2017	**68**	**100.00**	**480,075,928**	**100.00**	**1,508,862,770**	**100.00**
Finances, banks, insurances	5	7.35	192,171,549	40.03	805,042,306	53.35
Petrol resources and alike services	1	1.47	75,880,152	15.81	217,017,232	14.38
Transportation energy and gas	2	2.95	30,052,620	6.26	143,316,222	9.50
Tourism, public food, agrement	4	5.88	52,750,485	10.99	68,037,429	4.51
Methane gas resources	1	1.47	9,718,869	2.02	52,266,825	3.46
Pharmaceutical industry	1	1.47	1,608,414	0.34	50,343,359	3.34
Other financial interims	8	11.77	8,957,980	1.87	39,931,310	2.65
Metal industry	8	11.77	25,417,706	5.29	35,099,118	2.33
Electronic and electrotechnics ind.	3	4.41	21,658,324	4.51	32,134,556	2.13
Car industry, processing	10	14.71	36,240,663	7.55	31,750,339	2.10
Chemical industry	1	1.47	4,702,595	0.98	12,179,721	0.81
Financial market management	1	1.47	3,837,090	0.80	10,590,368	0.70
Food industry	3	4.41	2,980,168	0.62	3,421,670	0.23
Leases and subleases of real estate goods	4	5.88	4,026,322	0.84	1,788,383	0.12
Internal trade	1	1.47	1,639,393	0.34	1,639,393	0.11
Distribution, provision of electrical energy and energetic services	1	1.47	947,380	0.20	1,070,539	0.07
Other activities	7	10.29	4,109,975	0.85	444,506	0.03
Constructions	3	4.41	876,226	0.18	0	0.00
TOTAL CAPITAL TITLES	**64**	**94.12**	**477,575,911**	**99.48**	**1,506,073,276**	**99.82**
FUND UNITS	**4**	**5.88**	**2,500,017**	**0.52**	**2,789,494**	**0.18**

From the analysis of the data presented above, on June 30, 2018, the Group held mainly financial, banking and insurance activities with a 54.56% share of the total portfolio, slightly increasing compared to December 31, 2017, when in the same sector of activity recorded a share of 53.35%.

Currency risk

Currency risk is the risk that the value of a portfolio is negatively affected by a fluctuation in foreign exchange rates.

Given that most Group assets are denominated in national currency, exchange rate fluctuations do not directly affect the Group's operations.

These fluctuations have an impact on the valuation of foreign currency deposits.

Foreign currency denominations represent 0.05% (December 31, 2017: 0.20%) of total financial assets as at June 30, 2018, so the currency risk is insignificant.

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

Due to the low weight of foreign currency assets, the Group does not have a formalized foreign exchange hedging policy.
Investments in foreign currency deposits are permanently monitored and investment, disinvestment, considering the forecasted evolution of the foreign exchange rate.
The concentration of assets and liabilities by types of currencies is summarized in the following table:

In lei	**Accounting value**	**Lei**	**EUR**	**USD**
30 June 2018				
Financial assets				
Cash and cash equivalence	18,370,337	18,153,542	215,718	1,077
Deposits in banks	53,429,343	52,810,613	195,479	423,251
Assessed financial assets at the fair value by other elements of the global result	1,556,770,379	1,556,770,379		
Assessed financial assets at the fair value by profit or loss account	3,834,510	3,834,510		
Credits and claims	38,127,037	38,119,600	7,437	
Other financial assets	96,023,935	96,023,935		
Total financial assets	**1,766,555,541**	**1,765,712,579**	**418,634**	**424,328**
Financial liabilities				
Payment dividends	88,970,251	88,970,251		
Other financial debts	67,746,791	67,555,445	191,346	
Total financial liabilities	**156,717,042**	**156,525,696**	**191,346**	**0**

In lei	**Accounting value**	**Lei**	**EUR**	**USD**
31 December 2017				
Financial assets				
Cash and cash equivalence	9,869,368	9,657,421	211,900	47
Deposits in banks	13,030,043	9,794,906	1,786,170	1,448,967
Assessed financial assets at the fair value by other elements of the global result	1,506,578,556	1,506,578,556		
Assessed financial assets at the fair value by profit or loss account	2,284,214	2,284,214		
Credits and claims	29,563,961	29,563,961		
Other financial assets	167,843,871	167,843,871		
Total financial assets	**1,729,170,013**	**1,725,722,929**	**1,998,070**	**1,449,014**
Financial liabilities				
Payment dividends	48,791,984	48,791,984		
Other financial debts	137,743,812	137,743,812		
Total financial liabilities	**186,535,796**	**186,535,796**	**0**	**0**

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

Interest rate risk

The interest rate risk is that the value of a portfolio will fluctuate as a result of changes in interest rates on the market. The factors that define this type of market risk are a wide range of interest rates consistent with a range of markets, currencies and maturities for which the Group holds positions.

The interest rate directly influences the income and expense associated with floating-rate assets and liabilities.

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

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

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

The following table resumes the exposure of the group to the interest rate risk.

In lei	**Accounting value**	**Under 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Without interest**
30 June 2018					
Cash and cash equivalence	18,370,337				18,370,337
Deposits in banks	53,429,343	52,059,759	991,006	378,578	
Assessed financial assets at the fair value by other elements of the global result	1,556,770,379				1,556,770,379
Assessed financial assets at the fair value by profit or loss account	3,834,510				3,834,510
Credits and claims	38,127,037				38,127,037
Other financial assets	96,023,935				96,023,935
Total financial assets	**1,766,555,541**	**52,059,759**	**991,006**	**378,578**	**1,713,126,198**
Financial liabilities					
Payment dividends	88,970,251				88,970,251
Other financial debts	67,746,791	525,000	34,023,941	11,536,476	21,661,374
Total financial liabilities	**156,717,042**	**525,000**	**34,023,941**	**11,536,476**	**110,631,625**

5. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

In lei	**Accounting value**	**Under 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Without interest**
31 December 2017					
Cash and cash equivalence	9,869,368				9,869,368
Deposits in banks	13,030,043	11,701,664	979,801	348,578	
Assessed financial assets at the fair value by other elements of the global result	1,506,578,556				1,506,578,556
Assessed financial assets at the fair value by profit or loss account	2,284,214				2,284,214
Credits and claims	29,563,961				29,563,961
Other financial assets	167,843,871				167,843,871
Total financial assets	**1,729,170,013**	**11,701,664**	**979,801**	**348,578**	**1,716,139,970**
Financial liabilities					
Payment dividends	48,791,984				48,791,984
Other financial debts	137,743,812	44,414,992	59,169,165	12,746,479	21,413,176
Total financial liabilities	**186,535,796**	**44,414,992**	**59,169,165**	**12,746,479**	**70,205,160**

b) Credit risk

Credit risk expresses the possibility for debtors or issuers not to meet their obligations at maturity as a result of the deterioration of the borrower's financial situation or the general economic situation. Credit risk arises in relation to any type of debt.

Issuer risk is the risk of loss of the value of a portfolio title as a result of the deterioration in its economic and financial situation.

The main identified credit risk elements that can significantly influence the Group's business are:

- the risk of non-collection of dividends from the companies in the portfolio;

- the risk of non-collection of the value of the contract, in the case of the sale of the shares of the closed-end companies, through a sale-purchase contract;

- the risk that, in the event of the liquidation of a portfolio company, the value obtained will be less than the initial investment.

The credit risk related is done in two stages, both prior to the investment operations and after the actual approval and realization of the operations, following the evolution of the assets in order to take appropriate measures in the event of the emergence of elements that may lead to the deterioration of the economic activity of the companies and, in extreme cases, to insolvency.

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

In the case of the Group, the credit risk is diminished, as the portfolio is mostly driven by exposures by asset items of the type of "shares" that represent 80.03% of the assets managed, assessed according to the legal provisions and which could generate a potential risk of non-collection of dividends approved annually by the GMS.

In accordance with the legal provisions, the Group has not granted any credits or guarantees to third parties.

Credit risk may affect the Group's indirect business, in the case of portfolio companies experiencing financial difficulties in discharging the payment obligations for dividends. Given the diversity of placements and the fact that most of them are carried out in stable entities and with increased liquidity on the market, this risk is much diminished and properly managed by the Group.

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

On June 30, 2018, the Group did not hold bonds, real guarantees as insurance, and did not record outstanding financial assets.

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

The maximum exposure to credit risk on June 30, 2018 is 107,431,339 lei (31 December 2017: 50,568,638 lei) and can be analyzed from the following dates.

In lei	**30 June 2018**	**31 December 2017**
Deposits and accounts in banks	71,143,600	22,679,467
Other assets	36,287,739	27,889,171
TOTAL	**107,431,339**	**50,568,638**

Exposure on current accounts and deposits placed at banks

In lei	**30 June 2018**	**31 December 2017**
Raiffeisen Bank	55,318,567	3,699,675
Banca Transilvania	10,688,209	11,121,782
Banca Comercială Română	3,013,510	4,658,288
BRD - GSG	1,368,785	2,362,306
Marfin Bank	475,052	286,431
Libra Bank	107,058	404,143
Garanti Bank	57,846	11,724
Unicredit Țiriac Bank	31,832	
Trezorerie	27,901	76,457
CEC Bank	20,425	45,848
Banc Post	18,033	4,193
Credit Europe Bank	15,418	7,657
Exim Bank	964	963
Total	**71,143,600**	**22,679,467**

5. FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Alte active

In lei	**30 June 2018**	**31 December 2017**
Dividends to be cashed	8,893,125	21,578
Other diverse debtors and commercial claims	29,370,433	29,892,275
Adjustments constituted for the impairment of other financial assets (debtors)	(1,975,819)	(2,024,682)
Total	**36,287,739**	**27,889,171**

c) Liquidity risk

The Group seeks to maintain a liquidity level appropriate to its underlying obligations based on an assessment of the relative liquidity of 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 market risks or other external factors.

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

Liquidity risk is mainly linked to participations in closed-end trading companies in the managed portfolio. Thus, the sale of shares - 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 higher price or at least equal to one with which these participations are valued in the calculation of the net asset, according to the ASF regulations

Within the Group, on June 30, 2018, the participations held in unlisted companies represent 30.64% of the total assets managed, including the share held in BCR which represents 83.91% of the participations held by unlisted companies. Considering the fact that BCR is valued at the value of own funds and that the other two BRD and TLV banks - banks with which BCR competes in the fnancial banking sector in Romania - are traded at prices representing a multiplicity of 1.3 - 1, 4 their own funds, there is no risk that a possible fructification of the stake held at BCR can not be achieved at the value at which it is valued, or at the value of its own funds.

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

Looking ahead to 2018, we anticipate maintaining a low level of liquidity for the Romanian capital market.

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

In lei	**Accounting value**	**Under 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Without preestablished maturity**
30 June 2018					
Financial assets					
Cash and cash equivalence	18,370,337				18,370,337
Deposits placed at banks	53,429,343	52,059,759	991,006	378,578	0
Assessed financial assets to the fair value by other elements of the global result	1,556,770,379				1,556,770,379
Assessed financial assets to the fair value by the profit or loss account	3,834,510				3,834,510
Credits and claims	38,127,037				38,127,037
Total financial assets	**1,670,531,606**	**52,059,759**	**991,006**	**378,578**	**1,617,102,263**
Financial liabilities					
Payment dividends	88,970,251	48,358,651	40,611,600		
Other financial debts	67,746,791	22,186,374	34,023,941	11,536,476	
Total financial liabilities	**156,717,042**	**70,545,025**	**74,635,541**	**11,536,476**	

In lei	**Accounting value**	**Under 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Without preestablished maturity**
31 December 2017					
Financial assets					
Cash and cash equivalence	9,869,368				9,869,368
Deposits placed at banks	13,030,043	11,701,664	979,801	348,578	
Related financial assets to the fair value by other elements of the global result	1,506,578,556				1,506,578,556
Related financial assets to the fair value by the profit or loss account	2,284,214				2,284,214
Credits and claims	29,563,961				29,563,961
Total financial assets	**1,561,326,142**	**11,701,664**	**979,801**	**348,578**	**1,548,296,099**
Financial liabilities					
Payment dividends	48,791,984	48,791,984			
Other financial debts	137,743,812	65,828,168	59,169,165	12,746,479	
Total financial liabilities	**186,535,796**	**114,620,152**	**59,169,165**	**12,746,479**	

5. FINANCIAL RISK MANAGEMENT (continued)

d) Tax risk

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

The management of the Group considers that it has correctly interpreted the legal provisions and recorded fair values for taxes, duties and other debts to the state but, in these circumstances, there is a certain risk attached.

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

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

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

e) Risk related to the economic environment

This risk is extremely important, through the direct effect on the Group's activity and indirectly through the companies in which the Company holds participations.

The Romanian economy continues to present the characteristics 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, the year 2017 was a very good year, the GDP growth being higher than the forecasted level.

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 2018. Policy will influence the economy and generate uncertainty.

The way Britain will leave the EU, the conditions to be negotiated, raises new questions about the evolution of the economy in 2018.

These changes also mark the economic evolution. In Romania, there is also a high political risk. In the year 2017 many changes took place at the government level and they continued in 2018.

We estimate that the Group's economic risk is moderate (average).

f) Operational risk

Operational risk is defined as the risk of loss or loss of earnings due to inappropriate use of systems, processes, human resources, either due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems , as well as due to external factors such as changing economic conditions, legislative changes on the capital market, inappropriate provisions or insufficiently outlined in contracts, socio-political events.

5. FINANCIAL RISK MANAGEMENT (continued)

f) Operational risk (continued)

The main responsibility for the development and implementation of controls related to operational risk lies with the management of the Group. Responsibility is supported by the development of the Group's operational risk management general standards in the following areas:

- adequate establishment of the organizational structure and responsibilities;
- requirements for separation of responsibilities;
- 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;
- preventing the risk of litigation;
- Establishing and implementing procedures for the prevention and management of conflicts of interest;
- Establishing and implementing the risk management strategy, setting the risk appetite and risk profile.

Operational risks are inherent to the business.

The Group manages operational risk by identifying, estimating, monitoring and controlling risks by taking the necessary steps to manage their risk effectively.

g) Capital adequacy

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

The equity consists of the share capital, the reserves created, the current result and the retained earnings. On June 30, 2018 the Group's equity capital amounted to 1,652,007,452 lei (31 December 2017: 1,589,400,548 lei).

The Group is not subject to statutory capital adequacy requirements.

6. FINANCIAL ASSETS AND LIABILITIES

Accounting classification ad fair values

Accounting values and fair values of the financial assets and liabilities are presented on 30 June 2018, as follows:

In lei	**Tradeable**	**Assessed at fair value**	**Depreciated cost**	**Net accounting value**	**Fair value**
Cash and cash equivalence			18,370,337	18,370,337	18,370,337
Deposits placed at banks			53,429,343	53,429,343	53,429,343
Related financial assets to the fair value by other elements of the global result		1,556,770,379		1,556,770,379	1,556,770,379
Related financial assets to the fair value by the profit or loss account	3,834,510			3,834,510	3,834,510
Investments kept till due date					
Total financial assets			134,150,972	134,150,972	134,150,972
Financial liabilities	**3,834,510**	**1,556,770,379**	**205,950,652**	**1,766,555,541**	**1,766,555,541**
Payment dividends			88,970,251	88,970,251	88,970,251
Other financial debts			67,746,791	67,746,791	67,746,791
Total financial liabilities	**0**	**0**	**156,717,042**	**156,717,042**	**156,717,042**

The accounting values and the fair values of the financial assets and liabilities on 31 December 2017, are presented as follows:

In lei	**Tradeable**	**Assessed at fair value**	**Depreciated cost**	**Net accounting value**	**Fair value**
Cash and cash equivalence			9,869,368	9,869,368	9,869,368
Deposits placed at banks			13,030,043	13,030,043	13,030,043
Available financial assets for sale		1,506,578,556		1,506,578,556	1,506,578,556
Related financial assets to the fair value by the profit or loss account	2,284,214			2,284,214	2,284,214
Investments kept till due date					
Total financial assets			197,407,832	197,407,832	197,407,832
Financial liabilities	**2,284,214**	**1,506,578,556**	**220,307,243**	**1,729,170,013**	**1,729,170,013**
Payment dividends			48,791,984	48,791,984	48,791,984
Other financial debts			137,743,812	137,743,812	137,743,812
Total financial liabilities	**0**	**0**	**186,535,796**	**186,535,796**	**186,535,796**

7. INCOMES FROM DIVIDENDS

Dividend income is recorded at gross. Dividend tax rates for the period ended June 30, 2018 were 5% and zero (2017: 5% and zero).

Income from dividends, mainly on contributors, is as follows:

In lei	**30 June 2018**	**30 June 2017**
BRD - GROUPE SOCIETE GENERALE S.A.	24,334,295	11,278,673
OMV PETROM S.A. Bucharest	14,972,091	11,043,099
BANCA COMERCIALĂ ROMÂNĂ	14,365,762	
S.N.T.G.N. TRANSGAZ S.A. Medias	8,770,593	8,518,836
BANCA TRANSILVANIA S.A. Cluj Napoca	7,097,971	
B.T. ASSET MANAGEMENT S.A.	1,999,969	1,999,969
COMCEREAL TULCEA S.A.	966,955	
ALIMENT MULFATLAR S.R.L. Constanța	899,600	830,400
BURSA DE VALORI BUCURESTI S.A.	647,010	353,120
EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	405,805	164,539
ELBA S.A. Timișoara	131,830	80,183
ELECTRICA S.A. Bucharest	89,535	70,248
DEPOZITARUL CENTRAL S.A. Bucharest	52,958	59,260
RELEE Mediaş	13,074	24,696
S.I.F. BANAT CRISANA S.A.	1,500	1,320
Altele	348	
C.N.T.E.E. TRANSELECTRICA S.A. Bucharest		6,346,251
CONTACTOARE S.A. Buzău		27,295
TOTAL	**74,749,296**	**40,797,889**

8. INCOMES FROM INTERESTS

In lei	**30 June 2018**	**30 June 2017**
Incomes from interest afferent to bank deposits	41,236	47,577
Incomes from interest afferent to the current bank accounts	2,479	2,039
Total	**43,715**	**49,616**

9. OTHER OPERATIONAL INCOMES

In lei	**30 June 2018**	**30 June 2017**
Incomes from exploitation subventions	15,405	
Financial incomes from adjustment for value loss of financial assets	2,276,706	362,852
Incomes from provisions for the impairment of current assets	138,735	800,075
Incomes from the sold production	82,835,801	81,881,744
Incomes from rents	10,862,140	10,411,586
Incomes from merchandise sales	1,390,181	827,822
Other exploitation incomes	1,567,616	2,311,142
Other financial incomes	32,812	17,996
Total	**99,119,396**	**96,613,217**

10. NET EARNING FROM CURRENCY EXCHANGE RATE DIFFERENCES

In lei	**30 June 2018**	**30 June 2017**
Incomes from difference of the exchange rate	563,043	617,366
Expenses from difference of the exchange rate	659,423	756,113
Net earning from difference of the exchange rate	**(96,380)**	**(138,747)**

11. NET EARNING FROM SALE OF FINANCIAL ASSETS

in lei	**30 June 2018**	**30 June 2017**
Income from sales of financial assets	12,185,226	15,470,853
Accounting value of financial assets	8,690,394	12,054,657
Net earning from sales of financial assets	**3,494,832**	**3,416,196**

Recognition of earnings from the sale of financial assets was made in accordance with Standard 2/2018 Norm regarding the modification and completion of the Norm of the Financial Supervisory Authority 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.
At the disposal of financial assets, the method used to lower them from the portfolio is the first in - first out.

12. ADMINISTRATION AND SUPERVISORY CHARGES AND COMMISSIONS

In lei	**30 June 2018**	**30 June 2017**
Expenses regarding commissions owed to SSIF for share trades	37,429	39,378
Expenses regarding commissions owed for shareholders register services	80,659	78,298
Expenses regarding commissions with the deposit company	159,549	154,074
BVB expenses	11,760	11,000
Expenses regarding taxes owed to entities from the capital market (ASF)	700,858	693,443
Expenses regarding audit honorarium	132,352	118,924
Other expenses regarding commissions, honorariums and quotations	61,144	153,917
Total	**1,183,751**	**1,249,034**

13. OTHER OPERATIONAL EXPENSES

In lei	**30 June 2018**	**30 June 2017**
Expenses with raw materials and materials	77,317,554	74,594,036
Expenses with taxes and charges	1,476,422	1,386,200
Staff expenses	11,522,284	10,278,670
Depreciation and provision expenses	2,399,704	2,288,113
Expenses with external provisions	12,848,567	11,251,978
Expenses with delay penalties of providers	351,577	19,413
Other expenses	2,773	4,000
Total	**105,918,881**	**99,822,410**

Expenses with salaries and assimilated

In lei	**30 June 2018**	**30 June 2017**
Expenses with salaries	11,207,123	8,298,706
Expenses regarding insurances and social protection	315,161	1,979,964
Other salary expenses acc. to the court orders		
Total	**11,522,284**	**10,278,670**

	30 June 2018	**30 June 2017**
Staff with mandated agreement	12	11
Employees with higher education	128	127
Employees with average education	297	291
Employees with general studies	44	44
Total	**481**	**473**

Evolution of the employee number on categories during the reporting period presented as follows:

	No. of employees on 31 December 2017	**Entry of employees at the 1st semester 2018**	**Exit of employees of the 1st semester 2018**	**No. of employees on 30 June 2018**
Employees with higher education	124	12	8	128
Employees with average education	300	38	41	297
Employees with general studies	47	3	6	44
Total	**471**	**53**	**55**	**469**

13. OTHER OPERATIONAL EXPENSES (continued)

Other operational expenses include expenditure on raw materials and materials, staff expenses, other taxes and fees, depreciation and provisioning expenses, external service costs. The average number of employees for the period ending on 30 June 2018 was 469 (30 June 2017: 461).

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

All employees are members of the Romanian pension plan. The Group does not operate any other pension or retirement benefit plans and therefore has no other pension obligations. Moreover, the Group is not required to provide additional benefits to employees after retirement.

The Group did not provide advances or credits to Board members, directors during the reporting period, except for travel advances in the interest of the service, legally justified, so no sum of this kind is due at the end of the period.

14. INCOME TAX

In lei	**30 June 2018**	**30 June 2017**
Current income tax	946,137	740,312
Income tax microenterprises / specific	119,015	38,029
Dividend tax	3,592,478	1,972,998
Deferred tax	185,149	174,047
Total income tax	**4,842,779**	**2,925,386**

Reconciliation of profit before tax with the expense on profit or loss:

In lei	**30 June 2018**	**30 June 2017**
Profit before tax	70,688,777	39,990,821
Tax according to the statutory taxation rate of 16% and other rates	12,029,951	6,975,855

Effect over income tax, of:

In lei	**30 June 2018**	**30 June 2017**
Non-taxable incomes	(11,894,250)	(7,125,309)
Tax rate of dividends	3,592,478	1,972,998
Undeductible expenses	810,426	894,317
Amounts representing sponsoring under the legal limits		(4,551)
Registrations and resumes of temporal differences	185,159	174,047
Income tax	**4,723,764**	**2,887,357**
Corporate tax for microenterprises / specific	119,015	38,029
Total income tax	**4,842,779**	**2,925,386**

15. CASH AND CASH EQUIVALENCE

In lei	**30 June 2018**	**31 December 2017**
Cash in the cashier	184,822	132,573
Current accounts at banks	17,748,786	9,660,615
Cash equivalence	436,729	76,180
Total cash and cash equivalence	**18,370,337**	**9,869,368**

16. DEPOSITS PLACED IN BANKS

In lei	**30 June 2018**	**31 December 2017**
Banking deposits in sight	53,394,814	13,018,852
Certified claims	34,529	11,191
Total deposits placed in banks	**53,429,343**	**13,030,043**

17. FINANCIAL ASSETS

- ***Assessed financial assets to the fair value by other elements of the global result***

On 30 June 2018 the structure of the Group's portfolio according to the market on which it was traded was the following:

in lei

Name	**Purchase value**	**Fair or market value**	**Differences +/-**
- Securities admitted or traded on a regulated market from Romania;	683,412,729	937,950,319	254,537,590
- Securities admitted or traded on an alternative market from Romania;	26,477,998	22,429,365	(4,048,633)
- Securities rejected from trade on a regulated market or on an alternative trading system;	179,672,916	596,390,695	416,717,779
Total	**889,563,643**	**1,556,770,379**	**667,206,736**

17. FINANCIAL ASSETS (continued)

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

In lei

Name	Purchase value	Fair or market value	Differences +/-
- Securities admitted or traded on a regulated market from Romania;	675,338,411	905,226,747	229,888,336
- Securities admitted or traded on an alternative market from Romania;	26,748,670	32,865,587	6,116,917
- Securities rejected from trade on a regulated market or on an alternative trading system;	181,966,188	565,696,728	383,730,540
- Equity securities AOPC/OPCVM	2,500,016	2,789,494	289,478
Total	**886,553,285**	**1,506,578,556**	**620,025,271**

On June 30, 2018 and 31 December 2017, the fair value equities include mainly the value of the shares held by the following issuers: OMV Petrom SA Bucharest, BRD - Groupe Societe Generale, CNTEE Transelectrica SA Bucharest, Banca Transilvania SA Cluj Napoca, Argus SA Constanta, Antibiotice SA Iasi, SNTGN Transgaz SA Medias and Eletromagnetica SA Bucharest, etc ...

The movement of financial assets measured at fair value through other comprehensive income in the period ended 30 June 2018 and 31 December 2017 is presented in the following table:

In lei	Assessed shares at fair value	Cost assessed shares	Fund units	Total
01 January 2017	**1,310,934,009**	**6,721,546**	**2,386,705**	**1,320,042,260**
Net variation during the period	38,403,688			38,403,688
Losses by impairment	(5,462,092)			(5,462,092)
Modifying the fair value	153,191,911		402,789	153,594,700
Transfers between categories				0
Reclassifications 2017				0
31 December 2017	**1,497,067,516**	**6,721,546**	**2,789,494**	**1,506,578,556**
Net variation during the period	(958,113)			(958,113)
Losses by impairment				0
Modifying the fair value	53,939,430		0	53,939,430
Transfers between categories	6,721,546	(6,721,546)		
Reclassifications 2018 from the category of available financial assets for sale			(2,789,494)	(2,789,494)
30 June 2018	**1,556,770,379**	**0**	**0**	**1,556,770,379**

17. FINANCIAL ASSETS (continued)

- ***Financial assets to the fair value by profit or loss account***

Financial assets to the fair value by profit or loss account on 30 June 2018, presented as follows:

In lei

Name	**Purchase value**	**Fair or market value**	**Diferences +/-**
- Securities admitted or traded on a regulated market of Romania	1,118,122	926,080	(192,042)
-Equity securities AOPC/OPCVM	2,500,017	2,908,430	408,413
Total	**3,618,139**	**3,834,510**	**216,371**

Financial assets at the fair value by profit or loss account at the ends of 2017 are presented as follows:

In lei

Name	**Purchase value**	**Fair or market value**	**Diferences +/-**
- Securities admitted or traded on a regulated market of Romania	2,643,108	2,284,214	(358,894)

- ***Hierarchy of fair values***

For the calculation of the fair value, the group uses the following hierarchy of methods:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and debts

- Level 2: other than quoted prices included in Tier 1 that are observable for assets or liabilities, either directly (eg, prices) or indirectly (eg derived from prices).

- Level 3: Evaluation techniques based largely on unobservable elements. This category includes all instruments for which the rating technique includes elements that are not based on observable data and for which unobservable input parameters can have a significant effect on instrument evaluation. This category includes instruments which are valued on the basis of quoted prices for similar instruments but for which adjustments are largely based on unobservable data or on estimates to reflect the difference between the two instruments.

In lei	**30 June 2018**	**31 December 2017**
Level 1	897,109,277	900,891,897
Level 2	60,348,951	33,459,428
Level 3	603,146,661	574,511,445
Total	**1,560,604,889**	**1,508,862,770**

17. FINANCIAL ASSETS (continued)

The fair value assessment of participations held on 30 June 2018 was as follows:

- For securities quoted and traded on the regulated market, the market value was determined taking into consideration the closing price on the last day of trading on the main market; for traded shares for other trading systems, market value is the reference price provided by the trading system operator on the last trading day; titles that had transactions on the last trading day of the period were included in level 1 and the securities traded during the last 30 trading days of the period were included in level 2;

- For quoted securities that did not have transactions in the 30 trading days of the reporting period ended 30 June 2018 and for unlisted securities, the market value was determined by the issuer's own capital at 31 December 2017;

- for securities in companies insolvency or reorganization, the valuation is made at zero;

- for units of UCITS, the value considered was the last unit value of the net asset, calculated and published.

18. CREDITS AND CLAIMS

In lei	**30 June 2018**	**31 December 2017**
Commercial claims	24,214,447	27,399,680
Debtors	14,049,111	2,514,173
Claims related to the state budget and social insurances budget	1,418,047	1,357,512
Other claims	421,251	317,278
Impairment adjustment of claims (debtors)	(1,975,819)	(2,024,682)
TOTAL	**38,127,037**	**29,563,961**

19. TANGIBLE ASSETS

In lei	Areas and constructions	Tech installs and machineries	Other installs, machineries and furniture	Downpayments and undergoing tangible assets	Total
1 January 2017	**97,204,185**	**65,461,562**	**2,517,945**	**3,705,779**	**168,889,471**
Increases	16,282,340	1,479,742	337,988	1,888,872	19,988,942
Decreases	(16,045,963)	(335,869)	(59,504)	(2,154,911)	(18,596,247)
31 December 2017	**97,440,562**	**66,605,435**	**2,796,429**	**3,439,740**	**170,282,166**
Increases	1,947,485	1,214,411	101,113	1,707,780	4,970,789
Decreases	(1,983,413)	(251,357)	(18,672)	(1,213,100)	(3,466,542)
30 June 2018	**97,404,634**	**67,568,489**	**2,878,870**	**3,934,420**	**171,786,413**
Cumulated depreciation					
1 January 2017	**20,676,937**	**56,474,635**	**1,127,049**	**1,274,373**	**79,552,994**
Recorded depreciation during exercise	3,454,405	1,817,675	175,816	0	5,447,896
Decreases or resumes	(1,342,744)	(328,549)	(59,504)	0	(1,730,797)
31 December 2017	**22,788,598**	**57,963,761**	**1,243,361**	**1,274,373**	**83,270,093**
Recorded depreciation during exercise	1,350,996	874,071	159,334	0	2,384,401
Decreases or resumes	(212,259)	(248,162)	(17,251)	0	(477,672)
30 June 2018	**23,927,335**	**58,589,670**	**1,385,444**	**1,274,373**	**85,176,822**
Net accounting value at 1 January 2017	**76,527,248**	**8,986,927**	**1,390,896**	**2,431,406**	**89,336,477**
Net accounting value at 31 December 2017	**74,651,964**	**8,641,674**	**1,553,068**	**2,165,367**	**87,012,073**
Net accounting value at 30 June 2018	**73,477,299**	**8,978,819**	**1,493,426**	**2,660,047**	**86,609,591**

20. REAL-ESTATE INVESTMENTS

In lei	30 June 2018	31 December 2017
Balance at 1 January	**93,360,493**	**92,053,162**
Real estate investment assessment		180,051
Reclassification from the tangible assets		(15,866,060)
Reclassification from the category of tangible assets		16,625,733
Purchases of real-estate investments	48,602	367,607
Sales of real-estate investments	(206,093)	
Balance at the end of reporting period	**93,203,002**	**93,360,493**

21. OTHER ASSETS

In lei	**30 June 2018**	**31 December 2017**
Intangible assets	47,555,612	47,574,129
Other real estates claim	15,982,856	16,213,855
Stocks	28,992,200	101,217,546
Advance expenses	3,493,267	2,838,341
TOTAL	**96,023,935**	**167,843,871**

22. PAYMENT DIVIDENDS

In lei	**30 June 2018**	**31 December 2017**
Payment dividends afferent to the year 2017	40,824,235	
Payment dividends afferent to the year 2016	13,328,379	13,667,853
Payment dividends afferent to the year 2015	18,353,148	18,549,921
Payment dividends afferent to the year 2014	15,597,045	15,704,962
Payment dividends afferent to the year 2013	754,433	756,168
Payment dividends afferent to the year 2012	13,470	13,470
Payment dividends afferent to the year 2011	10,860	10,860
Payment dividends afferent to the year 2010	8,066	8,139
Payment dividends of previous years	80,615	80,611
Total payment dividends	**88,970,251**	**48,791,984**

23. TAXES AND CHARGES

In lei	**30 June 2018**	**31 December 2017**
Liabilities related to the Social Insurance Budget	628,203	682,120
Liabilities related to the State Budget	2,414,207	6,067,516
Other taxes and charges	280,200	322,345
Total	**3,322,610**	**7,071,981**

24. LIABILITIES REGARDING DEFERRED TAX

Liabilities regarding the deferred tax are determined by the following elements:

In lei	**Assets**	**Liabilities**	**Net**	**Tax**
30 June 2018				
Fair value assessment of financial assets by other elements of the global result	678,306,749	3,773,452	674,533,297	107,691,034
Financial assets received freely	101,112,344		101,112,344	16,177,973
Reassessment of tangible assets	11,996,285		11,996,285	1,919,406
Reported result representing reserves from tangible asset reassessments	27,773,884	753,719	27,020,165	4,323,226
Asset adjustment	5,554,789	974,258	4,580,531	717,032
Provisions for litigation and other provisions	113,702	129,759	(16,057)	(2,570)
Other reserves – fiscal facility	21,843,300		21,843,300	3,494,929
TOTAL	**846,701,053**	**5,631,188**	**841,069,865**	**134,321,030**

24. LIABILITIES REGARDING DEFERRED TAX (continued)

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

In lei	**Assets**	**Liabilities**	**Net**	**Tax**
31 December 2017				
Fair value assessment of financial assets by other elements of the global result	628,853,329	1,286,689	627,566,640	100,067,159
Financial assets received freely	101,952,344		101,952,344	16,312,374
Reassessment of tangible assets	12,704,691		12,704,691	2,032,751
Reported result representing reserves from tangible asset reassessments	27,407,342	753,719	26,653,623	4,264,579
Asset adjustment	3,990,468	881,590	3,108,878	497,421
Provisions for litigation and other provisions	141,240	447,845	(306,605)	(49,057)
Other reserves – fiscal facility	21,306,417		21,306,417	3,409,027
TOTAL	**796,355,831**	**3,369,843**	**792,985,988**	**126,534,254**

25. OTHER LIABILITIES

In lei	**30 June 2018**	**31 December 2017**
Staff liabilities	1,134,605	1,600,570
Commercial liabilities	6,604,610	8,797,835
Bank credits and other assimilated debts (leasing)	46,778,569	116,300,243
Received warranties	1,659,729	2,188,238
Diverse creditors	4,237,034	1,398,644
Incomes in advance	855,160	826,407
Provisions for risks and expenses	6,477,084	6,631,875
Total other liabilities	**67,746,791**	**137,743,812**

On 30 June 2018, the Group's loans are mainly located on such bank units:

In lei

Company	**Bank**	**Curency**	**Interest rate**	**Final due**	**Balance at 30 June 2018**
Argus S.A. Constanta	Banca Transilvania	LEI	Robor 3M + margin of the bank	17.07.2018	26,000,000
Argus S.A. Constanta	Banca Transilvania	LEI	Robor 3M + margin of the bank	11.08.2018	7,498,942
Mercur S.A.	Raiffeisen Bank SA	LEI	Robor 1M +1.5%	31.01.2021	12,586,476
Total					**46,085,418**

25. OTHER LIABILITIES (continued)

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

In lei

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

26. CAPITAL AND RESERVES

Share capital

The subscribed and paid-up share capital of the Company is 58,016,571 lei, divided into 580,165,714 shares with a nominal value of 0.1 lei / share. The shares are: ordinary, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders.

On 30 June 2018 the number of Company shareholders was 5,744,796 (31 December 2017: 5,748,221).

The Company's shares are listed on the Bucharest Stock Exchange, the Premium category, with SIF 5, as of 01.11.1999.

The Company's shareholders and shares are kept by the Depozitarul Central S.A. Bucharest.

The share capital structure of the Company is presented below.

	Number of shareholders	Number of shares	Amount (lei)	(%)
30 June 2018				
Resident natural persons	5,742,713	227,614,838	22,761,484	39,23
Non-resident natural persons	1,824	1,847,324	184,732	0,32
Total natural persons	5,744,537	229,462,162	22,946,216	39,55
Resident legal persons	216	250,168,321	25,016,832	43,12
Non-resident legal persons	43	100,535,231	10,053,523	17,33
Total legal persons	259	350,703,552	35,070,355	60,45
Total June 2018	**5,744,796**	**580,165,714**	**58,016,571**	**100,00**

26. CAPITAL AND RESERVES (continued)

	Number of shareholders	Number of shares	Amount (lei)	(%)
31 December 2017				
Resident natural persons	5,746,147	231,390,642	23,139,064	39,88
Non-resident natural persons	1,812	2,221,396	222,139	0,38
Total natural persons	5,747,959	233,612,038	23,361,203	40,26
Resident legal persons	216	240,120,238	24,012,024	41,39
Non-resident legal persons	46	106,433,438	10,643,344	18,35
Total legal persons	262	346,553,676	34,655,368	59,74
Total 2017	**5,748,221**	**580,165,714**	**58,016,571**	**100,00**

In lei	30 June 2018	31 December 2017
Share capital	58,016,571	58,016,571
Effect of applying IAS 29 over the share capital	103,806,500	103,806,500
Retreated share capital	**161,823,071**	**161,823,071**

Legal reserves

According to the legal requirements, the Group provides legal reserves in the amount of 5% of the profit registered according to the applicable accounting regulations up to 20% of the share capital according to the constitutive act. Legal reserves can not be distributed to shareholders.

Dividends

In the reporting period ended June 30, 2018, the Group declared payment dividends of RON 43,314,276 (2017: RON 55,881,301).

Reserves from the assessment of the financial assets at fair value through other elements of the global result

This reserve comprises the cumulative net changes in the fair values of financial assets from the date of their classification in this category to the date when they are derecognised.

Reserves from the assessment of the financial assets are recorded net of deferred tax. The amount of deferred tax is recognized directly by the decrease in equity.

27. OTHER RESERVES

In lei	**30 June 2018**	**31 December 2017**
Own financing sources	522,575,081	488,444,826
Other reserves	212,936,891	213,459,883
Total	**735,511,972**	**701,904,709**

28. MINORITY INTEREST

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

In lei	**30 June 2018**	**31 December 2017**
Profit or loss of the financial exercise afferent to the interests which does not control	61,492	255,505
Other equities	30,794,426	32,163,944
Total	**30,855,918**	**32,419,449**

29. RESULT PER SHARE

In lei	**30 June 2018**	**30 June 2017**
Attributable profit to the ordinary shareholders	65.784.506	36.935.958
Average percentage number of the ordinary shares	580.165.714	580.165.714
Basic result per share	0,1134	0,0637

The diluted earnings per share is equal to the basic share result as the Group has not registered potential ordinary shares.

30. WARRANTIES GRANTED

In addition to the warranties granted to obtain bank loans, the Group has no warranties whatsoever.

31. ENVIRONMENTAL CONTINGENCIES

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

32. TRANSFER PRICE

The Romanian legal framework contains rules on transfer pricing between affiliates since 2000.

Tax legislation in Romania includes the principle of market value, according to which the transactions between the affiliated parties must be carried out at market value, observing the principles of the transfer prices. Local taxpayers who carry out transactions with affiliated parties must prepare and make available to the tax authorities, at their written request, the transfer pricing documentation file within the timeframe granted by the authorities (the large taxpayers conducting transactions with affiliated persons above the ceilings established by the legislation has the obligation to prepare the annual transfer pricing file starting with the transactions of the year 2016).

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

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

As a result, tax authorities are expected to initiate thorough transfer pricing checks to ensure that the tax result and / or the customs value of the imported goods are not distorted by the effect of the prices charged in relation to affiliated persons. The company can not quantify the outcome of such checks.

33. CONCENTRATING EXPOSURE

Financial assets

On 30 June 2018, the Group held a portfolio of equity investments in companies and investment funds at a market value of RON 1,560,604,889. The companies with a weight in the total securities in which the Group held participations are the following:

Item no.	Company	Percentage from total - % -	Market value on 30 June 2018 - lei -
1	BANCA COMERCIALA ROMANA BUCURESTI	32.07	500,428,304
2	OMV PETROM BUCURESTI	15.41	240,532,741
3	B.R.D.-GROUPE SOCIETE GENERALE BUCURESTI	12.56	196,071,827
4	BANCA TRANSILVANIA CLUJ	7.80	121,694,968
5	SNTGN TRANSGAZ MEDIAS	4.07	63,452,912
6	C.N.T.E.E. TRANSELECTRICA BUCURESTI	3.85	60,066,547
7	S.N.G.N. ROMGAZ S.A.	3.79	59,156,013
8	ANTIBIOTICE IASI	3.26	50,870,625
9	TURISM FELIX BAILE FELIX	2.28	35,650,602
10	TURISM LOTUS FELIX	2.19	34,239,739
	Total	**87.28**	**1,362,164,278**

On 31 December 2017, the Group held a portfolio of equity investments in companies and investment funds at a market value of ROL 1,508,862,770. The companies with a weight in the total securities in which the Group held participations are the following:

33. CONCENTRATING EXPOSURE (continued)

Item no.	Company	Percentage from total - % -	Market value on 31 December 2018 - lei -
1	BANCA COMERCIALA ROMANA S.A.	31.53	475,816,901
2	OMV PETROM S.A. Bucuresti	14.38	217,017,232
3	B.R.D. - GROUPE SOCIETE GENERALE S.A.	12.77	192,709,166
4	BANCA TRANSILVANIA S.A. Cluj	6.83	103,012,512
5	S.N.T.G.N. TRANSGAZ S.A. Medias	4.92	74,286,336
6	C.N.T.E.E. TRANSELECTRICA S.A. Bucuresti	4.57	69,029,886
7	ANTIBIOTICE S.A. Iasi	3.46	52,266,825
8	S.N.G.N. ROMGAZ S.A. Medias	3.34	50,343,359
9	TURISM LOTUS FELIX S.A. Baile Felix	2.26	34,139,573
10	EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	2.22	33,503,727
	Total	**86.28**	**1,302,125,517**

34. TRADES AND BALANCES WITH PARTIES UNDER SPECIAL RELATIONS

Company branches

Under the legislation in force, the Company holds control of 11 issuers on 30 June 2018 (31 December 2017: 11 issuers). All subsidiaries of the Company at the reporting date are based in Romania. For these, the Company's shareholding percentage is not different from the percentage of the votes held.

Company name	Percentage held by SIF on 30 June 2018 - % -	Percentage held by SIF on 31 December 2017 - % -
ALIMENTARA S.A. Slatina	52.24	52.24
TURISM PUCIOASA S.A. Dambovita	69.22	69.22
PROVITAS S.A Bucuresti	70.28	70.28
UNIVERS S.A. Rm. Valcea	73.75	73.75
CONSTRUCTII FEROVIARE S.A. Craiova	77.50	77.50
FLAROS S.A. Bucuresti	81.04	81.04
ARGUS S.A. Constanta	86.34	86.34
GEMINA TOUR S.A. Rm. Valcea	88.29	88.29
MERCUR S.A. Craiova	97.86	97.86
VOLTALIM S.A. Craiova	99.19	99.19
COMPLEX HOTELIER DAMBOVITA S.A. Targoviste	99.94	99.94

Company associated entities

On 30 June 2018, the Company held participations of over 20% but no more than 50% of the share capital in a number of 9 issuers (31 December 2017: 9 issuers). All the associated entities of the Company are based in Romania. For these, the percentage of ownership by the company is not different from the percentage of the votes held.

34. TRADES AND BALANCES WITH PARTIES UNDER SPECIAL RELATIONS (continued)

Company name	**Percentage held by SIF on 30 June 2018 - % -**	**Percentage held by SIF on 31 December 2017 - % -**
ELECTROMAGNETICA S.A. Bucuresti	25.40	25.40
MAT S.A. Craiova	25.83	25.83
TURISM LOTUS FELIX S.A. Baile Felix	27.46	27.46
PRODPLAST S.A. Bucuresti	27.55	27.55
SANTIERUL NAVAL ORSOVA S.A.	28.02	28.02
TURISM FELIX S.A. Baile Felix	28.97	28.97
ELECTRO TOTAL S.A. Botosani	29.86	29.86
SINTEROM S.A. Cluj Napoca	31.88	31.88
LACTATE NATURA S.A. Targoviste	39.70	39.70

Following the analysis of the quantitative and qualitative criteria presented in IAS 27, "*Individual Financial Statements*" and IFRS 10 "*Consolidated Financial Statements*", the Group concluded that it does not have investments in associates on 30 June 2018 and 31 December 2017.
Intercompany settlements and transactions, as well as unrealized gains arising from intragroup transactions, are eliminated in their entirety from the consolidated financial statements.

35. KEY MANAGEMENT STAFF

30 June 2018
Members of the Administration Council: Tudor Ciurezu - Chairman, Cristian Bușu - Vicepresident, Anina Radu, Radu Hanga, Ana – Barbara Bobirca, Nicolae Stoian, Carmen Popa.
Senior management: Tudor Ciurezu – General Manager, Cristian Bușu – Deputy General manager.

31 December 2017
Members of the Administration Council: Tudor Ciurezu - Chairman, Cristian Bușu - Vicepresident Anina Radu, Radu Hanga, Ana – Barbara Bobirca, Nicolae Stoian, Carmen Popa.
Senior management: Tudor Ciurezu – General Manager, Cristian Bușu – Deputy General Manager.
The Group has no contracted obligations regarding the payment of pensions to former members of the Administration Council and management and therefore has no accruals of this kind.
The Group has not provided any credits or advances (except for legally justified travel advances in the interest of the service) to the members of the Administration Council and management and has no accruals of this kind.
The Company has not received or granted any guarantees in favor of any affiliated party.

36. SEGMENT REPORTING

Segment reporting is segmentation by activity that considers the line of business of which the core business of the companies in the consolidation perimeter is. The company together with the companies in the portfolio holding more than 50%, included in the consolidation perimeter, is active in the following main business segments:
- financial investment activity
- rental of premises
- food industry
- tourism

36. SEGMENT REPORTING *(continued)*

Hereunder, the reference indicators are presented for the purpose of an eventual analysis:

	Lease		Food industry		Tourism		Financial activity		TOTAL	
Indicators	30 June 2018	2017	30 June 2018	2017	30 June 2018	2017	30 June 2018	2017	30 June 2018	2017
Fixed assets	144,645,731	143,269,078	60,831,902	60,968,399	14,447,284	14,419,241	1,577,056,221	1,528,072,012	1,796,981,138	1,746,728,730
Current assets	20,842,565	21,804,053	52,405,919	129,374,145	1,653,384	2,213,563	70,991,863	6,583,747	145,893,731	159,975,508
Advance expenses	2,918,567	2,683,184	327,56	60,46	101,8	21,25	145,34	73,44	3,493,265	2,838,341
Liabilities	26,626,324	25,353,815	42,326,477	111,800,458	878,41	854,97	217,113,319	174,598,069	286,944,534	312,607,309
Advance incomes	836,17	824,36	3,59	3,68	91,8	66,45	7,51	8,36	939,06	902,85
Provisions	165,37	579,8	971,97	675,68	50,84	87,5	5,288,900	5,288,900	6,477,084	6,631,875
Minority interests							30,855,918	32,419,449	30,855,918	32,419,449
Equities	140,779,006	140,998,332	70,263,339	77,923,200	15,181,410	15,645,141	1,394,927,779	1,322,414,426	1,621,151,534	1,556,981,099

Total incomes	14,600,219	26,357,843	83,811,463	177,856,265	2,743,658	6,351,216	76,732,449	105,525,354	177,887,789	316,090,678
Total expneses	7,609,181	15,871,366	91,471,205	186,653,396	3,010,924	5,803,261	5,107,702	26,627,670	107,199,012	234,955,693
Gross result	6,991,038	10,486,477	(7,659,742)	(8,797,131)	-267,27	547,96	71,624,747	78,897,684	70,688,777	81,134,985
Net result	6,437,904	9,096,662	(7,659,861)	(8,864,464)	-317,73	429,83	67,385,685	71,283,848	65,845,998	71,945,871

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

Within the Group's fixed assets held on 30 June 2018 by the Group, 87.76% of the assets are held by the financial investment activity represented by the financial asset portfolio, namely 87.48% at 31 December 2017.

The high level of debts is mainly due to the deferred tax liability for the fair value reserve at 30 June 2018, with a weight of 46.81% (31 December 2017: 40.48%) in total debt.

The net result at 30 June 2018 is realized from the financial investment activity, the companies included in the consolidation made a loss of 1,539,687 lei. At 31 December 2017, the net result of the investment activity represents 99.08% of the net result of the group.

37. COMMITMENTS AND CONTINGENT LIABILITIES

Court actions

The group has a number of court actions resulting from the normal course of business. The management of the Group considers that these actions will not have a significant impact on the financial statements.

On 30 June 2018, 137 cases were registered, out of which:

- 66 cases have the status of plaintiff;
- 27 causes is defendant;
- 1 case has the quality of intervention;
- 36 cases in insolvency proceedings;
- 4 causes as a third party;
- 2 cases as a warrant;
- 1 case as an injured party.

After their objection, the causes are structured as follows:

- 57 commercial causes;
- 8 cases - annulment of the decision of the General Court, in which he has the capacity of plaintiff;
- 36 cases in insolvency proceedings: in 21 cases it has the status of a chirographic creditor and in 15 cases the quality of the creditor's contribution;
- 36 other causes.

The total of 137 causes is structured as follows:

- 108 cases are found in the companies included in the consolidation perimeter, as follows:
  - 48 cases as plaintiff for the amount of 11,054,526 lei;
  - 22 cases as defendant for the amount of 3,708,861 lei;
  - 33 cases in insolvency proceedings for the amount of 10,176,813 lei;
  - 1 case as an injured party for the amount of 556,500 lei;
  - 4 other causes;
- 29 causes belong to the Company and consist mainly of:
  - 18 cases have the capacity of plaintiff for the amount of 2,307,631 lei;
  - 5 cases are defendant for the amount of 1,798,550 lei;
  - 1 case has the capacity to intervene for the amount of 961,689 lei;
  - 3 cases - in insolvency proceedings for the amount of 57,802 lei;
  - 2 cases - called under warranty for the amount of 321,548 lei.

After their objection, the causes are structured as follows:

- 3 cases - companies in insolvency proceedings, as follows:

• *In 2 cases*, the Company has the status of a chirographic creditor;

• *in one case* has the capacity of creditor to contribute.

- 8 cases - annulment of the decision of the General Meeting / cancellation of operations with shares, in which the Company has the capacity of plaintiff;
- 18 other causes.

38. EVENTS AFTER THE BALANCE SHEET DATE

ARGUS SA Constanta

I. On August 20, 2018, the Extraordinary General Meeting of Shareholders took place, statutory meeting, which approved the following:

- extension of the credit line amounting to 7,500,000 lei, for a period of 12 months with the same guarantee structure as in the previous year

- contracting by ARGUS SA Constanţa from Banca Transilvania of a bank loan in the amount of 90,000,000 lei, for working capital;

- guaranteeing bank loans with the following:

  - fixed assets belonging to ARGUS SA Constanta, representing up to 100% of total tangible fixed assets;
  - assignment of receivables;
  - stocks;
  - mortgage on current receipts and balances and sub-accounts opened by Argus -SA at the financing bank.

- empowering the Administration Council to approve the maximum amount of loans actually contracted and the related guarantees and empowering the persons signing the relevant credit and collateral security.

None of the companies included in the consolidation perimeter were included in the OMFP no. 881 / 25.06.2012, respectively, is not obliged to prepare and report financial statements under IFRS. They keep accounting records according to OMFP 1802/2014 for the approval of accounting regulations on individual annual financial statements and consolidated annual financial statements. For consolidation, they prepare the second set of financial statements under IFRS. The financial statements prepared under IFRS result from the restatement of the financial statements prepared under the OMFP 1802/2014.

The consolidated financial statements have been prepared in accordance with Standard no. 39/2015 for the approval of accounting regulations complying with international financial reporting standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector and Law no. 24/2017 on issuers of financial instruments and market operations.

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

Associate Professor PhD. Ec. Ciurezu Tudor	Associate Professor PhD. Bușu Cristian	Ec. Sichigea Elena
Chairman/General Manager	Vicepresident/Deputy General Manager	Financial Manager