

# **SIF BANAT-CRIȘANA SA**

## **CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

**prepared in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector**

**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation.

**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

***(All amounts are presented in RON)***

	<b>Note</b>	<b>Year ended as at 31 December 2017</b>	<b>Year ended as at 31 December 2016 (restated)</b>
Revenue	8	631,140,323	544,540,691
Operating expenses	9	(535,380,966)	(439,381,441)
Net gains losses from investment property	10	14,746,764	(24,348,453)
Net gains losses from financial assets	11	2,983,552	(4,639,710)
Other gains/losses – net	12	<u>(1,166,846)</u>	<u>(4,630,871)</u>
<b>Operating profit</b>		<u><b>112,322,827</b></u>	<u><b>71,540,216</b></u>
Finance income	13	5,284,378	7,535,079
Finance cost	13	<u>(12,126,546)</u>	<u>(12,601,291)</u>
Finance cost – net	13	(6,842,168)	(5,066,212)
Share of net profit of associates	31	<u>10,252,117</u>	<u>9,404,288</u>
<b>Profit before income tax</b>		<u><b>115,732,776</b></u>	<u><b>75,878,292</b></u>
Income tax expense	14	(4,140,711)	(13,167,369)
<b>Profit for the period</b>		<u><b>111,592,065</b></u>	<u><b>62,710,923</b></u>
Profit from continuing operations		111,592,065	63,674,457
Profit from discontinued operations	34	-	(963,534)
<b>Profit for the period</b>		<u><b>111,592,065</b></u>	<u><b>62,710,923</b></u>
<b>Profit is attributable to:</b>			
Owners		104,730,239	61,614,584
Non-controlling interests		<u>6,861,826</u>	<u>1,096,339</u>
Profit for the period		111,592,065	62,710,923
<b>Earnings per share for profit</b>			
Basic earnings per share		0.22	0.11
Diluted earnings per share		0.22	0.11
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss:</b>			
Changes in the fair value of available-for-sale financial assets			
Amount transferred to profit and loss		( 2,442,752)	3,861,082
Change in fair value		282,334,379	41,897,946
Tax effect on the above reserves		(44,792,897)	(7,321,445)
Gain on revaluation of land and buildings		<u>28,465,987</u>	<u>25,967,641</u>
<b>Other comprehensive income for the period</b>		<u><b>263,564,717</b></u>	<u><b>64,405,224</b></u>
<b>Total comprehensive income for the period</b>		<u><b>375,156,782</b></u>	<u><b>127,116,147</b></u>

The consolidated financial statements were approved by the Board of Directors on 26 March, 2018, reviewed and approved in final form at the meeting dated 20 April 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
President, General Manager Vice-president

Ștefan Doba  
Economic Manager

**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
*(All amounts are presented in RON)*

	<u>Note</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>ASSETS</b>			
Cash and cash equivalents	15	58,282,699	104,589,882
Bank Deposits		31,473,033	53,701,555
Financial assets at fair value through profit and loss	16	338	309
Other Financial Assets	19	101,767,377	85,210,560
Inventories	20	80,808,539	57,895,933
Assets held for sale	34	-	9,188,638
Available-for-sale financial assets	17	1,642,602,587	1,276,444,115
Investments in Associates		68,700,510	64,747,102
Held-to-maturity investments	18	6,499,763	6,342,016
Investment properties	21	289,152,520	257,427,670
Property, plant and equipment	22	570,200,464	506,606,899
Intangible assets		10,282,641	2,512,183
Other long-term assets		526,261	473,328
Other assets		1,351,238	1,445,073
Goodwill		8,620,328	3,568,686
Investments		266,055	278,345
<b>Total assets</b>		<u>2,870,534,353</u>	<u>2,430,432,294</u>
<b>LIABILITIES</b>			
Other financial liabilities	23	133,367,836	99,394,413
Dividends payable	25	15,586,380	20,204,247
Deferred tax liabilities	26	207,270,420	158,444,322
Loans	27	129,370,582	135,703,844
Investments grants	28	38,478,444	41,511,736
Provisions for employee benefits and other		2,316,355	2,141,915
Other liabilities		<u>2,492,333</u>	<u>1,598,457</u>
<b>Total liabilities</b>		<u>528,882,350</u>	<u>458,998,934</u>
<b>EQUITY</b>			
Share capital	29	52,000,000	54,884,930
IAS 29 on share capital	29	648,330,055	684,298,992
Reserves from applying Law 133/1996	29	2,105,675,691	2,105,675,691
IAS 29 on Retain earnings	29	( 2,608,519,657)	(2,644,488,595)
Treasury shares		( 4,748,190)	(52,443,756)
Losses from redemption of treasury shares		( 124,659)	(734,130)
Other reserves		(21,635,428)	(21,635,428)
Retained earnings		1,186,668,064	1,139,243,636
Reserves on revaluation of land and buildings		62,597,610	34,131,623
Legal reserves		26,734,310	15,530,829
Reserves for the fair value of available-for-sale financial assets		<u>808,753,426</u>	<u>573,654,696</u>
		<u>2,255,731,222</u>	<u>1,888,118,488</u>
<b>Non-controlling interests</b>		<u>85,920,781</u>	<u>83,314,872</u>
<b>Total equity</b>		<u>2,341,652,003</u>	<u>1,971,433,360</u>

The consolidated financial statements were approved by the Board of Directors on **26 March 2018**, reviewed and approved in final form at the meeting dated 20 April 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
 President, General Manager

Ștefan Doba  
 Economic Manager

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**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

*(All amounts are presented in RON)*

<b>2016</b>	<b>Share capital</b>	<b>Legal reserves</b>	<b>Reserves applying Law 133/1996</b>	<b>Reserves in the fair value of available-for-sale financial assets</b>	<b>Treasury shares</b>	<b>Losses from redemption of shares</b>	<b>Other reserves</b>	<b>Reserves on revaluation of land and buildings</b>	<b>Retained earnings</b>	<b>IAS 29 effect</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
<b>Balance at 1 January 2016</b>	<u>739,183,922</u>	<u>13,860,975</u>	<u>2,105,675,691</u>	<u>535,217,113</u>	=	=	<u>(28,497,230)</u>	<u>8,163,983</u>	<u>1,083,672,824</u>	<u>(2,644,488,595)</u>	<u>1,812,788,683</u>	<u>80,816,786</u>	<u>1,893,605,469</u>
Profit for the period	-	-	-	-	-	-	-	-	61,614,584	-	61,614,584	1,096,339	62,710,923
<b>Other movements</b>													
Changes in revaluation of land and buildings	-	-	-	-	-	-	-	25,967,641	-	-	25,967,641	-	25,967,641
Reserves of the fair value of available-for-sale financial assets transferred to Profit and Loss	-	-	-	3,861,082	-	-	-	-	-	-	3,861,082	-	3,861,082
Changes in reserves of the fair value of available-for-sale financial assets	-	-	-	41,897,946	-	-	-	-	-	-	41,897,946	-	41,897,946
Deferred income tax	-	-	-	(7,321,445)	-	-	-	-	-	-	(7,321,445)	-	(7,321,445)
<b>Total comprehensive income for the period</b>	-	-	-	38,437,583	-	-	-	25,967,641	61,614,584	-	126,019,808	1,096,339	127,116,147
Increase/Decrease in subsidiary ownership	-	-	-	-	-	-	-	-	-	-	-	3,889,629	3,889,629
Variation of the reserve related to subsidiaries	-	1,669,854	-	-	-	-	6,861,802	-	(6,043,773)	-	2,487,883	(2,487,883)	-
Redemption of treasury shares	-	-	-	-	(52,443,756)	(734,130)	-	-	-	-	(53,177,886)	-	(53,177,886)
<b>Total transactions with shareholders recognized in equity</b>	-	1,669,854	-	-	(52,443,756)	(734,130)	6,861,802	-	(6,043,773)	-	(50,690,003)	1,401,746	(49,288,257)
<b>Balance at 31 December 2016</b>	<u>739,183,922</u>	<u>15,530,829</u>	<u>2,105,675,691</u>	<u>573,654,696</u>	<u>(52,443,756)</u>	<u>(734,130)</u>	<u>(21,635,428)</u>	<u>34,131,623</u>	<u>1,139,243,636</u>	<u>(2,644,488,595)</u>	<u>1,888,118,488</u>	<u>83,314,872</u>	<u>1,971,433,360</u>

**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

***(All amounts are presented in RON)***

<b>2017</b>	<b>Share capital</b>	<b>Legal reserves</b>	<b>Reserves from applying Law 133/1996</b>	<b>Reserves in the fair value of available-for-sale financial assets</b>	<b>Treasury shares</b>	<b>Losses from redemption of shares</b>	<b>Other reserves</b>	<b>Reserves on revaluation of land and buildings</b>	<b>Retained earnings</b>	<b>IAS 20 effect</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
<b>Balance at 1 January 2017</b>	<u>739,183,922</u>	<u>15,530,829</u>	<u>2,105,675,691</u>	<u>573,654,696</u>	<u>(52,443,756)</u>	<u>(734,130)</u>	<u>(21,635,428)</u>	<u>34,131,623</u>	<u>1,139,243,636</u>	<u>(2,644,488,595)</u>	<u>1,888,118,488</u>	<u>83,314,872</u>	<u>1,971,433,360</u>
Profit for the period	-	-	-	-	-	-	-	-	104,730,240	-	104,730,240	6,861,826	111,592,065
<b>Other movements</b>													
Increase/ Decrease in reserves from revaluation of property plant and equipment of associates	-	-	-	-	-	-	-	28,465,987	(4,554,558)	-	23,911,429	1,041,674	24,953,103
Reserves of the fair value of available-for-sale financial assets transferred to Profit and Loss	-	-	-	(2,442,752)	-	-	-	-	-	-	(2,442,752)	-	(2,442,752)
Changes in reserves in the fair value of available-for-sale financial assets	-	-	-	282,334,379	-	-	-	-	-	-	282,334,379	-	282,334,379
Deferred income tax	-	-	-	(44,792,897)	-	-	-	-	-	-	(44,792,897)	-	(44,792,897)
<b>Total comprehensive income for the period</b>	<u>=</u>	<u>=</u>	<u>=</u>	<u>235,098,730</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>28,465,987</u>	<b>100,175,682</b>	-	<b>363,740,399</b>	<b>7,903,500</b>	<b>371,643,899</b>
Increase/Decrease in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in reserves of subsidiaries	-	11,203,481	-	-	-	-	-	-	(5,905,890)	-	5,297,591	(5,297,591)	-

**SIF BANAT – CRIȘANA SA**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**

*(All amounts are presented in RON)*

	<b>Share capital</b>	<b>Legal reserves</b>	<b>Reserves from applying Law 133/1996</b>	<b>Reserves in the fair value of available-for-sale financial assets</b>	<b>Treasury shares</b>	<b>Losses from redemption on shares</b>	<b>Other reserves</b>	<b>Reserves on revaluation of land and buildings</b>	<b>Retained earnings</b>	<b>IAS 29 effect</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
Redemption of treasury shares	-	-	-	-	(1,348,190)	(77,064)	-	-	-	-	(1,425,254)	-	(1,425,254)
Annulment of treasury shares	(38,853,864)	-	-	-	49,043,756	686,535	-	-	(46,845,364)	35,968,937	(2,431,753)	-	(2,431,753)
<b>Total transactions with shareholders recognized in equity</b>	<b>(38,853,864)</b>	<b>11,203,481</b>	<b>-</b>	<b>-</b>	<b>47,695,566</b>	<b>609,471</b>	<b>-</b>	<b>-</b>	<b>(52,751,254)</b>	<b>35,968,937</b>	<b>3,872,338</b>	<b>(5,297,991)</b>	<b>(1,425,253)</b>
<b>Balance as at 31 December 2017</b>	<b><u>700,330,055</u></b>	<b><u>26,734,310</u></b>	<b><u>2,105,675,691</u></b>	<b><u>808,753,426</u></b>	<b><u>(4,748,190)</u></b>	<b><u>(124,659)</u></b>	<b><u>(21,635,42)</u></b>	<b><u>62,597,610</u></b>	<b><u>1,186,668,064</u></b>	<b><u>(2,608,519,658)</u></b>	<b><u>2,255,731,221</u></b>	<b><u>85,920,781</u></b>	<b><u>2,341,652,002</u></b>

The consolidated financial statements were approved by the Board of Directors on ,26 March 2018, reviewed and approved in final form at the meeting dated 20 April 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
President, General Manager

Ștefan Doba  
Economic Manager

**SIF BANAT – CRIȘANA SA****CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

	<b>Year ended as at 31 December 2017</b>	<b>Year ended as at 31 December 2016</b>
<b>Cash flows from operating activities</b>		
Net profit for the period	111,592,065	62,710,923
<b>Adjustments for:</b>		
Depreciation and impairment of property, plant and equipment and intangible assets (Note 9)	48,396,130	41,583,828
Gain on disposal of property plant and equipment	(47,601)	(24,545,561)
(Gain)/Losses from revaluation of investment property (Note 10)	(14,746,764)	24,348,453
Expenditure related to adjustments for impairment	(627,254)	14,636,586
Net profit from sale of assets (Note 11)	(889,966)	(1,973,566)
Net gains from financial assets at fair value through profit or loss	(1,763,258)	(7,939,015)
Net losses from acquisition subsidiary	-	3,889,629
Share of results of associates	(10,252,117)	(9,404,288)
Income from dividends (Note 8)	(58,378,692)	(78,263,232)
Interest income	(2,732,224)	(5,581,462)
Interest expenses (Note 13)	3,355,096	3,624,083
Income tax (Note 14)	3,505,354	13,167,369
<b>Operating cash flows before working capital changes</b>	<u>77,410,770</u>	<u>36,253,747</u>
<b>Working capital changes</b>		
Increase in trade and other receivables	(25,500,729)	(2,199,012)
Increase in inventories	(22,912,606)	(3,499,645)
Increase trade and other payables	26,172,717	2,619,765
Income tax paid	(2,645,617)	(17,859,557)
Interest paid	<u>(4,708,360)</u>	<u>(2,422,704)</u>
<b>Net cash from operating activities</b>	<u>47,816,175</u>	<u>12,892,594</u>
<b>Net cash from investing activities</b>		
Interest received	3,078,111	7,607,397
Payments for acquisition of property, plant, equipment and real estate investments	(72,429,666)	(59,540,074)
Payments for the acquisition of Rom Paper (note 23)	(23,792,455)	-
Payments for acquisition of shares (Note 17)	(163,722,669)	(126,342,136)
Proceeds from sales of assets held for sale	-	4,885,550
Proceeds from sales of shares	85,805,053	3,784,252
Proceeds from deposits greater than three months	22,228,522	106,294,369



**SIF BANAT – CRIȘANA SA****CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
*(All amounts are presented in RON)*

	<b><u>Year ended as at 31 December 2017</u></b>	<b><u>Year ended as at 31 December 2016</u></b>
Proceeds (Payments) for acquisition of held-to-maturity investments	(152,106)	26,922,180
Proceeds from sales of property plant and equipment	533,321	14,928,186
Proceeds from dividends	53,961,640	84,819,124
Proceeds from associates	10,252,117	11,202,012
Proceeds from investments in other securities	<u>5,641</u>	<u>1,270,097</u>
<b>Net cash used in investing activities</b>	<b>(84,235,977)</b>	<b>75,830,957</b>
<b>Cash flows from financing activities</b>		
Net cash in/out from loans	(17,060,454)	23,309,131
Dividends paid to the Company's shareholders	(3,450,000)	(3,970,007)
Redemption of treasury shares	<u>(1,425,254)</u>	<u>(53,177,886)</u>
<b>Net cash from financing activities</b>	<b>(21,935,708)</b>	<b>33,838,762</b>
<b>Net decrease / (increase) used in cash and cash equivalents</b>	<b><u>(58,355,511)</u></b>	<b><u>54,884,788</u></b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b><u>72,130,555</u></b>	<b><u>17,245,767</u></b>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>13,775,044</u></b>	<b><u>72,130,555</u></b>

**Cash and cash equivalents include:**

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Cash on hand	517,986	544,086
Current accounts at banks	40,943,364	91,408,572
Bank deposits with original maturity less than 3 months	16,575,382	12,217,000
Interest on deposits	-	415,130
Other values	245,967	420,224
Overdrafts	<u>(44,507,655)</u>	<u>(32,459,327)</u>
<b>Cash and cash equivalents</b>	<b><u>13,775,044</u></b>	<b><u>72,130,555</u></b>

The consolidated financial statements were approved by the Board of Directors on **26 March 2018**, reviewed and approved in final form at the meeting dated **20 April 2018** and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
 President, General Manager

Ștefan Doba  
 Economic Manager

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## **CONSOLIDATED ACCOUNTING POLICIES**

### **1. REPORTING ENTITY**

The Financial Investment Company Banat–Crișana SA („the Company”) was established according to Law no. 133/1996 through the reorganization and transformation of the Private Property Fund Banat-Crișana and it is a trading joint-stock company operating according to Law 31/1990 and to Law no. 297/2004.

The registered office of SIF Banat–Crișana is situated in Arad, Calea Victoriei, nr. 35 A, județul Arad, cod 310158, phone: 0257.234.167, Fax: 0257.250.165. The registration number of the Trade Register Office is: J02/1898/1992, and the Sole Tax Registration Code is: 2761040.

The business object of the Company is:

- Making financial investments in order to maximize the value of equity according to the regulations in force;
- Managing the investment portfolio and exercising all rights related to the invested instruments;
- Other auxiliary and adjacent activities, according to the regulations in force.

The shares of the Company are listed in the Stock Exchange of Bucharest, starting with November 1<sup>st</sup> 1999 and are traded on the regulated market within the Premium category, having the indicative SIF1.

The depository company of the Company is BRD Groupe Société Générale starting with 01/29/2014, before that date it was ING Bank NV Amsterdam Bucharest branch office, and the register services rendering company is Depozitarul Central SA of Bucharest.

The separate financial statements of ale Societatea de Investiții Financiare Banat–Crișana SA were authorized by the Board of Directors on 26 March 2018, reviewed and approved in final form at the meeting **dated 20 April 2018** before the authorization of these consolidated financial statements. The Company applied an interpretation contained in the agenda paper issued by the European Commission Internal Market and Services for the meeting of the Accounting Regulatory Committee (document ARC/08/2007) about relationship between the IAS regulation and the 4th and 7th Company Law Directives. The Commission Services Department was of the opinion that, if a company chooses or is required to prepare its annual financial statements in accordance with IFRS as adopted by the European Union, it can prepare and file them independently from the preparation and filing of its consolidated financial statements.

The consolidated financial statements of the Company issued for year 2017 comprise the Company, its subsidiaries and associates („the Group”). The subsidiaries and the associates are presented at Note 3.

The activity developed by the Group is segmented on four main activities, respectively: financial, industry, agriculture, trade, restaurants and hotel activity.

The company took into account, as alternative situation, the exemption of S.I.F. from the issue of the consolidated financial statements, taking into account the provisions of IFRS 10 „*Consolidated financial statements*” (in force as at 01/01/2014) regarding the investment entities, the obligations of a parent company and the definition of the notion investment entities.

Paragraph 27 of IFRS prescribes that, “*A parent shall determine whether it is an investment entity. An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.*”

Being that the Company does not measure and evaluate the performance of substantially all of its investments on a fair value basis, it does not fulfil the conditions necessary to be considered investment entity and this way, it cannot apply the exception supplied by IFRS 10.

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

The consolidated financial statements were prepared in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector (the “Rule”).

The bookkeeping of the Company and of the subsidiaries is kept in lei. As not all subsidiaries apply IFRS as accounting basis, the statements issued according to the Romanian Accounting Regulations (“RAR”) are reconsidered to emphasize the differences between the accounts compliant with RAR and those compliant with IFRS. Consequently, the statements compliant with RAR are adjusted, as the case may be, in order to harmonize these financial statements, in all significant aspects, with the requirements of IFRS adopted by the European Union by the Regulations 1606/2002 of the European Parliament and of the Council of the European Union in July 2002 and those of the FSA Regulations no. 39/2015.

Besides the specific consolidation adjustments, the main readjustment of the financial information presented in the financial statements issued according to RAR and IFRS adopted by the European Union are:

- Grouping more items in wider categories;
- Adjustments of the assets, liabilities and equity, according to IAS 29 - „Financial Reporting in Hyperinflationary Economies” because the Romanian economy has been a hyperinflationary economy until 31 December 2003;
- Fair value adjustments and for the depreciation of the value of financial assets, according to IAS 39 - „Financial Instruments: Recognition and Measurement”;
- Adjustments in the consolidated statement of the global result to register the income from dividends on the declaration date and at their gross value;
- Adjustments for the recognition of the liabilities and receivables regarding the deferred corporate income tax, according to IAS 12 “Income taxes”;
- Adjustments of real estate investments to measure them at their fair value, according to the provisions of IAS 40 “Real estate investments”; and
- Presentation requirements according to IFRS.

**b) Presentation of consolidated financial statements**

The Group has adopted a liquidity based presentation within the consolidated statement of the financial position and a presentation of the income and expenses depending on their nature within the consolidated statement of the global result, considering that these presentation methods supply reliable and more relevant information than that information that would have been presented based on other methods allowed by IAS 1 „Presentation of Financial Statements”.

**c) Basis of evaluation**

The consolidated financial statements are issued based on the fair value convention for the financial assets and liabilities at the fair value through the profit and loss and the available-for-sale financial assets, the tangible assets such as the lands and buildings, real estate investments, except for those ones for which the fair value cannot be established reliably.

Other financial assets and liabilities, as well as the non-financial assets and liabilities are presented at amortized cost, revaluated value or historical cost.

The methods used for the evaluation of the fair value are presented at Note 4.

**d) Going concern**

The accompanying financial statements have been prepared based on the going concern principle, which assumes that SIF and the trading companies within its portfolio will be able to dispose of assets and to fulfil the obligations during the operational activity.

**e) Measurement currency**

The Group management considers that the functional currency, as defined by IAS 21 „The Effects of Changes in Foreign Exchange Rates”, is the Romanian leu (RON or lei). The consolidated financial statements are presented in lei, rounded to the closest leu, the currency that the Group management chose as presentation currency.

**f) Use of estimates and judgments**

The preparation of consolidated financial statements in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector supposes the use by the Group management of estimates, judgments and hypotheses affecting the application of the accounting policies as well as the reported value of the assets, liabilities, income and expenses.

The estimates and hypotheses associated to these judgments are based on the historical experience as well as on other factors considered reasonable within the context of these estimates. The results of these estimates form the basis of judgments related to the carrying amounts of the assets and liabilities that cannot be obtained from other sources of information. The results obtained can be different from the value of estimates.

The estimates and hypothesis are reviewed periodically. The review of the accounting estimates are recognized during the period in which the estimation is reviewed, if the review affects only that period or the period in which the estimate is reviewed and the future periods if the review affects both the current period and the future periods. The judgments carried-out by the Group management in applying IFRS that have a significant aspect on the consolidated financial statements as well as the estimates involving a significant risk of a material adjustment during the future year are presented at Note 6.

**g) Modifications of the accounting policies**

The accounting policies adopted are applied consequently for all periods presented within these consolidated financial statements.

**3. BASIS OF CONSOLIDATION****a) Subsidiaries and associates**

The subsidiaries are entities under the Company control. The control exists when the Company is exposed or has rights on the variable profitability based on its participation in the entity in which it invested and has the capacity to influence that income through its authority over the invested entity. On the control evaluation date, the potential or convertible voting rights exercised on the respective date are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements as of the date when it begins exercising the control until its termination. The accounting policies of the subsidiaries were amended in order to harmonize them with the Group's policies.

The list of investments in subsidiaries as at 31.12.2017 and 31.12.2016 is the following:

<b>No.</b>	<b>Company name</b>	<b>Percentage held (%)</b>	
		<b>31 December 2016</b>	<b>31 December 2017</b>
1	SIF Imobiliare PLC Nicosia SAI Muntenia Invest SA	99.99	99.99
2	Bucharest	99.96	99.98
3	Napomar SA Cluj Napoca	99.43	99.43
4	SIF Hoteluri SA Oradea	98.99	98.99
5	Azuga Turism SA București	98.94	98.94
6	Silvana SA Cehu Silvaniei	96.28	96.28
7	Iamu SA Blaj	76.69	76.69
8	Vrancart SA Adjud	74.72	75.06
9	Somplast SA Bistrița	70.75	70.75
10	Central SA Cluj	63.51	63.51
11	Ario SA Bistrița ***	93.64	93.64

\* The list of investments of the entity SIF Imobiliare PLC Nicosia

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017*****(All amounts are presented in RON)***

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<b>No.</b>	<b>Company name</b>	<b>Percentage held (%)</b>	
		<b>31 December 2016</b>	<b>31 December 2017</b>
1	Comalim SA Arad	91.17	91.17
2	SIFI BH Est SA Bucuresti	94.77	94.77
3	SIFI Cluj Retail SA	89.45	96.36
4	SIFI CJ Logistic SA	84.74	84.74
5	SIFI CJ Agro SA	97.50	97.50
6	SIFI CJ Storage SA	92.10	92.10
7	SIFI CS Retail SA	57.57	merger with SIFI B ONE in March 2017
8	Uniteh SA	50.20	50.20
9	Agrorent SA	99.42	merger with SIFI B ONE in March 2017
10	Administrare Imobiliare SA	98.90	98.90
11	SIFI BH IND Vest SA	98.95	98.95
12	Bistrita Cluj SA	91.98	91.98
13	SIFI CJ Office SA	98.83	98.83
14	Central Petrosani SA	99.98	merger with Cora Hunedoara in July 2017
15	Cora SA Hunedoara	90.43	93.96
16	SIFI Baia Mare SA	92.59	92.59
17	SIFI Sighet SA	72.28	72.28
18	Urban SA	80.45	merger with SIFI B ONE in March 2017
19	SIFI TM Agro SA ****	50.00	50.00
20	SIFI B One SA	99.90	90.79
21	SIFI BH Retail SA	99.90	99.90
22.	SIFI Properties SA București	99.90	99.90

\*\* Vrancart SA Adjud owns as at 31 December 2016 and 31 December 2017 a 100% shareholding in Giant Prodimpex SRL. Also, since 2017, Vrancart SA Adjud has a 85% shareholding in Rom Paper SRL

On 20 January 2017, Vrancart SA completed the acquisition of the majority shareholding in Rom Paper SRL, an acquisition approved by the Ordinary General Meeting of Shareholders of Vrancart SA.

## SIF BANAT – CRIȘANA SA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
***(All amounts are presented in RON)***

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The acquisition contract concluded by Vrancart SA provides in the first stage the sale of 70% of the social parts of Rom Paper SRL and subsequently the option to buy the rest of the shares as follows: 15% of the social parts in April 2017 (option 1) and 15 % of social parts in April 2018 (call option 2).

If Vrancart does not exercise the option to buy the rest of the shares, the Rom Paper SRL has the option of selling to Vrancart SA as follows: 15% of the social parts in 2017 (put option 1) and 15% of the social parts in 2018 put 2).

During the period in which the option rights may be exercised by both parties, it is forbidden to grant the dividend by Rom Paper SRL. The price at which the seller's or buyer's options will be exercised is based on an EBITDA multiplier for the most recent financial year ended prior to the periods in which the options may be exercised.

As at 31 December 2017, Vrancart SA holds 85% of the social parts of Rom Paper SRL as a result of the exercise of the call option 1 for the acquisition of 15% of the social parties chosen by Rom Paper SRL in the year 2017. At the same time, the value of the call option 2 is shown in other receivables (see Note 19), and the put option 2 is shown in other current liabilities (see Note 24).

\*\*\* Ario SA Bistrița is incurring the bankruptcy procedure, so that the voting rights held by SIF BANAT-CRIȘANA do not grant it the authority over the entity in which it invested and this way, it is excluded from the consolidation perimeter.

\*\*\*\* SIFI TM AGRO SA holds interests in Pont Automall SRL and Pont Agrinvest SRL that were not included in the consolidated financial statements of SIFI Plc.

#### **b) Associates**

The associates are those entities in which the Company can exercise a significant influence, but not the control over the financial and operational policies.

- The companies in which SIF BANAT-CRIȘANA holds between 20-50%, over which it exercises a significant influence and that enter the consolidation field are Biofarm and Gaz Vest.

<b>No.</b>	<b>Company name</b>	<b>31 December 2016</b>	<b>31 December 2017</b>
1	Gaz Vest SA Arad	25.82	25.82
2	Biofarm SA București	23.22	23.22



SIF Banat has representatives in the Board of directors of the two entities Biofarm and Gaz Vest and participates in the issue of their policies. According to IFRS (IAS 28, paragraph 6), SIF Banat-Crișana exercises significant influence over these two entities and will enter the consolidation perimeter.

In order to apply the derogation from the equity method according to article 18 of IAS 28 „Investments in Associates and Joint Ventures”, respectively to evaluate the associates over which it has significant influence at the fair value through profit of loss, SIF BANAT-CRIȘANA must consolidate similarly the respective investments in its stand alone financial statements (according to article 11 of the international standard IAS 27 „Separate financial statements”).

According to the Stand Alone Financial Statements of SIF BANAT-CRIȘANA, prepared according to the „Rule 39/2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector”, the two associate companies over which SIF BANAT-CRIȘANA are has significant influence are evaluated at the fair value through other items of the global result. Therefore, SIF BANAT-CRIȘANA cannot apply the aforementioned derogation to account for the associates with significant influence, evaluating the 2 companies in order to consolidate according to the equity method.

- The companies in which SIF BANAT-CRIȘANA holds between 20-50%, over which it does not exercise a significant influence and that do not enter the consolidation field are divided as follows:
  - Companies undergoing liquidation, insolvency, bankruptcy etc.

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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<b>No.</b>	<b><u>Company name</u></b>	<b>Percentage held (%)</b>		<b><u>Status</u></b>
		<b><u>31 December</u></b>	<b><u>31 December</u></b>	
		<b><u>2016</u></b>	<b><u>2017</u></b>	
1	Aradeanca SA Arad	39.16	39.16	Insolvency
2	Mobila Uși SA Bacău	32.45	32.45	Liquidation
3	Elbac SA Bacău	32.45	32.45	Liquidation
4	Agroproduct SA Reșița	30.00	30.00	Reorganization
5	Agroindustrială Nădlac	30.00	30.00	Dissolution
6	Uzina Ardealul Alba Iulia	29.51	29.51	Liquidation
7	Commixt SA Ocna Mureș	28.97	28.97	Liquidation
8	Mobimet SA Hațeg	28.87	28.87	Liquidation
9	Metalurgica SA Marghita	28.41	28.41	Bankruptcy
10	Sunprod Galda de Jos	27.09	27.09	Liquidation
11	Mebis SA Bistrița	26.78	26.78	Insolvency
12	Exfor SA București	24.23	24.23	Liquidation
13	Agroindustrială SA Gu	23.62	23.62	Liquidation
14	Agroindustrială Socgat Gataia	22.65	22.65	Dissolution
15	Mopal SA Bistrița	21.89	21.89	Reorganization
16	Transilvania Aiud	20.19	20.19	Liquidation

In accordance with IFRS (IAS 28, paragraph 9), an entity loses significant influence over an investee when it loses the power to participate in the financial and operating policy decisions of that investee. It could occur, for example, when an associate becomes subject to the control of a government, court, administrator or regulator.

As the associates in the table above are in bankruptcy / insolvency / dissolution it can be concluded that SIF BANAT-CRIȘANA lost significant influence over the investee entities and so they are excluded from the scope of consolidation.

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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- Companies over which it does not exercises significant influence

<b>No.</b>	<b>Company name</b>	<b>Percentage held (%)</b>	
		<b>31 December 2016</b>	<b>31 December 2017</b>
1	Nord Construcții SA Carei	44.31	44.31
2	Comar SA Baia Mare	34.94	34.94
3	Atlascard SA Deva	31.36	31.36
4	Petrocart	30.18	30.18
5	Forestiera SA Tîrgoviște	25.75	25.75
6	Mobicom SA Satu Mare	24.11	24.11
7	Agromec Gataia	23.91	23.91
8	CTCE SA Alba Iulia	23.24	23.24
9	Comat Caraș Severin	20.41	20.41
10	Molidul SA Suceava	21.63	21.63

Since the criteria mentioned in IAS 28 ("Criteria significant influence") - paragraph 6 are not met, it can be concluded that SIF BANAT-CRIȘANA does not have significant influence over the associates in the table above, which are excluded from the scope of consolidation.

**c) Transactions removed at consolidation**

The settlements and the transactions within the Group, as well as the profit not realized resulted from transactions within the Group, are removed wholly from the consolidated financial statements.

The accounting policies presented below have been applied coherently for all periods presented within these consolidated financial statements. The accounting policies have been applied coherently by all the Group entities.

**4. SIGNIFICANT ACCOUNTING POLICIES****a) Transactions in foreign currency**

The operations expressed in foreign currency are registered in lei at the official exchange rate on the settlement date of the transactions. The monetary assets and liabilities registered in foreign currency on the preparation date of the consolidated statement of the financial position are converted in the functional currency at the exchange rate of the respective day. The earnings or the losses of the monetary items are represented by the difference between the amortized cost expressed in the functional currency at the beginning of the reporting period, adjusted with the actual interest and the payments of the period, and the amortized costs in foreign currency converted in the functional currency at the closing exchange rate of the period.

The non-monetary assets and liabilities denominated in foreign currency that are measured at the fair value are translated in the functional currency at the exchange rate on the date when the fair value was determined.

The earnings or the losses from settlement are recognized in the profit and loss statement, except for the cases in which the differences of the exchange rate result from the conversion of the financial instruments classified as available for sale that are included in the reserve resulting from the modification of the fair value of these financial instruments and from the cases in which the differences of exchange rate result from the conversion of financial instruments classified at the fair value through profit and loss that are presented as being earnings or losses from the fair value.

The exchange rates of the main foreign currencies were:

<b>Currency</b>	<b>Spot rate 31 December 2016</b>	<b>Spot rate 31 December 2017</b>
EUR	4.5411	4.6597
USD	4.3033	3.8915

**b) Accounting for the hyperinflation effect**

According to IAS 29 („Financial Reporting in Hyperinflationary Economies”) the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented according to the purchase power terms of the currency on the issuing date of the consolidated statement of the financial position, that is the non-

monetary items are reconsidered by applying the general price index on the acquisition or contribution date.

Under IAS 29, an economy is considered to be hyperinflationary if, over and above other factors, the cumulative inflation rate over a three year period exceeds 100%.

The continued fall in inflation rate and other factors related to the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group has ceased to be hyperinflationary with effect on the financial periods beginning on 1 January 2004. Therefore, the provisions of IAS 29 were adopted in the preparation of consolidated financial statements by 31 December 2003.

Thus, the values expressed in the current measurement unit as at December 31<sup>st</sup> 2003 are treated as base for the carrying amounts reported in the consolidated financial statements and do not represent evaluated values, replacement cost, or any other measurement of the current value of the assets or of the prices at which the transactions would take place at this moment.

In order to issue the consolidated financial statements as at December 31<sup>st</sup> 2016, the Group adjusted the following elements to be expressed in the current measurement unit as at 31 December 2003:

- The share capital and the reserve elements (See note 28);
- The available-for-sale financial assets evaluated at cost, for which there is no active market and for which it is not possible to determine the fair value under a reliable manner (See note 4 d));

**c) Cash and cash equivalents**

The cash comprised the cash on hand and cash at bank and the short-term bank deposits. The cash equivalents are short-term and very liquid financial investments that are slightly convertible in cash and are referred to a non-significant risk for modifying the value.

When issuing the consolidated statement of the treasury flows, the following were considered cash and cash equivalents: the effective cash, the current accounts at banks and the deposits having an initial due date smaller than 90 days, less the authorized overdraft.

**d) Financial assets and liabilities**

**(i) Classification**

The Group classifies the financial instruments held into the following categories:

*Financial assets or liabilities evaluated at the fair value through the profit and loss account*

This category includes financial assets or financial liabilities held for trading, derivative instruments, structured instruments and financial instruments set at a fair value through the profit or loss account upon the initial recognition. A financial asset or liability is classified within this category if it was acquired mainly as speculative purpose or if it was set within this category by the Group management.

The structured derivative financial instruments are classified as being held for trading if they do not represent instruments used for the hedge accounting.

*Investments held to maturity*

The investments held to maturity represent those non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the firm intent and the possibility to keep them to maturity, other than:

- those that the Group, upon the initial recognition, sets as being evaluated at the fair value through profit or loss;
- those that the Group sets as being available for sale; and
- those corresponding to the definition of loans and receivables.

The Group must not classify any financial asset as being kept to maturity if during the current exercise or during the last two previous exercises, it sold or it reclassified before the maturity a calculated value in the total value of this category of investments, other than those from sales or reclassifications that:

- are so close to the maturity or the anticipated reimbursement date of the financial asset (for example, at less than three months before the due date) so that the modifications of the interest market rate do not have a significant effect over the fair value of the financial asset;
- take place once the entity has collected the greatest part of the initial value of the financial asset by scheduled payments or anticipated payments; or
- can be assigned to an isolated event that goes beyond the entity's control field, is not repetitive and could not be anticipated reasonably by the entity.

The investments held to maturity are measured at amortized cost by the effective interest method minus impairment losses.

*Loans and receivables*

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than:

- those that the Group intends to sell immediately or in the near term (that must be classified as being held for trading) and those that the entity, upon the initial recognition, sets as being at the fair value through profit or loss;
- those that the Group, upon the initial recognition, sets as being available for sale; or
- those for which the holder might not recover substantially the entire initial investment, from other cause than the loan deterioration (that have to be classified as being available for sale).

*Available-for-sale financial assets*

The available-for-sale financial assets are those financial assets that are not classified as loans and receivables, investments held to maturity, or financial assets at fair value through profit and loss.

After the initial recognition, the available-for-sale financial assets for which there is an active market are measured at the fair value and the modifications of fair value, other than the impairment losses, as well as the earnings and losses resulted from the variation of the exchange rate corresponding to the available-for-sale monetary items, are recognized directly in the equity. When the asset is derecognized, the earnings or the cumulated loss recognized in equity is transferred to the profit and loss account.

**(ii) Recognition**

The assets and the liabilities are recognized on the date when the Group becomes contractual part to the conditions of the respective instrument. The financial assets and liabilities are measured upon the initial recognition at the fair value plus the directly assignable trading costs, except for the Financial assets at fair value through profit or loss for which the trading costs are not included in the value of the instrument and of the investments in shares whose fair value could not be determined reliably and are recognized initially at the cost.

**(iii) Compensations**

The financial assets and liabilities are compensated, and the net result is presented in the statement of the financial position only when there is a legal compensation right and if there is the intent to settle them on a net basis or if it is intended to realize the assets and extinguish the debt simultaneously.

The income and expenses are presented net only when the accounting standards allow it, or for the profit and loss resulted from a group of similar transactions such as those of the Group's trading activity.

**(iv) Evaluation**

After the initial recognition, the Group must evaluate the financial assets, including the derivative instruments that are established as assets, at their fair value, without any deduction for the transaction costs that might be borne from sale or other disposal, the following categories of financial assets are excepted:

- a) Loans and receivables - evaluated at the amortized cost through the effective interest method;
- b) Investments held to maturity – evaluated at the amortized cost through the effective interest method; and
- c) Investments in equity that have not a market price listed on an active market and whose fair value cannot be evaluated reliably and derivative instruments that have as support assets such equity instruments – evaluated at cost.

All financial assets, excepting those evaluated at the fair value through profit or loss, are tested periodically for the value depreciation.

After the initial recognition, the Group must evaluate all financial liabilities at amortized cost according to the effective interest method, except for the financial liabilities evaluated at the fair value through profit or loss, respectively of the financial liabilities that appear when the transfer of a financial asset does not fulfil the conditions for derecognition and is accounted for using the continuous involvement approach.

*Evaluation at amortized cost*

The amortized cost of a financial asset or of a financial liability is the value at which the financial asset or the financial liability is evaluated after the initial recognition minus the reimbursement of principal, plus or minus the cumulated amortization using the effective interest method for each difference between the initial value and the value at maturity, and minus any discount (direct or by using an adjustment account) for the depreciation or the impossibility to recover.



The effective interest rate represents the rate updating exactly the future payments and receipts in cash during the forecasted life of the financial instrument or, as the case may be, on a shorter term, up to the level of the net carrying amount of the financial asset or of the financial liability. When calculating the effective interest rate, the Group must estimate the cash flows taking into account all contractual conditions of the financial instrument, but must not take into account the future losses from the modification of the loan risk. The calculation includes all commissions and points paid or received by the parties participating in the contract that make integral part of the effective interest rate, the trading costs and all the other premiums and discounts.

*Evaluation at fair value*

Fair value represents the price that would be received when selling an asset or paid for the extinction of a debt within a transaction developed under normal conditions between the participants in the main market, on the evaluation date, or in the absence of the main market, on the most advantageous market to which the Group has access on that date. The Group measures the fair value of a financial instrument using the prices listed on an active market for that instrument, using the closing price.

A financial instrument is considered as being listed on an active market when the listed prices are available immediately and regulated from a change, a dealer, a broker, an association in the industry, a service for establishing the prices or a regulation agency, and these prices reflect transactions that occur actually and regularly, developed under objective market conditions.

Within the category of shares listed on an active market we include all those shares admitted for trading at the Stock Exchange or on the alternative market that present frequent transactions (for example: at least 30 within the 30-days interval of trading before the evaluation date. The criterion for establishing the active market must be set so that to ensure a stable shares portfolio evaluated at cost/at the fair value from a reporting period to another one). The market price used to determine the fair value is the closing price of the market on the last trading day before the evaluation date.

The fund units are evaluated based on VUAN, calculated by the fund administrator using the closing quotations for the listed financial instruments. If the Group notices that in order to hold a fund there is no active market, it recurs for evaluation to the public financial statements of the fund holding, respectively to the value of the net asset. According to the net assets, a corrected VUAN is obtained for the evaluation of the fund units in the Group's financial statements.

Government bonds are evaluated based on the market quotation available on Bloomberg for the issue multiplied by the nominal unit value.

In the absence of a price quotation on an active market, the Group uses evaluation techniques. The fair value of the financial assets not traded on an active market is determined by authorized evaluators within the evaluation department operating within the Group.

The evaluation techniques include techniques based on the use of observable input, as well as the quoted price of the identical item held by other party as an asset, on a non-active market, and for the assets for which the observable prices are not available, evaluation techniques based on the analysis of the updated cash flows, and other evaluation methods used regularly by the market participants, using at maximum the market information, being based at minimum on the specific company information. The Group uses evaluation techniques that maximize the use of observable data and minimize the use of non observable data.

The values resulted through the use of an evaluation model is adjusted depending on a number of factors, because the evaluation techniques do not reflect reliably all factors taken into account by the market participants when a transaction is celebrated. The adjustments are registered so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. The Group management considers that these adjustments are necessary to present a faithful measure of the value of the financial instruments held at fair value in the statement of the financial position.

The financial instruments that have no active market and their fair value cannot be determined reliably, they are evaluated at cost and tested periodically for the value depreciation. The evaluation of these shares brings forth the risk that reliable values do not result from them due to (i) the lack of reasonable information concerning such companies, due to our position as minority shareholders, (ii) the companies are not solvable, there is no potential purchaser and there are no comparables on the market.

***(iv) Identification and evaluation of the value depreciation***

For each reporting period, the Group evaluates the measure in which there is any objective proof that a financial asset or a group of financial assets is depreciated.

A financial asset or a group of financial assets is depreciated and impairment losses are incurred only if there is objective evidence of depreciation following one or many events that occurred after the initial recognition of the asset and if that event (or events) triggering losses had an impact over the future estimated treasury flows of the financial assets or of the group of financial assets that can be estimated reliably.

The objective evidence that a financial asset or group of financial assets is impaired comprises observable information about the following events that trigger losses:

- (a) the significant financial difficulty of the issuer or of the debtor;
- (b) a breach of the contract (eg. breach of the obligation to pay the interest or the principal);
- (c) the creditor, due to economic or legal reasons related to the financial difficulties incurred by the debtor, grants to the debtor a concession that the creditor would not have taken into consideration otherwise;
- (d) the issuer, the debtor incurs the bankruptcy procedure or it is probable that it will incur the bankruptcy or other form of financial reorganization;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data showing that there is a quantifiable decrease in the future treasury flows estimated from a group of financial assets from the initial recognition of those assets, although the decrease cannot be identified yet with the individual financial assets of the group, including:
  - (i) non favourable modifications of the status of the debtor's payments within the group (eg. higher number of postponed payments); or
  - (ii) national or local economic conditions that are correlated to the non-execution of the obligations regarding the group assets.
- (g) information regarding the significant modifications that took place in the technological, market, economic or legal environment where the issuer operates, and indicates that fact that the cost of an investment in the equity instrument might not be recovered. The significant or extended decrease of the fair value of an investment in an equity instrument below its costs also represents an objective depreciation evidence.

If there is any evidence of this type, the Group applies the provisions below to determine the value of any impairment loss, different for:

- a) The financial assets accounted for at the amortized cost;
- b) The available-for-sale financial assets at fair value or at cost.

In specific situations, the necessary observable data for the estimation of the value of a loss from the depreciation of a financial asset may be limited or may no longer be completely relevant for the current statements. For instance, this could be the case when a debtor faces financial difficulties and there is little historical information available concerning similar debtors. In such circumstances, the Group uses the experience-based rationale in order to estimate the value of any depreciation loss. Similarly, the Group uses the experience-based rationale in order to adjust the observable data in order for a group of financial assets to reflect the current statements.

*Financial assets accounted for at the amortized cost*

If there is objective evidence that a loss was incurred from the loans and receivables or investments held to maturity impairment accounted for at the amortized cost, the loss value is evaluated as being the difference between the carrying amount of the asset and the updated value of the future estimated cash flows (excluding the future losses from the loan risk that were not incurred), updated with an initial effective interest rate of the financial asset.

When such a loss from depreciation occurs, the carrying amount of the asset is reduced by using an adjustment account for impairment.

The value of loss from impairment is recognized in the profit or loss.

If, during a subsequent period, the value of the impairment loss decreases, and the decrease can be correlated objectively to an event occurred after the impairment has been recognized, the loss from the impairment recognized before is resumed using an adjustment account for impairment.

The resumption cannot result in a carrying amount of the financial asset higher than the value that would have been the amortized cost if the depreciation had not been recognized, when the impairment loss is resumed.

The resumption value of the impairment loss is recognized in profit or loss.

*Available-for-sale financial assets*

As regards the available-for-sale financial assets, when a decrease of the fair value of an available-for-sale financial asset was recognized directly in the equity and there is objective evidence that the asset is impaired, the cumulated loss that was recognized directly in the equity will be resumed from the equity accounts and recognized in the statement of income if the financial asset has not been derecognized yet.

The value of the cumulated loss that is resumed from the equity accounts to the statement of income will be the difference between the acquisition cost (net of principal reimbursements and amortization) and the current fair value, minus any impairment loss of that financial assets recognized before in the profit and loss.

The impairment losses of the assets recognized in the profit or loss account of some shares classified as being available for sale cannot be resumed in the profit or loss. If, during a subsequent period, the fair value of an impaired participation increases, the increase of the value will be recognized directly in other elements of the global result. If there are objective clues related to a loss from the impairment of an unlisted share that is not presented at the fair value because the fair value cannot be measured reliably, or related to a derivative financial asset that is related to will be settled by such an unlisted

instrument, the value of the loss from impairment is measured as the difference between the carrying amount of the financial asset and the updated value of the future cash flows using the current domestic profitability rate of the market for a similar financial asset. These impairment losses are not resumed in the profit and loss.

In order to determine whether an asset is impaired, the Group takes into account relevant loss generating events, such as the significant and long-term decrease of the fair value below the cost; the market conditions and the field of activity, if these ones influence the recoverable value of the asset; the financial conditions and the short-term perspectives of the issuer, including any non favourable specific events that may influence the operations developed by the issuer, the recent losses of the issuer, the qualified report of the independent auditor over the most recent financial statements of the issuer etc.

Taken into account the intrinsic limitations of the methodology applied and the significant incertitude of the evaluation of the assets on the international and local markets, the Group estimations can be reviewed significantly after the approval date of the financial statements.

***(v) Derecognition***

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expires or when the Group transferred the rights to receive the contractual cash flows corresponding to that financial asset in a transaction in which it transferred significantly all risks and benefits of the ownership right.

Any interest in the financial assets transferred retained by the Group or created for the Group is recognized as an asset or liability.

The Group derecognizes a financial debt when all contractual obligations ended or when the contractual obligations are cancelled or expired.

***(vi) Reclassifications***

The Group:

- a) Cannot reclassify a derivative instrument besides the category of instruments evaluated at the fair value through profit or loss while it is held or issued;
- b) Cannot reclassify any financial instrument outside the category of instruments evaluated at the fair value through profit or loss if upon the initial recognition it was set by the entity at the fair value through profit or loss; and
- c) Can, if the financial asset is not held anymore for sale or redemption in the near future (despite the fact that the financial asset might have been acquired or appeared particularly for the sale or redemption in the near future), reclassify

that financial asset outside the category of instruments evaluated at the fair value through profit or loss.

The Group should not reclassify any financial instrument in the category of instruments evaluated at the fair value through profit or loss after the initial recognition.

If, following the modification of the intent or capacity, the classification of an investment is not adequate as being kept to maturity, this one must be reclassified as being available for sale and will be revaluated at the fair value.

Anytime when the sales or the reclassification of a value more than not significant from the investments kept to maturity do not fulfil any of the requirements imposed, all investments kept to maturity remained reclassified as being available for sale and maintained within this classification category for a period of at least 2 years.

If a reliable evaluation of the fair value of a financial asset or of a financial liability becomes available for which such an evaluation has not been available before, the assets or the liabilities must be revaluated at the fair value, and the difference between the carrying amount and the fair value must be accounted for at equity or in profit and loss. If, at certain moment, a financial asset or a financial liability must be accounted for at cost or at the amortized cost, and not at the fair value, the fair value of the financial asset or of the financial liability at that date becomes its new cost or amortized cost, as the case may be; this situation might appear:

- Following the modification of the entity's intent or capacity;
- Under the rare situations in which a reliable evaluation of the fair value is not available anymore;

Any previous earnings or losses from that asset that were recognized at other items of the global result are accounted for as follows:

- a) For a financial asset with fixed maturity, the loss or the earnings must be amortized in profit or loss during the useful life of the investment maintained to maturity according to the effective interest method. Any difference between the new amortized cost and the value at maturity must also be amortized during the remained life of the financial asset using the effective interest method, similarly to the amortization or a premium and of a discount. If the financial asset is impaired subsequently, any earnings or loss that was recognized before directly to other elements of the global result is reclassified from the equity in profit or loss;
- b) As concerns a financial asset that has no fixed maturity, the earnings or the loss must be recognized in the profit or loss when the financial asset is sold or disposed of by any other means. If the financial asset is impaired subsequently,

any earnings or loss that was recognized at other elements of the global results is reclassified from equity to profit or loss.

***(vi) Earnings and losses***

The earnings or losses resulted from a modification of the fair value of a financial asset or of a financial liability that is not part of a hedge relation against the risks are recognized as follows:

- a) The earnings or the losses generated by financial assets or financial liabilities classified as being evaluated at the fair value through profit or loss are recognized in profit or loss;
- b) The earnings or the losses generated by an available-to-sale financial asset are recognized at other elements of the global result, except for the impairment losses

When the asset is derecognized, the cumulated losses or earnings recognized before at other elements of the global result are reclassified at equity in profit or loss.

On the impairment or derecognition date of the financial assets and financial liabilities accounted for at amortized cost, as well as by the amortization process, the Group recognizes the earnings or the loss in the profit and loss statement.

As concerns the financial assets recognized using the accounting on the settlement date, no modification of the fair value of the asset to be received during the period between the trading date and the settlement date is not recognized for the assets registered at cost or at amortized cost (except for the impairment losses). For the assets accounted for at the fair value, the modification of the fair value must be recognized on profit or loss or in equity, as the case may be.

**e) Other financial assets and liabilities**

Other financial assets and liabilities are evaluated at amortized cost using the effective interest method, minus any impairment losses.

**f) Assets classified as held for sale**

These assets are evaluated at the smallest value between the carrying amount and the fair value minus the sale costs.

The non-current assets and the groups intended for disposal are classified as held for sale if their carrying amount is recovered mainly following a sale operation and not following their continuous use. This condition is considered fulfilled only when the sale is probable and is estimated to be completed within more than one year as of the classification date, and the assets are available for immediate sale, as these ones are presented on the respective date.

**g) Tangible assets**

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

The tangible assets recognized as assets are evaluated initially at cost. The cost of a tangible asset item is composed of the purchase price, including the non recoverable taxes, after having deducted any price trade discounts and any costs that might be assigned directly to bringing the asset to the location and provided that this one can be used to the management purpose pursued, such as: expenses on employees resulting directly from the construction or purchase of the asset, the arrangement costs of the layout, the initial delivery and handling costs, the installation and assembling costs, the professional fees.

The tangible assets are classified by the Group into the following classes of assets of the same type and with similar uses:

- Lands and buildings;
- Technical installations and transport means;
- Other equipment, tools and furniture

***(ii) Evaluation after recognition***

After the recognition as asset, the tangible assets items such as the lands and buildings, whose fair value can be evaluated reliably are accounted for at a revaluated value, this one being the fair value on the revaluation date minus any amortization accumulated subsequently and any losses accumulated from impairment. Other tangible assets are measured at cost minus the cumulated amortization and the eventual impairment losses.

Starting with 2017, the Group changed its accounting policy and revalued the technological equipment. Because it is impracticable, the group did not assess the effect of this policy change for comparative figures.

The revaluations are regularly made in order to ensure that the carrying amount does not differ significantly from what would have been determined by using the fair value at the end of the reporting period.

If an item of the tangible assets is revaluated, then the entire class of tangible assets of which that item makes part is referred to revaluation.

If the carrying amount of an asset is increased following a revaluation, the increase is recognized in other items of the global results and cumulated in equity, as revaluation excess.



However, the increase will be recognized in the profit or loss if this one compensates a decrease from the revaluation of the same asset recognized before in the profit or loss. If the carrying amount of an asset is reduced following a revaluation, this decrease is recognized in the profit or loss.

However, the discount will be recognized in other items of the global result if the revaluation excess presents a credit balance for that type of asset. The transfers from the revaluation excess to the result carried-forward are not realized through profit or loss.

***(iii) Subsequent costs***

The subsequent costs corresponding to the tangible assets are evaluated according to the general recognition criterion of the tangible assets described at chapter (i) Recognition. The daily maintenance costs („expenditure on maintenance and repairs”) corresponding to the tangible assets are not capitalized; they are recognized as costs of the period in which they are incurred. These costs consist mainly in expenditure with work force and consumables and can also include the low value components.

The expenditure on maintenance and repairs of the tangible assets is registered in the statement of income when they appear, and the significant improvements to the tangible assets that increase their value of the life, or increase significantly the capacity to generate some economic benefits by these ones are capitalized.

***(iv) Amortization***

Amortization is calculated for the cost of the asset or other value that replaces the cost, minus the residual value. The amortization is recognized on the statement of income using the linear method for the estimated useful life for the tangible assets, as of the date when they are available for use, this modality reflects most faithfully the forecasted modality of consumption of the economic benefits incorporated in the assets.

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

Constructions	10-50 years
Equipment, technical installations and machinery	3-30 years
Transport means	4-12 years
Furniture and other tangible assets	3-20 years

The amortization methods, the estimated useful life as well as the residual values are reviewed by the Company management at any reporting date.

**(v) Sale/retirement of tangible assets**

The carrying amount of a tangible asset item is derecognized (removed from the statement of the financial position) upon disposal or when no future economic benefit is expected from its use or disposal.

The tangible assets retired or sold are removed from the balance sheet together with the corresponding cumulated amortization. Any profit or loss resulted from such an operation is included in the current profit or loss account.

**Leasing**

The tangible assets also include the assets held based on a financial leasing contract. As SIF and the trading companies in the portfolio enjoy of the risks and advantages corresponding to the property right, the assets must be capitalized at the smallest value between the updated value of the minimum leasing payments and their fair value. The amortization policy of the assets under leasing will be coherent to that one applicable to the amortizable assets held under property. If there is no reasonable modality the certitude that the property right is obtained until the end of the leasing contract, the assets will be amortized wholly within the shortest term between the term of the leasing contract and the useful life.

A debt equivalent to the capitalized amount is recognized concomitantly and the future leasing payments are divided into financing expenses of leasing and principal (reduction of the outstanding debt).

All leasing contracts that are not classified as financial leasing are treated as operational leasing and the corresponding payments are included in the expenses of the period.

**Financial leases**

Lease is classified as financial leasing when, according to the leasing terms, the risks and benefits of the property are transferred to the lessee. All the other leasing forms are classified as operational leasing.

The assets held following the financial leasing are identified as the company assets at their fair value at the beginning of the leasing period or, if smaller, at the updated value of the minimum leasing payments. The liabilities corresponding to that one who supplies the goods for leasing are included in the balance sheet as financial leasing obligations.

The payments of the leasing installments are divided into financing leasing expenses and reduction of the leasing debt in order to obtain a constant periodic rate of the interest at the balance of the debt remained for each period. The financing interests are registered as loss or profit, except for the situation in which they can be assigned directly to long-term assets, when these ones are capitalized according to the general policy of the company related to the loan costs.

The leasing installments are divided between the capital components and the interest so that the interest corresponding to the payment is registered in the statement of income during the leasing and represents a constant percent of the reimbursement balance of the payment capital. The capital part reduces the amount payable to the lessor.

### **Operational leasing**

The leasing in which an important part of risks and benefits obtained following the property is retained by the lessor is classified as operational premises. The leasing payments in case of operational leasing will be recognized in the statement of income as linear expenses during the leasing contract.

### **h) Intangible assets**

The intangible assets are evaluated initially at cost. After the initial recognition, an intangible asset is accounted for at cost minus the cumulated amortization and any losses from cumulated impairment.

### **Goodwill**

Goodwill represents the value with which the cost of an acquisition exceeds the fair value of the net identifiable assets at the date of acquisition held in SIF in the companies within the portfolio in which it holds more than 50% of the acquired titles. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill corresponding to the acquisition of an associate is included in the investments in associates and is tested in order to identify the impairment as part of the total balance. Goodwill recognized separately is tested every year in order to identify depreciation and is registered at cost minus losses from cumulated impairment. The impairment losses corresponding to the goodwill are not resumed. The earnings or the loss from the sale of an entity includes the carrying amount of the goodwill corresponding to the entity sold.

Goodwill is assigned to the cash generating units in order to identify impairment. The assignation is realized by the cash generating units or by the groups of such units estimated to enjoy of the combination of enterprises following which the goodwill appeared.

### **Trademarks and licenses**

The trademarks and the licenses acquired are presented at historical cost. The trademarks and the licenses have a determined useful life, being registered at cost minus cumulated amortization. Amortization is calculated using the straight-line method in order to assign

costs regarding the trademarks and licenses during the estimated useful life (up to 20 years).

**Computer programs**

The licenses acquired for the computer programs are capitalized based on costs registered for the acquisition and installation of the respective program. These costs are amortized during the useful life (maximum five years).

The costs with the development and maintenance of the computer programs are recognized as an expense, when they are incurred. The costs that are associated directly to a sole or identifiable product and are probable to generate economic benefits exceeding the cost, for a period higher than one year, are recognized as intangible assets. The direct costs include expenses on the personnel of the development team and an adequate part of the administration expenses.

The costs for the development of computer programs recognized as assets are amortized during the useful life (without exceeding five years).

**(i) Subsequent expenses**

The subsequent expenses are capitalized only when they increase the value of future economic benefits incorporated in the assets to whom they are meant. All the other expenses, including the expenses for the impairment of goodwill and domestically generated marks, are recognized in the statement of income when they are incurred.

**(ii) Amortization of intangible assets**

Amortization is calculated for the cost of assets or another value substituting the cost, minus the residual value. Amortization is recognized in the statement of income using the straight-line method for the estimated useful life for intangible assets, as of the date when they are available for use, this modality reflects the forecasted modality to consume the economic benefits incorporated in the assets.

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

Computer programs	1-3 years
Other intangible assets	1- 5 years

The amortization methods, the useful life and the residual values are reviewed at every year-end and are adjusted under a corresponding manner.

**i) Real estate investments**

A real estate investment is a real estate property (land, building or part of building) held by the Group rather to derive income from leasing or to increase the share capital or both of them, than to be used to produce or supply goods or services or to administrative purposes or to be sold during the normal development of the activity.

**(i) Recognition**

A real estate investment must be recognized as asset if, and only if there is the probability that the future economic benefits associated to real estate investment correspond to the Group and the cost of the real estate investment can be evaluated under a reliable manner.

**(ii) Evaluation**

*Evaluation at recognition*

A real estate investment must be evaluated initially at cost, including the trading costs. The cost of a real estate investment bought includes the purchase price of this one plus any directly attributable expenses (for example, professional fees to render legal services, taxes for the transfer of the ownership right and other trading costs).

*Evaluation after recognition*

*Fair value based model*

After the initial recognition, all real estate investments are evaluated at their fair value, except for the situations in which the fair value cannot be determined reliably on a going concern principle.

Under exceptional situations in which, upon the first time acquisition of a real estate investment, there is clear evidence that the fair value of the real estate investment cannot be determined reliably on a going concern basis, the Group evaluates that real estate investment using the cost model. It is supposed that the residual value of the real estate investment equals to zero. All the other real estate investments are evaluated at the fair value. If the Group evaluated previously a real estate investment at the fair value, then it will continue the evaluation of that real estate investment at fair value until the disposal time.

The earnings or the losses resulted following the modification of the fair value of the real estate investments are recognized in the profit or loss of the period in which they are incurred.

The fair value of the real estate investments must reflect the market conditions at the end of the reporting period.

***(iii) Transfers***

The transfers into and from the real estate investments category must be made when and only when there is a modification of use, emphasized by:

- (a) Inception of use by the Group – for the transfers from the real estate investments category to the tangible assets category used by the Group;
- (b) Inception of the arrangement process for the sale perspective – for transfers from the real estate investment category to the inventories category, held for sale.
- (c) End of use by the Group– for the transfers from the tangible assets used by the Group to the real estate investments category;
- (d) Beginning of an operational leasing with another party – for the transfers from the inventory category to the real estate investment category.

For the transfer of a real estate investment accounted for at the fair value in the category of real estate investments used by the holder or of the inventories, the supposed cost of the property to account for it must be its fair value as of the modification date of the use.

***(iv) Derecognition***

The carrying amount of a real estate investment is derecognized (removed from the consolidated statement of the financial position) on the disposal date or when the investment is definitively withdrawn from the use and the generation of future economic benefits is not forecast anymore from its disposal.

The earnings or the losses generated from the retirement or disposal of a real estate investment must be recognized in the profit or loss during the retirement or disposal period.

**j) Inventories**

Inventories are assets held to be sold within the normal development of business, assets in progress, to be sold within the normal development of business, or assets as raw materials, materials and other consumables, to be used in the production process or to render services.

The inventories are evaluated at the smaller value between the cost and the net realizable value. The inventories cost comprises all costs corresponding to the acquisition and processing, as well as other costs incurred to bring the inventories to the current status and place. The net realizable value is the estimated sale price that would be obtained within the normal development of the activity, less the estimated costs to complete the goods and the estimated costs to make the sale. The costs of inventories that are not normally fungible and of the goods and services produced for and meant to some different orders is determined through the specific identification of individual costs. For the fungible inventories, the cost is determined with the help of the formula “first in, first out” (FIFO). For Napomar and SIF Imobiliare companies, the discharge from administration method used was „Weighted Average Cost” (WAC). As the value of the inventories of these subsidiaries is immaterial, an adjustment to harmonize with the group policy was not considered necessary.

The inventories such as the inventory objects must be reclassified as non-current assets according to IFRS and amortized during the estimated life. As their value at the group level is immaterial, the realization of an adjustment was not considered to be necessary. The inventories such as the finished products are recognized at the standard cost.

**k) Depreciation of assets other than the financial ones**

The carrying amount of the Group assets that are not financial, other than the assets such as the deferred taxes is reviewed every reporting date in order to identify the existence of the impairment indexes. If there are such indexes, the recoverable value of the respective assets is estimated.

A loss from depreciation is recognized when the carrying amount of the asset or of the cash generating unit exceeds the recoverable value of the asset or of the cash generating unit. A cash generating unit is the smallest identifiable group that generates cash and is independent from other assets and other groups of assets. The impairment losses are recognized in the statement of income.

The recoverable value of an asset or of a cash generating unit is the maximum between the use value and the fair value less the costs for the sale of that asset or unit. In order to determine the net usage value, the future cash flows are updated using an update rate before taxation that reflects the current market conditions and the risks specific to the respective asset.

The losses from depreciation during the previous periods are evaluated every reporting date in order to determine if they are reduced or do not exist anymore. The impairment loss is resumed if a change occurred in the estimations used to determine the recovery value. The impairment loss is resumed only if the carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of amortization and impairment, if the impairment loss would not have been recognized.

The non-financial assets, other than the goodwill, that were affected by impairment are reviewed for the eventual resumption of impairment every reporting date.

**l) Subsidies for investments**

The subsidies for investments are recognized in the consolidated statement of the financial position at the initial value granted, when there is sufficient certitude that they will be received and that the Group will comply with the conditions imposed when is granted the subsidies. The group received subsidies for investments to acquire tangible assets. These ones are presented in the consolidated statement of the financial position as debts and are recognized in the profit and loss according to the straight-line method, during the life of the assets corresponding to them.

**m) Share capital**

The ordinary shares are recognized in the share capital. The incremental costs assignable to the issue of shares are deducted from the capital, net of taxation effects.

**n) Provisions for risks and expenses**

The provisions are recognized in the consolidated statement of the financial position when a past event related obligation arises for the Group and it is probable that in the future it is necessary to consume some economic resources that extinguish this obligation and a reasonable estimation of the value can be made. In order to determine the provision, the future cash flows are updated using an update rate before taxation that reflects the current market conditions and the specific risks of the respective debt. The value disclosed as provision is the best estimate of the expenses necessary for the settlement of the current liability as at the end of the year.

**o) Income from the sale of goods and rendering of services**

The income from the sale of goods and the rendering of services is registered net of the trading reductions, the value added tax and other taxes related to the turnover. The income from the sale of goods is recognized when all the conditions below are fulfilled:

- The risks and significant advantages resulting from the property over the goods were transferred to buyer;
- The Group does not manage anymore the goods sold at the level at which it would have made it if it held them under its property and does not hold the actual control over them;
- The size of the income can be evaluated reliably;



- It is probable that the economic benefits associated to the transaction be generated to the Group; and
- The transaction costs can be evaluated reliably.

The income corresponding to a contract involving the rendering of services is recognized when they can be estimated reliably and provided that the contract is executed. The result of a transaction can be estimated reliably when all conditions below are fulfilled:

- The value of income can be estimated reliably
- It is probable that the economic benefits associated to transaction be generated to the entity
- The status of execution of the transaction on the closing date of the balance can be evaluated reliably; and
- The costs incurred during the transaction and the completion costs of the transaction can be evaluated reliably.

**p) Income and expenses on interest**

The income and the expenses on interest are recognized in the consolidated statement of the profit or loss and of other items of the global result through the effective interest method. The interest rate represents the rate that updates exactly the payments and receipts in cash forecasted in the future during the expected life of the financial asset or liability (or, as the case may be, on a shorter period) at the carrying amount of the financial asset or liability.

**q) Income from dividends**

The dividends for an equity instrument available for sale are recognized in the profit or loss when the right of the entity to receive the payment is established.

As concerns the dividends received as shares as an alternative to the cash payment, the income from dividends is recognized at the level of the cash that would have been received, in correspondence with the increase of the corresponding participation. The Group does not register income from the dividends corresponding to the shares received free of charge when these ones are distributed prorata to all shareholders.

The income from the dividends is registered at the gross value including the dividends tax that is recognized as a current expense on income tax.

**r) Income from lease**

The income from lease is generated by the real estate investments rented by the Group as operational leasing contracts and is recognized in the linear profit or loss during the entire contract term.

**s) Recognition of expenses**

The expenses are emphasized when they are made, and their recognition in the profit and loss is realized according to the exercise independence principle.

*The exploitation expenses* are recognized in the profit and loss during the period in which they were carried-out.

*The expenses for bank commissions* are registered when they are incurred.

*The expenses for transactions* are recognized at the same time with the income from these operations, on the settlement date for listed titles, respectively on the receipt date of the last installment if the unlisted titles are sold in installments.

On the entry date, the cost of titles is represented by the acquisition cost, and on the balance date, the acquisition cost is adjusted with the value resulted following the evaluation of titles.

*The expenses for commissions, quotas and taxes* are recognized when they are incurred.

*The salary expenses and the corresponding contributions* are recognized when they are incurred, according to the exercise independence principle

**t) Employee benefits**

**i) Short-term benefits**

The obligations with the short-term benefits granted to employees are not updated and are recognized in the statement of global result while the corresponding service is rendered.

The short-term benefits of the employees include salaries, premiums and contributions to social security. The short-term benefits of the employees are recognized as expense when the services are rendered. It is recognized a provision for the amounts expected to be paid as short-term cash premium or participation schemes of the personnel in profit given the fact that the Group has at present a legal or implicit obligation to pay those amounts as a result of the past services rendered by the employees and if the respective obligation can be estimated reliably.

**ii) Determined contribution plans**

The Group makes payments on behalf of its own employees to the pension system of the Romanian state, the health insurance and the unemployment fund, during the development of the normal activity. The Group also retains and pays to the private pension fund, the amounts with which the employees were enrolled in a facultative pension plan.

All Group employees are members and also have the legal obligations to contribute (by means of social security) to the pension system of the Romanian State (a State determined contribution plan). All the corresponding contributions are recognized in the statement of income of the period when they are incurred. The Group has no other supplementary obligations.

The Group is not committed in any independent pension system and, therefore, it has no other obligation. The Group has not the obligation to render subsequent services to the ex or actual employees.

**iii) Long-term employee benefits**

The net obligation of the Group as concerns the benefits corresponding to the long-term services is represented by the value of future benefits that the employees earned in exchange of the services rendered by these ones during the current period and previous periods. Within the group, depending on the regulations of the collective employment contract in force, the retiring people for the age limit can enjoy of a subsidy at the level of five net average salaries per Group.

The net obligation of the Group as concerns the long-term benefits determined based on the collective employment contract is estimated using the projected unit credit method and is recognized on the profit and loss statement on the commitment accounting principle. The excess or deficit resulted from the modification of the update rate and from other actuarial hypothesis is recognized as income or expense during the working period of the employees participating in this plan.

**u) Borrowing costs**

The Group capitalizes the borrowing costs for the eligible assets according to IAS 23 "Borrowing cost", reviewed.

**v) Corporate income tax**

The current corporate income tax includes both the current income tax and also the deferred income tax. The current corporate income tax includes the income on dividends income recognized at the gross value.

The income tax is recognized in the profit or loss or in other items of the global result if the tax corresponds to the capital items.

The current tax is the payable tax corresponding to the profit realized during the current period, determined based on the percentages applied on the balance sheet date and on all adjustments corresponding to the previous periods.

The deferred tax is determined using the balance sheet method for those temporary methods appearing between the tax calculation basis of the tax for assets and liabilities and their carrying amount used for reporting in the consolidated financial statements.

The deferred tax is not recognized for the following temporary differences: initial recognition of the goodwill, initial recognition of the assets and liabilities resulted from transactions that are not joint ventures and that do not affect the accounting profit or the tax profit resulted from the investments in subsidiaries, provided that these ones are not resumed in the near future. The deferred tax is calculated based on the taxation percentages expected to be applicable to the temporary differences when resuming them, based on the legislation in force on the reporting date or on the legislation issued on the reporting date and that will come in force subsequently.

The receivable regarding the deferred tax is recognized only if it is probable to obtain a taxable profit in the future after the compensation against the tax loss of the previous years and against the income tax to be recovered. The receivable regarding the deferred tax is reduced if the corresponding tax benefit is improbable to be realized.

The additional taxes that appear from the distribution of dividends are recognized at the same date with the payment obligation of the dividends.

The receivables and the debts regarding the deferred tax calculated are presented at the net value in the Group consolidated financial statements.

The receivables and the debts regarding the deferred tax are compensated if there is a legal right to compensate the receivables and debts regarding the current tax referring to the taxes collected by the same tax authority, from the same taxable entity, or by different tax entities, that intend to compensate the receivables and debts regarding the current tax on a net basis or the assets and liabilities regarding their tax will be realized simultaneously.

As at 31 December 2017 and 31 December 2016 the corporate income tax was 16%.

**w) Share result**

The group presents the basic and diluted share result for the ordinary shares. The basic share result is determined by distributing the profit or the loss assignable to the ordinary shareholders of the Group to the weighted average number of ordinary shares corresponding to the reporting period. The diluted share result is determined by adjusting the profit or the loss attributable to the ordinary shareholders and to the weighted average number of ordinary shares with the dilution effects generated by the potential ordinary shares.

**x) Dividends**

Dividends are treated as a profit distribution during the period in which they were declared and approved by the General Meeting of Shareholders. The profit available for distribution is the profit of the year registered in the stand alone financial statements issued according to the International Financing Reporting Standards adopted by the European Union.

The dividends not claimed for three years and for which the right to claim has been prescribed are recorded in the retained earnings

**y) Segments reporting**

A segment is a different component that supplies certain products or services (activity segment) or supplies products and services within certain geographical environment (geographical segment) and that is referred to risks and benefits different from those of the other segments. The management considers the real estate activities of some subsidiaries as financial activity and was therefore these activities were included in the segment of financial activity.

**z) Adoption of new or reviewed Standards and interpretations**

The following amended standards entered into force for the Group as at 1 January 2016 but had no significant impact on the Group:

**IFRS 15. Revenue from contracts with customers (issued on 28 May 2014 and valid for periods beginning on or after 1 January 2017).** The new standard introduces the basic principle that income must be recognized when the goods or services are transferred to the client at the transaction price. The Standard had no significant impact on the financial statements.

**Amendments to IAS 7 "Statement of Cash Flows"** - Presentation Initiative (effective from 1 January 2017). The amendment to IAS 7 will require the presentation of a reconciliation of movements in the liabilities arising from financing activities.

Recognition of deferred tax assets for Unrealized losses - **Amendments to IAS 12** (issued on 19 January 2016 and effective for annual periods beginning January 2017 or after 1).

Some new standards, amendments and interpretations of the standards are not in force yet for the year ended as at 31 December 2016 and were not applied for the issue of these financial statements:

**Standards issued but not yet valid and not adopted earlier**

**IFRS 9 “Financial Instruments” (issued in July 2014 and in force for annual periods starting on or after 1 January 2018).** Key features of the new standard are:

- Financial assets are classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVTPL).
- The classification of receivables is determined by the entity’s business model for the administration of financial assets and by the contractual cash flows representing only principal and interest payments (SPPI). If a debt instrument is held for collection purposes, it can be calculated at the depreciated cost if the SPPI requirement is also fulfilled. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVTPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, the changes in fair values disclosed in the profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that the entities will have to incur an immediate loss equal to the ECL in the next 12 months from the initial recognition of the financial assets that are not impaired (or loss expected during the life of the trade receivables). If there was a significant increase in credit risk, impairment is measured using the projected loss of life, instead of the expected loss for the next 12 months. The model includes operational simplifications for leasing receivables and for trade ones.

- Requirements for hedge accounting have been amended to more closely align the accounting with risk management. The standard provides entities an accounting policy choice between applying hedge accounting requirements of IFRS 9 or continue to apply IAS 39 to all hedging instruments as standard addresses not currently accounts for macro coverage.

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The following table presents the classification and measurement changes in the financial instruments held by the Group as a result of the application of IFRS 9 as of 1 January 2018:

Active category	Classification according to		Final balance 31 Dec 2017 (IAS 39)	Transition effect				Initial balance 1 Jan 2018 (IFRS 9)
	IAS 39	IFRS 9		Revaluation		Reclassification		
				PCA	Others	Mandatory	Optional	
Cash and cash equivalent	L&R	Amortised cost	89,755,732	-	-	-	-	89,755,732
Debt instruments (state and corporate bonds)	AFS	FVTOCI	68,956,899	-	(343,234)	-	-	68,613,665
Debt instruments (fund units)	AFS	FVTPL (mandatory)	247,989,670	-	-	-	-	247,989,670
Debt instruments (corporate bonds)	HTM	Amortised cost	6,321,346	-	-	-	-	6,321,346
<b>TOTAL DEBT INSTRUMENTS</b>			<b>413,023,647</b>	-	-	-	-	<b>412,680,413</b>
Equity instruments	HFT	FVTPL (mandatory)	338	-	-	-	-	338
Equity instruments	AFS	FVTOCI	1,325,656,018	-	-	18,957,169	-	1,344,613,187
Equity instruments	FVTPL	FVTOCI	269,541	-	-	-	-	269,541
<b>TOTAL OWN CAPITAL INSTRUMENTS</b>			<b>1,325,925,897</b>	-	-	-	-	<b>1,344,883,066</b>
Loans	L&R	Amortised cost	(129,370,582)	-	-	-	-	(129,370,582)
Receivables	L&R	Amortised cost	88,438,622	-	-	-	-	88,438,622
<b>TOTAL LOANS AND RECEIVABLES</b>			<b>(40,931,960)</b>	-	-	-	-	<b>(40,931,960)</b>
Other financial liabilities	L&R	Amortised cost	(74,431,307)	-	-	-	-	(74,431,307)
Commercial debt	L&R	Amortised cost	(58,936,530)	-	-	-	-	(58,936,530)
Other financial assets	L&R	Amortised cost	12,326,109	-	-	-	-	12,326,109
<b>TOTAL OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES</b>			<b>(121,041,728)</b>	-	-	-	-	<b>(121,041,728)</b>
<b>TOTAL</b>			<b>1,576,975,856</b>	-	-	-	-	<b>1,595,589,791</b>



As a result of the adoption of IFRS 9 as of 1 January 2018, the fair value reserve for available-for-sale financial assets (Units) in the amount of RON 68,613,665 will be recognized in retained earnings.

For IAS 39 cost accounting, with net value of RON 23,956,850 at 31 December 2017 (Note 18), when transitioning to IFRS 9, the Company started to work on a fair value measurement methodology, methodology that is still in place at the time of these financial statements. The company has divided these investments into shares in the following categories:

- a. Companies where there are market comparisons - will be valued using level-level technicians
- b. Participations that were sold between January and March 2018
- c. Shares in companies where there is no comparable market and which were assessed using the ASF-approved method, ie a percentage of the net assets of these companies, reduced by a discount for minority holding and a discount for lack of liquidity,

In accordance with the transitional provisions of IFRS 9, the Company has decided not to reverse prior periods.

**IFRS 16 “Leasing” (issued in January 2016 and applicable for the periods starting in or after 1 January 2019).**

For leaseholders, the result will be that almost all the leasing contracts will be disclosed in the balance sheet, considering that the differences between the operational and financial leases will be eliminated. In compliance with the new standard, an asset (the right to use a leased good) and a financial debt to pay rent will be disclosed. The only exceptions are the short-term leasing contracts and the low-value ones. Accounting for lessors will not change significantly. The standard is in force for annual periods starting on 1 January 2019 and early application is allowed. The Group expects that IFRS 16 should have an insignificant impact on the current accounting practices.

The following other new standards are not expected to have a significant impact on the Group when they are adopted:

- The sale or contribution of assets between an investor and the associate or joint venture - Amendments to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods beginning on or after a date to be set by IASB)
- Amendments to IFRS 2 “Shared-based payment” (issued on 20 June 2016 and in force for annual periods starting on or after 1 January 2018 or 1).
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- Application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods starting in January 2018 or after 1 for the entities that choose to apply the temporary exception option or, if the entity applies IFRS9 for the first time, for the entities that choose to apply the overlapping approach).
- Improvements to annual IFRSs, 2014-2016 cycle (issued December 8, 2016 and effective for annual periods beginning on or after January 1, 2018, for changes to IFRS 1 and IAS 28).
- IFRIC 22 Foreign Currency Transactions (issued on 8 December 2016 and in force for annual periods starting on or after 1 January 2018).
- IFRS 17 - Insurance Contracts (issued on 17 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 - Income Taxes (issued on 7 June 2017 and applicable for annual periods beginning on or after 1 January 2019).
- Investment property transfers - Amendments to IAS 40 (issued in on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Early Payments with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)
- Long-term interests in subsidiaries and joint ventures - Amendments to IAS 289 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 3, IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued December 12, 2017 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise provided for above, the new standards and interpretations are not expected to significantly affect the Group's financial statements.

## **5 SIGNIFICANT RISK MANAGEMENT**

According to the business object, the Group is exposed to various types of risks associated to the field of activity in which they act. The main types of risks to which the Group is exposed are:

- Market risk (risk of interest rate, foreign currency risk and price risk);
- Credit risk;
- Liquidity risk;
- Taxation risk;
- Business environment risk;
- Operational risk.

The administration of the risks takes into account the maximization of the Group profit related to the risk level to which it is exposed.

The Group uses a variety of policies and procedures for managing and evaluating the types of risk to which it is exposed. These policies and procedures are presented within the sub-chapter dedicated to each type of risk.

### **5.1 Financial risk**

#### **(a) Market risk**

The market risk is the risk that the changes in the market prices, as well as the prices of the shares, the interest rates and the exchange rates affect the Group income or the value of the financial instruments held. The market risk of the equity represents the risk that the value of such an instrument fluctuates following the modifications of the market prices, either because of some factors specific to the issuer activity or of some factors affecting all instruments traded on the market.

The market risk of the equity instruments results mainly from the available shares for sale. The entities in which the Group holds shares operate in various industries.

The goal of administering the market risk is to control and to manage the exposures to the market risk within acceptable parameters, provided that the output is optimized. The Group strategy for the management of the market risk is managed by the investment goal, and the market risk is administered according to the policies and procedures practiced.

The Group is exposed to the following categories of market risk:

##### *i) Price risk*

The price risk is the risk of incurring losses both from the balance entries and from the extra-balance entries, because of the evolutions of the assets prices.

The Group is exposed to the risk that the fair value of the financial instruments held fluctuates following the changes in the market prices, either it is caused by factors specific to the activity of the issuer or factors that affect all instruments traded on the market. The board of directors follow-up the modality to achieve the market risk management, and the internal procedures dispose that, when the price risks do not comply with the Group investment procedures and principles it must be proceeded to rebalance the portfolio.

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During the latest years, following the worldwide financial crisis, Romania was also affected by the price risk through the impairment of the shares quotations.

A positive variation of 10% of the price of the Financial assets at fair value through profit and loss (Level 1) would lead to an increase of the profit after taxation, with 28 lei (31 December 2016: RON 26), a negative variation of 10% with an equal net impact and with opposite sign.

A positive variation of 10% of the prices of the available financial assets for sale evaluated at their fair value would result in an increase of equity, net of the profit tax, with 137.978.617 RON (31 December 2016: RON 107,221,306, a negative variation of 10% having a net equal impact and with opposite sign).

The Group holds shares in companies that operate in various fields of activity, as follows:

In RON	<b>31 December 2017</b>	%	<b>31 December 2016</b>	%
Agriculture, forestry and fishing	621,150		665,734	-
Wholesale and retail trade, repair of motor vehicles	7,409,417	1	7,712,559	1
Constructions	1,217,304		1,217,306	-
Hotels and restaurants	10,614,721		2,175,624	-
Extractive industry	59,450,796	4	48,652,649	4
Manufacturing industry	41,656,280	3	45,391,571	4
Financial brokerage and insurance	1,168,562,263	89	971,105,052	88
Real estate investments			-	-
Production and supply of energy, gas and water	7,429,750	1	9,056,320	1
Financial services applicable to real estate	-		-	-
Transport and storage	25,470,155	2	19,740,660	2
Other activities	<u>3,134,241</u>		2,537,009	-
<b>TOTAL</b>	<b><u>1,325,566,079</u></b>	<b><u>100</u></b>	<b><u>1,108,254,484</u></b>	<b><u>100</u></b>

As the table above shows, as at 31 December 2017 the Group held mainly shares in companies that activate in the financial- banking and insurance field, with a weight of 88% of the total portfolio, the same as at 31 December 2016.

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As at 31 December 2016 and 31 December 2017 the Group holds fund units at the Closed Investment Funds Active Plus and Omnitrend. The Group is exposed to the price risk through the investments made with a different degree of risk by these Investment Funds.

ii) *Interest rate risk*

The interest rate risk represents the risk that the income or expenses, or the value of the Group assets or liabilities fluctuate following the variation of the interest rates on the market.

As concerns the interest bearing financial instruments: the interest rate risk is composed of the fluctuation risk registered in the value of certain financial instruments following the variation of the interest rates and from the risk of the differences between the due date of the interest bearing financial assets and the interest bearing liabilities. But the interest rate risk can also influence the value of the interest bearing assets (for example: bonds), so that an increase of the interest rate on the market will determine the reduction of the future cash flows and can result in the reduction of their price, if they determine the increase of the investor's preference to place their funds in banking deposits or other instruments whose interest increased, and vice-versa – a reduction of the interest rate on the market can determine the increase of the price of shares and bonds and will determine an increase of the fair value of the future cash flows.

The Group does not use derivative financial instruments to protect against the interest rate fluctuations.

The table below shows the annual interest rates obtained by the Group for interest-bearing assets during 2017:

<b>Financial assets and liabilities</b>	<b>RON</b>		<b>EUR</b>	
	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
Cash and cash equivalents	-	-	-	-
Bank deposits	0.4%	1.75%	0%	0%
Available-for-sale financial assets*	2.5%	5.75%	5.75%	5.75%
Investments held to maturity	-	-	5.98%	6.06%
Loans	2.53%	6.37%	1.44%	4.5%
Loans from affiliated parties	-	-	1%	7%

\*Financial assets held for sale include government securities (interest is the nominal coupon, not the yield on acquisition / adjudication) and corporate bonds.

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The table below shows the annual interest rates obtained by the Group for interest-bearing assets during 2016:

Financial assets and liabilities	RON		EUR	
	Min	Max	Min	Max
Cash and cash equivalents	-	-	-	-
Bank deposits	0.43%	2.15%	1.35%	1.35%
Available-for-sale financial assets*	2.9%	3.25%	-	-
Held-to-maturity investments	8%	8%	6.06%	6.3%
Loans	2.36%	5.50%	1.30%	3.11%
Loans from affiliated parties	-	-	1%	7%

The table below comprises a summary of the Group's exposure to the interest rate risks. The table includes the Group's assets and liabilities at the book values, classified depending on the most recent date between the interest rate changing date and the maturity date.

	<u>2017</u>	<u>2016</u>
Bank deposits with term <3 months	16,575,382	12,217,000
Bank deposits with term >3 months	31,427,783	53,286,407
Available-for-sale financial assets	68,956,899	103,690,723
Held-to-maturity investments	6,321,346	6,160,454
Loans	(129,370,582)	(135,555,359)
Loans from related parties	<u>(41,046,796)</u>	<u>(40,910,638)</u>
<b>TOTAL</b>	<u>(47,135,968)</u>	<u>39,799,246</u>

Financial assets held for sale and exposed to the interest rate risk are government securities,

The impact over the net profit of the Group of a modification of  $\pm 1,00\%$  of the interest rate corresponding to the floating interest bearing assets and liabilities denominated in other currencies, together with a modification of  $\pm 1,00\%$  of the interest rate for floating interest-bearing assets and liabilities denominated in RON is **2,789,740 RON** (31 December 2016: RON 2,789,069).

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iii) *Currency risk*

The currency risk is the risk of registering some losses or not achieving the profit estimated following the non favorable fluctuations of the exchange rate. The Group invests in financial instruments and incurs transactions that are denominated in foreign currency, other than the functional currency, so that, it is exposed to the risks that the exchange rate of the national currency related to other foreign currency has adverse effects over the fair value or future cash flows of that part of the financial assets and liabilities denominated in another foreign currency.

The Group carried-out transactions during the reporting periods both in the Romanian currency (Leul), and in foreign currency. The Romanian currency fluctuated compared to the foreign currencies, EURO, USD, GBP and HUF.

The financial instruments used give the possibility to keep the value of the monetary assets held in RON, realizing investments and cashing the interests depending on the due date.

The Group's financial assets and liabilities in foreign currencies as at 31 December 2017 may be analyzed as follows:

**31 December 2017**

<b>In RON</b>	<u>EUR</u> <b>(equivalent in RON)</b>	<u>USD</u> <b>(equivalent in RON)</b>	<u>GBP</u> <b>(equivalent in RON)</b>	<u>HUF</u> <b>(equivalent in RON)</b>
<b>Financial assets</b>				
Cash and cash equivalents	6,993,139	669,851	309,662	766
Bank deposits	799,139	-	-	-
Available-for-sale financial assets *	463,159,087	-	-	-
Investments held to maturity	6,499,763	-	-	-
Other assets	<u>9,057,394</u>	<u>78,216</u>	<u>78,970</u>	<u>-</u>
<b>TOTAL</b>	<b>486,508,521</b>	<b>748,067</b>	<b>388,632</b>	<b>766</b>
<b>Financial liabilities</b>				
Loans	55,659,643	-	-	-
Other liabilities	<u>41,046,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b>96,706,439</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net financial assets</b>	<b><u>389,802,082</u></b>	<b><u>748,067</u></b>	<b><u>388,632</u></b>	<b><u>766</u></b>

\*the financial assets held for sale in EUR include the shares held abroad (Austria - Erste Bank) and fund units.

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This version of the accompanying documents is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation

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As at 31 December 2017 the Group holds fund units at the Closed Investment Funds Active Plus Omnitrend and Optim Invest. The Group is exposed to the foreign currency risk through the investments made by these Investment Funds.

As at 31 December 2017 the assets of the Closed Investment Fund Omnitrend were mainly represented by traded shares held in SIF Moldova **- 47.7%** (31 December 2016: **42.7%**) and bank deposits 48,8% In 2016 the fund held shares and bonds traded at the official quota of an exchange stock of a non-member **state 51.5%** (Transeastern Power Trust).

As at 31 December 2017, the total assets of the closed Active Investment Fund were mainly traded shares held at SIFs 83.54% (31 December 2016: 80.7%), bonds admitted to trading on a regulated market in another OPUS-Chartered Issuance SA 10.21% and other securities admitted to trading on a market in another Member State 6.05%, respectively structured products Morgan Stanley & Co (31 December 2016: 19.2%, structured products Merrill Lynch Intl & CO supporting SIF2 shares).

As at 31 December 2017, the total assets of Optim Invest Invest closed were mainly traded shares held at SIFs 98.8%.

The Group's financial assets and liabilities in RON and foreign currencies as at 31 December 2016 may be analyzed as follows:

**31 December 2016**

<b>In RON</b>	<b>EUR</b> <b>(equivalent in</b> <b>RON)</b>	<b>USD</b> <b>(equivalent</b> <b>in RON)</b>	<b>GBP</b> <b>(equivalent</b> <b>in RON)</b>	<b>HUF</b> <b>(equivalent</b> <b>in RON)</b>
<b>Financial assets</b>				
Cash and cash equivalents	6,098,919	162,213	25,406	868
Financial assets at fair value through profit and loss	6,145,691	-	-	-
Available-for-sale financial assets	395,459,759	-	-	-
Investments held to maturity	6,336,716	-	-	-
Other assets	<u>8,695,151</u>	<u>37,025</u>	<u>165,443</u>	<u>-</u>
<b>TOTAL</b>	<b>422,736,236</b>	<b>199,238</b>	<b>190,849</b>	<b>868</b>
<b>Financial liabilities</b>				
Loans	(58,414,646)	-	-	-
Other liabilities	-	-	-	-
<b>TOTAL</b>	<b>(58,414,646)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net financial assets</b>	<b><u>364,321,590</u></b>	<b><u>199,238</u></b>	<b><u>190,849</u></b>	<b><u>868</u></b>



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The following table presents the profit or loss sensitivity as well as the sensitivity of equity to potential change at the end of the reporting period in the foreign currency exchange rates related to the reporting currency, while maintaining all the other variables constant:

	31 December 2017		31 December 2016	
	Impact over	Impact over	Impact over	Impact over
	the profit and	other items of	the profit and	other items of
	loss statement	the global	loss	the global
		result	statement	result
Increase with 5% (2016: 5%)	(3,306,211)	19,725,672	(1,557,525)	16,875,452
Decrease 5% (2016: 5%)	3,306,211	(19,725,672)	1,557,525	(16,875,452)
<b>Total</b>	=====	=====	=====	=====

**(b) Credit risk**

The credit risk is the risk that a counterparty of a financial instrument fails to fulfill an obligation or a financial commitment in which it entered a relation with the Group, resulting a loss for the Group.

The Group is exposed to the credit risk following the investments realized in bonds issued by trading companies or the Romanian State, the current accounts and the bank deposits and other receivables.

The Group management follows-up closely and constantly the exposure to the credit risk so that it does not incur losses following the concentration of the credit in certain sector or field of activity.

As at 31 December 2017 and 31 January 2016 the Company did not have security interests as insurance nor other credit rating improvements. As at 31 December 2017 and 31 December 2016, the Group registered outstanding financial assets, but which are not impaired.

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*Exposure from the current accounts and bank deposits (exclusive the attached interest)*

<b>31 December 2017</b>	<b>Current accounts</b>	<b>Bank deposits</b>	<b>Bonds issued by financial institutions (held to maturity)</b>	<b>Government bonds</b>	<b>Bonds issued by commercial companies</b>	<b>Other financial assets</b>	<b>Total</b>
<i>Curente și nedepreciate</i>							
Rating A-	1,138,413	3,100,000	-	-	-	-	4,238,413
BBB+	26,794,340	17,256,196	-	-	-	-	44,050,536
BBB-	94,936	5,071,368	-	64,044,407	-	-	69,210,711
BB+	2,964,071	6,101,875	-	-	-	-	9,065,946
BB-	60,852	4,002,236	6,499,763	-	-	-	10,562,851
B	2,625,422	6,510,435	-	-	-	-	9,135,856
CCC+	4,056	-	-	-	-	-	4,056
C	205,290	-	-	-	-	-	205,290
NR	<u>2,168,979</u>	<u>10,893,311</u>	-	-	<u>4,912,490</u>	<u>101,767,377</u>	<u>119,742,157</u>
<b>TOTAL</b>	<b><u>36,056,360</u></b>	<b><u>52,935,420</u></b>	<b><u>6,499,763</u></b>	<b><u>64,044,407</u></b>	<b><u>4,912,490</u></b>	<b><u>101,767,377</u></b>	<b><u>265,215,817</u></b>

<b>31 December 2016</b>	<b>Current accounts</b>	<b>Bank deposits</b>	<b>Corporate bonds(held to maturity)</b>	<b>Bonds issued by financial institutions (held to maturity)</b>	<b>Other financial assets</b>	<b>Total</b>
<i>Curente și nedepreciate</i>						
Rating A-	7,594,428	-	-	-	-	7,594,428
BBB+	60,060,984	779,441	-	-	-	60,840,425
BBB-	9,786,028	-	-	103,690,723	-	113,476,751
BB+	3,619,184	1,231,578	-	-	-	4,850,762
BB	53,572	2,501,425	6,336,716	-	-	8,891,713
B	5,382,424	45,159,978	-	-	-	51,542,402
CCC+	4,519	-	-	-	-	4,519
C	244,123	9,052,718	-	-	-	9,296,841
NR	<u>4,663,311</u>	<u>6,193,416</u>	-	-	<u>85,210,560</u>	<u>96,067,287</u>
<b>TOTAL</b>	<b><u>91,408,572</u></b>	<b><u>65,918,556</u></b>	<b><u>6,336,716</u></b>	<b><u>103,690,723</u></b>	<b><u>85,210,560</u></b>	<b><u>352,565,127</u></b>

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017*****(All amounts are presented in RON)***

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*Exposure of current accounts and placements with banks (excluding interest accrued)*

<b>Bank</b>	<b><u>31 December 2016</u></b>	<b><u>31 December 2017</u></b>	<b><u>Rating</u></b>
ING Bank	5,614,161	203,248	A2
Trezorerie	135,905	236,463	A3
Garanti Bank	1,844,362	3,798,703	A3
Veneto Banca	41,524,672	748,664	B
Raiffeisen Bank Romania	2,821,827	1,955,904	Ba1
Libra bank	7,195,903	6,431,288	Baa3
Banca Transilvania	4,850,762	9,065,946	BB
Credit Europe Bank	2,554,997	4,063,088	BB-
Intesa Sanpaolo Romania	9,786,028	5,166,304	BBB-
BRD - Groupe Société Générale	42,026,206	10,874,403	BBB+
Banca Comerciala Romana	5,645,361	6,600,386	BBB+
Unicredit Tiriac Bank	13,168,858	26,575,748	BBB+
Piraeus Bank Romania	45,832	1,006	C
Bancpost Romania	9,251,010	204,284	C
Alpha Bank Romania	4,519	4,056	CCC+
Banca Feroviara	2,006,721	4,641,183	NR
Marfin Bank	8,824,303	8,260,576	NR
Alte banci	<u>25,702</u>	<u>160,570</u>	NR
<b>TOTAL (nota 15)</b>	<b><u>157,327,128</u></b>	<b><u>88,991,779</u></b>	

\*\* for banks which had no rating, we considered the rating of the parent company.

The cash and cash equivalents and bank deposits are not overdue nor impaired. Corporate bonds are not overdue, nor impaired.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are presented in RON)

**(c) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with short-term financial liabilities, that are extinguished by the cash payment or by other financial means, or such obligations should be extinguished under a non favorable manner for the Group.

The Groups follows the evolution of the liquidity level in order to be able to pay the obligations on the date when these ones become due and analyzes permanently the assets and liabilities, depending on the period remaining until the contractual due dates.

The structure of the assets and liabilities was analyzed based on the period remaining as of the balance sheet date until the contractual date of the due date, both as at 31 December 2016 and as at 31 December 2016, as follows:

	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>Between 3 and 12 months</b>	<b>More than 1 year</b>	<b>Without pre- established maturity</b>
<b>31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	36,883,515	36,454,468	-	-	365,844
Bank deposits	52,935,420	21,462,387	31,473,033	-	-
Financial assets at fair value through profit and loss	338	-	-	-	338
Available-for-sale financial assets	1,642,602,587	-	-	68,956,899	1,573,645,688
Investments held to maturity	6,499,763	-	-	6,499,763	-
Other assets	<u>101,767,377</u>	<u>100,513,938</u>	<u>1,252,536</u>	<u>903</u>	<u>-</u>
<b>Total financial assets</b>	<u>1,840,625,797</u>	<u>158,430,793</u>	<u>32,725,569</u>	<u>75,457,565</u>	<u>1,574,011,870</u>
<b>Financial liabilities</b>					
Loans	141,062,073	6,662,668	51,728,118	82,660,926	10,361
Dividends payable	15,586,380	15,586,380	-	-	-
Other liabilities	133,367,836	81,517,386	4,874,786	46,975,664	-
<b>Total financial liabilities</b>	<u>290,016,289</u>	<u>103,766,434</u>	<u>56,602,904</u>	<u>129,636,590</u>	<u>10,361</u>
<b>Liquidity surplus</b>	<u>1,550,609,508</u>	<u>54,664,359</u>	<u>(23,877,335)</u>	<u>(54,179,025)</u>	<u>1,574,001,509</u>

**SIF BANAT – CRIȘANA SA**

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<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>Between 3 and 12 months</b>	<b>More than 1 year</b>	<b>Without pre- established maturity</b>
<b>Financial assets</b>					
Cash and cash equivalents	104,589,881	103,634,586	-	-	955,295
Bank deposits	53,701,555	29,965,043	22,957,071	779,441	-
Financial assets at fair value through profit and loss	309	-	-	-	309
Available-for-sale financial assets	1,276,444,115	-	-	103,690,723	1,172,753,392
Investments held to maturity	6,342,016	5,300	-	6,336,716	-
Other assets	85,210,560	85,210,560	-	-	-
<b>Total financial assets</b>	<b>1,526,288,436</b>	<b>218,815,489</b>	<b>22,957,071</b>	<b>110,806,881</b>	<b>1,173,708,997</b>
<b>Financial liabilities</b>					
Loans	135,703,844	14,312,561	60,139,705	61,251,579	-
Dividends payable	20,204,246	20,204,246	-	-	-
Other liabilities	99,394,413	58,474,232	-	40,920,181	-
<b>Total financial liabilities</b>	<b><u>255,302,504</u></b>	<b><u>92,991,039</u></b>	<b><u>60,139,705</u></b>	<b><u>102,171,670</u></b>	<b><u>-</u></b>
<b>Liquidity surplus</b>	<b><u>1,270,985,933</u></b>	<b><u>125,824,450</u></b>	<b><u>(37,182,634)</u></b>	<b><u>8,635,121</u></b>	<b><u>1,173,708,997</u></b>

**5.2 Other risks**

By the nature of the business object, the Company is exposed to various types associated to financial instruments and to market on which it invests. The main types of risks the Company is exposed to are:

- taxation risk;
- economic environment risk;
- operational risk.

The risk management takes into account the maximization of the Company profit related to the risk level it is exposed to.

The Company uses various management and measurement policies and procedures for the risk types it is exposed to. These policies and procedures are presented at subchapter dedicated to each type of risk.

**(a) Taxation risk**

Starting with January 1<sup>st</sup> 2007, following the adhesion of Romania to the European Union, the Group has to fulfill the regulations of the European Union, and therefore it prepared for the application of the changes brought by the European legislation. The Group implemented these changes, but the implementation modality remains open to the tax audit during 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations, could vary and there is the risk that under certain situations the tax authorities should adopt a different position from that of the Group.

From the profit tax point of view corresponding to the financial exercise 2015 there is the risk of different interpretation by the tax organisms of the accounting treatment determined by the transition to IFRS as accounting basis.

Furthermore, the Government of Romania holds a number of agencies authorized to carry-out the audit (control) of the companies operating within the territory of Romania. These controls are similar to the tax audits of other countries, and can cover only tax aspects, and other legal and regulatory aspects that present an interest for those agencies. It is possible that the Group be subject to the tax inspection while new tax regulations are issued.

**(b) Risk corresponding to the economic environment**

The adjustment process of the values depending on the risk that has taken place on the international financial markets during the latest years affected their performance seriously, including the financial market of Romania, resulting in an increased incertitude related to the future economic evolution.

The effects of the international financial crises were also felt on the Romanian financial market particularly as: the significant increase of the volume of non performing loans in the autochthonous bank system, the hardening of the access to financing both for the population and for the economic agents, banks' orientation rather to the financing of authorities, through the acquisition of state titles rather than the financing of the economic development or of the consumption, the impairment of the national currency, the decrease of the prices at the real estate assets, the negative evolution of the macroeconomic indicators (inflation, budgetary deficit, current account deficit, decrease of the direct foreign investments, decrease of the unemployment rate etc.)

The Group cannot forecast all effects of the crisis with impact over the financial sector of Romania, but it considers **that in 2017** it adopted the necessary measures to sustain and to develop the Group under the current conditions on the financial market, through the follow-up of the cash flows and harmonization of the investment policies.

Avoiding the risks, reducing their effects is ensured by the group according to an investment policy that fulfills the prudential rules imposed by the legal provisions and the applicable regulations in force.

The Group has adopted risk management policies according to which an active management is realized, applying specific risk identification, evaluation, measurement and control procedures, that should offer the reasonable assurance as concerns the fulfillment of the group goals, aiming a constant balance between risk and the expected profit.

The risk management process aims: (i) identifying and evaluating the significant risks with major impact in achieving the investment goal and the development of the activities that should counteract the risk identified; (ii) adapting the risk management policies to the financial evolutions of the capital market, following the performance and improving the risk management procedures; (iii) reviewing the investment decisions correlated to the evolution of the capital market and the monetary market; (iv) fulfilling the legislation in force.

The significant solvability problems of certain countries in the Euro area also continued during 2017, what resulted in speculations regarding the long-term sustainability of the Euro area. The deep recession in some counties, the worldwide consequences of the tax austerity programs and of other governmental actions, as well as the preoccupations related to the viability of the financial institutions in certain countries resulted in an increase of the state titles volatility, that has reached worrying levels during the latest year.

Most recently, certain actions undertaken by the European Central Banks and the European Commission led to positive results as regards the improvement of the market trust. Despite it, the situation remains fragile.

**(c) Operational risk**

The operational risk is the risk of registering direct or indirect losses resulted from lacks or deficiencies of the procedures, personnel, internal systems of the Group or from external events that may have an impact over its operations. The operational risks result from all the Group activities.

The goal of the Group is to manage the operational risk so that to limit the financial losses, not to damage the reputation and to achieve the investment goal to generate benefits for investors.

The primary responsibility regarding the implementation and development of the control over the operational risk corresponds to the Board of Directors. This responsibility is supported by the development of the general management standards of operational risk, comprising the controls and processes to the suppliers of services and the service commitments with the services suppliers.

**(d) Capitals harmonization**

The management policy as concerns the capital harmonization is focused on maintaining a solid capital basis, in order to support the continuous development of the Group and to reach the investment goals.

The equity of the Group includes the share capital, various types of reserves, the reported result and the minority interests. The equity amounted to **RON 2,341,652,003 as** at 31 December 2017 (RON 1,971,433,360 as at 31 December 2016).

**6 ACCOUNTING ESTIMATIONS AND SIGNIFICANT JUDGMENTS**

The management discusses the development, selection, presentation and application of the significant accounting policies and estimations. All these are approved within the meetings of the Company Board of Directors.

These presentations complete the information about the financial risk management (see note 5).

**Key sources of the estimations incertitude**

The significant accounting judgments for applying the accounting policies of the Group include:

**Application of the Amendments to IFRS 10 Investment entities**

The Group analyzed the possibility to apply IFRS 10 and the Amendments to *IFRS 10*, *IFRS 12* and *IAS 27 (Investment companies)*, the criteria mentioned in the Amendments related to the fulfillment by the Group of the conditions of investment entity. See note 31 for further reference.



***Provisions for the receivables impairment***

The assets registered at the amortized cost are evaluated for impairment according to the accounting policies described at notes 4(d)(iv) and 4(d)(v).

The evaluation for the receivables impairment is carried-out at individual level and is based on the best estimation of the management regarding the current value of the cash flows expected to be received. In order to estimate these flows, the management makes certain estimations related to the financial statement of the counterparty. Each impaired asset is analyzed individually. The precision of the provisions depends on the estimation of the future cash flows for the specific counterparties.

***Determining the fair value of the financial instruments***

The fair value of the financial instruments that are not traded on an active market is determined using the evaluation techniques described in the accounting policy 4(f)(iv). For rarely traded financial instruments and for which there is no transparency of prices, the fair value is less objective and is determined using various levels of estimations regarding the liquidity degree, the concentration degree, the uncertainty of the market factors, hypothesis and other risks affecting the respective financial instrument.

The Group uses the following hierarchy of methods to calculate the fair value:

- Level 1: The market price quoted on an active market for an identical instrument.
- Level 2: Evaluation techniques based on observable elements. This category includes evaluated instruments using: the market price quoted on the active markets for similar instruments; prices quoted for similar instruments on the markets considered less active; or other evaluation techniques in which the elements can be observable directly or indirectly from the market statistics.
- Level 3: Evaluation techniques greatly based on non-observable elements. This category includes all instruments for which the evaluation technique includes elements that are not based on observable data and for which the non-observable entry parameters can have a significant effect over the instrument evaluation. This category includes instruments that are evaluated based on the quoted prices for similar instruments but for which adjustments are necessary based greatly on non-observable data or on estimations to reflect the difference between the two instruments.

The fair value of the financial assets and liabilities that are traded on active markets is based on the prices quoted on the market or on the prices quoted by intermediaries. For all the other financial instruments, the Group determines the fair value using evaluation techniques. The evaluation techniques include the current net value and the models of the updated cash flows, the comparison with similar instruments for which there are observable market prices and other evaluation techniques. The hypothesis and the data used in the evaluation techniques include

interest rates without risk and reference rates, credit spread and other premiums used to estimate the updated rates, yield of the bonds and capitals, exchange rates, capital price indexes, volatilities and forecasted correlations. The purpose of the evaluation techniques is to determine the fair value that should reflect the price of the financial instruments on the reporting date, price that would be determined under objective conditions by the market participants.

The Group uses recognized evaluation models to determine the fair value of the simple financial instruments that use only observable market data and ask very few estimations from the management (for example instruments that are not evaluated based on the prices quoted for similar instruments for which adjustments based on observable data or on estimations are not necessary to reflect the difference between the two instruments). The observable data and the entry parameters in the model are usually available on the market for capital instruments. Their availability reduces the need of estimations and of analyses from the management and the incertitude associated to determine the fair value. The availability degree of the observable market prices and of the entry data vary depending on the products and markets and is referred to the changes resulting from specific events and from the general conditions of the financial markets. As concerns the shares that have no market price quoted on an active market, the Group uses the evaluation models that are usually derived from the known evaluation models. Part of or all the significant inputs in these models may not be observable on the market and result from the market prices or are estimated based on hypothesis. The evaluation models needing non-observable entry elements require to a greatest extent a high degree of analysis and estimation from the management to determine the fair value. The analysis and the estimation from the management interfere particularly in selecting the adequate evaluation model, in determining the future cash flows of the financial instrument, in determining the probability of non fulfilling the obligations by the counterparty and the advance payments and in selecting some adequate update rates.

As regards the financial instruments for which there is no active market (level 2 and 3), the fair value was determined by the authorized evaluators within the current evaluation Compartment within the Group, using the strategy established by the management of the issuing company and some evaluation techniques that include techniques based on the net updated value, updated cash flows method, comparison method with the similar instruments for which there is an observable market price. The evaluation techniques were used coherently and there is no modification in applying them.

An analysis of the financial instruments recognized at the fair value according to the evaluation method is presented in the table below:

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<b>31 December 2016</b>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
Financial assets at fair value through profit and loss	309	-	-	309
Available-for-sale financial assets at fair value – shares	1,074,917,566	3,010,212	5,781,151	1,083,708,929
Available-for-sale financial assets at fair value – fund units	-	-	64,499,756	64,499,756
Available-for-sale financial assets at fair value - State titles	103,690,723	-	-	103,690,723
Investments held to maturity	<u>6,342,016</u>	<u>-</u>	<u>-</u>	<u>6,342,016</u>
<b>Total</b>	<u><b>1,184,950,614</b></u>	<u><b>3,010,212</b></u>	<u><b>70,280,907</b></u>	<u><b>1,258,241,733</b></u>

<b>31 December 2017</b>	<u><b>Level 1</b></u>	<u><b>Level 2</b></u>	<u><b>Level 3</b></u>	<u><b>Total</b></u>
Financial assets at fair value through profit and loss	338	-	-	338
Available-for-sale financial assets at fair value – shares	1,292,632,965	8,976,610	-	1,301,609,575
Available-for-sale financial assets at fair value – fund units	-	-	247,989,671	247,989,671
Available-for-sale financial assets at fair value - State titles	64,044,407	-	-	64,044,407
Available-for-sale financial assets at fair value – corporate bonds	4,912,490	-	-	4,912,490
Held-to-maturity investments	<u>6,499,763</u>	<u>-</u>	<u>-</u>	<u>6,499,763</u>
	<u><b>1,368,089,964</b></u>	<u><b>8,976,610</b></u>	<u><b>247,989,671</b></u>	<u><b>1,625,056,245</b></u>

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The table below presents the reconciliation from the initial balance to the final balance for the available-for-sale financial assets at fair value, level 3 of the hierarchy of the fair values:

	<b><u>Assets available for sale - shares</u></b>	<b><u>Assets available- for-sale assets – fund units</u></b>
<b>2016</b>		
<b>Balance as at 1 January 2016</b>	7,535,282	48,661,429
(Earnings) or losses recognized in:		
- the statement of income	-	(4,077,417)
- other items of the global result	(1,016,195)	5,915,744
Adjustment for value loss recognized in the profit and loss	(737,936)	-
Acquisitions	=	<u>14,000,000</u>
<b>Balance as at 31 December 2016</b>	<u>5,781,151</u>	<u>64,499,756</u>
<b>2017</b>		
<b>Balance as at 1 January 2017</b>		
Level 3 to Level 2 Transfers	5,781,151	64,499,756
(Earnings) or losses recognized in:	(5,781,151)	
- the statement of income		
- other items of the global result	-	4,077,417
Adjustment for value loss recognized in the profit and loss	-	66,826,915
Acquisitions	-	<u>112,585,583</u>
<b>Balance as at 31 December 2017</b>	<u>-</u>	<u>247,989,671</u>

Although the Group considers its own estimations of the fair value as being adequate, the use of other methods or suppositions could result in different values of the fair value. For the fair values recognized following the use of a significant number of observable inputs (level 3), the change of one or many assumptions in order to make possible the alternative assumptions, would have effects over the global result as follows: a modification of the variables that were considered in determining the price of the shares classified at level 3 (shares that do not have a market price quoted on active market) what would result in its increase with 10% would involve the increase of other items of the global result, net of taxes amounting to RON 20,8 mil. (31 December 2016: RON 5.9 mil.). Implicitly, a modification of the variables resulting in a decrease of the share price with 10% would have an equal, contrary impact.

***Classification of financial assets and liabilities***

The Group accounting policies offer the basis so that the assets and liabilities should be classified, at the initial moment, in various accounting categories. In order to classify the assets and liabilities at the fair value through profit and loss, the Group determined that one or more criteria presented at note 4(f)(i) were complied with.

In order to classify the financial assets as being held to maturity, the Group determined that both the positive intention and the capacity to maintain that asset to maturity, required by note 4(d)(i), were complied with.

The details related to the classification of financial assets and liabilities of the Group are presented at note 7.

***Determining the fair value in respect of investment properties***

The fair value of the completed investment property is determined based on the income method with explicit hypotheses regarding the ownership benefits and debts throughout the useful life of the asset, including an exit price or closing value. The income capitalisation on property quotas is accepted as income assessment. To this cash flow series forecasted, a capitalisation rate is added as derived from the market in order to determine the actual value of the cash income associated with the property.

Specific income and the specific input and exist calendar are determined by events such as rent revision, lease agreement renewal, auxiliary lease periods, re-lease, rearrangement or renovation. The corresponding period is usually established by market behaviour. In case of property investments, the income estimated as gross income minus vacant spaces, non-recoverable expenses, collection losses, lease incentives, maintenance costs, costs with agencies and fees, and other operation and management expenses.

For the year ending as at 31 December 2017, the Group has obtained independent valuation reports on its property investment. The fair value of the property investment relies on these valuations. The Group's property investments are classified as Level 3 of the fair value hierarchy defined in IFRS 13.

For all the property investments, the current utilisation degree is equivalent to the highest and the best utilisation degree. The Group reviews the valuations conducted by the independent valuers for financial and reporting purposes. At each year end, the financial department or the valuation department, as the case may be:

- checks all major aspects related to the independent valuation report;
- appraises the valuation movements of the property investments and compares the same with the evaluation report in the previous year; and
- discusses with the independent valuator.

As at 31 December 2017, the property investments recognised at fair value had a vacancy degree of 17% (as at 31 December 2016: 18%).

At the end of the reporting period, the Group portfolio included retail spaces, office spaces and industrial buildings.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group currently presents fair values according to a “fair value hierarchy” (according to IFRS 13), which categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The various levels of the fair value hierarchy are explained below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Using an input model (other than quoted market prices included within Level 1) that are observable on the market, either directly or indirectly and
- Level 3: Using an input model with inputs that are not based on observable data.

The Group’s property investments are classified at Level 3. There were no transfers between the hierarchy levels during the year.

The yield needed at the end of the calculation period ranges between 5% and 6% (2016: 5.8%-8.4%). The group’s weighted average yield was 5.1% (2016: 6.10%) for the entire property portfolio.

Based on the 5.1% (2016: 6.10%) net yield at the year end, an increase/decrease of 25 basis points would result in the decrease/increase of the 700,000 EUR (2016: 600,000) value in the Group’s property investment portfolio.

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Significant unobservable inputs used to measure the fair value categorised at Level 3 of the fair value hierarchy of the Group's property portfolio as well as the impact caused by the significant movements of such inputs on the fair value measurement are presented below:

<b>Unobservable input</b>	<b>Impact on the input decrease fair value</b>
Estimated rent value	Increase
Discount rate	Decrease
Capitalisation rate for residual value	Decrease

Information regarding the fair value measurement using significant unobservable inputs (Level 3) for 2017 are illustrated in the table below.

<b><u>Segments</u></b>	<b><u>Measurement method</u></b>	<b><u>Estimated rent value - EUR/sqm</u></b>	<b><u>Discount rates (%)</u></b>
Retail	Income capitalisation method	EUR 2 – 5/sqm	8 – 11%
Offices	Income capitalisation method	EUR 4 – 6/sqm	8 – 9 %
Industrial spaces	Income capitalisation method	EUR 1.5 – 3/sqm	9.75 - 11.75%

\*Amounts or percentages represent weighted averages

***Determining the fair value in respect of land and buildings used by the Group***

The fair value of tangible and intangible fixed assets is determined using various methods, depending on the type of activity carried out by the company within the Group that owns these assets.

Land is generally related to industrial buildings or hotels, and is valued at fair value using a market comparison method for land of similar size and location.

Industrial buildings are evaluated using the net replacement cost method, which includes a calculation of physical, functional and economic depreciation.

Hotel-type buildings are evaluated using the future cash flow method. For this projected cash flow series, a market capitalization rate is applied to determine the present value of cash income with the property.

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For the year ended December 31, 2017, the Group obtained independent valuation reports on most of its land and buildings. The fair value of land and buildings is based on these assessments. The Group's land and buildings are classified as Level Three of the fair value hierarchy as defined in IFRS 13.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Groups currently presents fair values according to a “fair value hierarchy” (according to IFRS 13), which categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs. The various levels of the fair value hierarchy are explained below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Using an input model (other than quoted market prices included within Level 1) that are observable on the market, either directly or indirectly and
- Level 3: Using an input model with inputs that are not based on observable data.

The Group's land and buildings are classified at Level 3. There we no transfers between the hierarchy levels during the year.

Information regarding the fair value measurement using significant unobservable inputs (Level 3) for 2017 are illustrated in the table below.

<u>Segments</u>	<u>Measurement method</u>	<u>Estimated rent value - EUR/sqm</u>	<u>Discount rates</u>	
Industrial and service – buildings	Income capitalisation method	EUR 2 – 5/sqm	8 – 11%	
				<b>Capitalization</b>
<u>Segments</u>	<u>Measurement method</u>	<u>Annual growth rate cash flows</u>	<u>Discount rate (%)</u>	<u>rate for residual value (%)</u>
Hotel – buildings	The method of future cash flows	3-9%	8.5 – 9%	1,9 - 2.50%



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<b><u>Segments</u></b>	<b><u>Measurement method</u></b>	<b><u>Average price / sqm</u></b>
Industrial – lands	Market Comparison Method	8-70 EUR
Hotels and services – lands	Market Comparison Method	70-400 EUR

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 7 FINANCIAL ASSETS AND LIABILITIES

## Accounting classifications and fair values

For measurement purposes, IAS 39 “Financial instruments: Recognition and Measurement”, the Group classifies financial assets into the following categories: (a) loans and receivables, (b) financial investments held for sale; (c) financial assets held to maturity and (d) financial assets at fair value through the profit and loss account.

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities as at 31 December 2017

	<u>Trading assets</u>	<u>Loans and receivables</u>	<u>Available for sale securities</u>	<u>Held to maturity investments</u>	<u>Financial liabilities at amortised cost</u>	<u>Total carrying amount</u>	<u>Fair value</u>
<b>Cash and cash equivalent</b>	-	<b>58,282,699</b>	-	-	-	<b>58,282,699</b>	<b>58,282,699</b>
Cash at hand	-	517,986	-	-	-	517,986	517,986
Cash in current accounts	-	41,189,334	-	-	-	41,189,334	41,189,334
Short term deposits	-	16,575,382	-	-	-	16,575,382	16,575,382
<b>Long term bank deposits</b>	-	<b>31,473,033</b>	-	-	-	<b>31,473,033</b>	<b>31,473,033</b>
<b>Financial assets at fair value through profit and loss</b>	<b>338</b>	-	-	-	-	<b>338</b>	<b>338</b>
<b>Available for sale financial assets</b>	-	-	<b>1,642,602,587</b>	-	-	<b>1,642,602,587</b>	<b>1,642,602,587</b>
Shares	-	-	1,325,656,018	-	-	1,325,656,018	1,325,656,018
Unit funds	-	-	64,044,407	-	-	64,044,407	64,044,407
State bonds	-	-	247,989,671	-	-	247,989,671	247,989,671
Corporate bonds	-	-	4,912,491	-	-	4,912,491	4,912,491
<b>Held to maturity investments</b>	-	-	-	<b>6,499,763</b>	-	<b>6,499,763</b>	<b>6,499,763</b>
Bonds issued by financial institutions	-	-	-	6,499,763	-	6,499,763	6,499,763
<b>Other financial assets</b>	-	<b>101,767,377</b>	-	-	-	<b>101,767,377</b>	<b>101,767,377</b>
<b>Total financial assets</b>	<b>338</b>	<b>191,277,142</b>	<b>1,642,602,587</b>	<b>6,499,763</b>	-	<b>1,840,379,830</b>	<b>1,840,376,344</b>
Loans	-	-	-	-	129,370,582	129,370,582	129,370,582
Dividends payable	-	-	-	-	15,586,380	15,586,380	15,586,380
Other financial liabilities	-	-	-	-	133,367,836	133,367,836	133,367,836
<b>Total financial liabilities</b>	-	-	-	-	<b>278,324,798</b>	<b>278,324,798</b>	<b>278,324,798</b>

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**Accounting classifications and fair values**

The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities as at 31 December 2016:

	<u>Trading assets</u>	<u>Loans and receivables</u>	<u>Available for sale securities</u>	<u>Held to maturity investments</u>	<u>Financial liabilities at amortised cost</u>	<u>Total carrying amount</u>	<u>Fair value</u>
<b>Cash and cash equivalent</b>	-	<b>104,589,882</b>	-	-	-	<b>104,589,882</b>	<b>104,589,882</b>
Cash at hand	-	544,086	-	-	-	544,086	544,086
Cash in current accounts	-	91,828,796	-	-	-	91,828,796	91,828,796
Short term deposits	-	12,217,000	-	-	-	12,217,000	12,217,000
<b>Long term bank deposits</b>	-	<b>53,701,555</b>	-	-	-	<b>53,701,555</b>	<b>53,701,555</b>
<b>Financial assets at fair value through profit and loss</b>	<b>309</b>	-	-	-	-	<b>309</b>	<b>309</b>
<b>Available for sale financial assets</b>	-	-	<b>1,276,444,115</b>	-	-	<b>1,276,444,115</b>	<b>1,276,444,115</b>
Shares	-	-	1,108,253,637	-	-	1,108,253,637	1,108,253,637
Bonds	-	-	103,690,723	-	-	103,690,723	103,690,723
Unit funds	-	-	64,499,755	-	-	64,499,755	64,499,755
<b>Held to maturity investments</b>	-	-	-	<b>6,342,016</b>	-	<b>6,342,016</b>	<b>7,088,934</b>
Corporate bonds	-	-	-	6,342,016	-	6,342,016	7,088,934
Bonds issued by financial institutions	-	-	-	-	-	-	-
<b>Other financial assets</b>	-	<b>85,210,560</b>	-	-	-	<b>85,210,560</b>	<b>85,210,560</b>
<b>Total financial assets</b>	<b>309</b>	<b>243,501,997</b>	<b>1,276,444,115</b>	<b>6,342,016</b>	-	<b>1,526,288,437</b>	<b>1,527,035,355</b>
Loans	-	-	-	-	135,735,972	135,735,972	135,735,972
Dividends payable	-	-	-	-	20,204,247	20,204,247	20,204,247
Other financial liabilities	-	-	-	-	99,362,285	99,362,285	99,362,285
<b>Total financial liabilities</b>	-	-	-	-	<b>278,324,798</b>	<b>255,302,504</b>	<b>255,302,504</b>

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In order to estimate the fair value of the financial assets and liabilities measured at amortized cost, the Group used the following estimations and carried-out the following significant judgments:

- For the cash and cash equivalents, other financial assets and liabilities that are issued or held on very short terms and that are generally interest bearing or are fixed interest bearing, the Group approximated the fair value with their cost;
- For the investments held to maturity, the Group used evaluation techniques of the type of the updated cash flows, using the observable inputs on the market (therefore, the evaluation was realized using the techniques at level 3).

**8 REVENUES**

	<u>2017</u>	<u>2016</u>
Income from the sale of goods	480,475,276	378,098,571
Income from lease	3 0,083,642	32,750,393
Income from interests corresponding to deposits	2,868,715	2,580,325
Income from dividends	58,378,692	78,263,232
Income from interests corresponding to investments	(136,491)	3,001,137
Income from services rendered	48,571,566	41,568,055
Other income	<u>10,898,923</u>	<u>8,278,978</u>
<b>Total</b>	<u>631,140,323</u>	<u>544,540,691</u>

**9 OPERATING EXPENSES**

	<u>2017</u>	<u>2016</u>
Expenses for goods	13,516,841	6,188,153
Expenses for amortization	48,396,130	41,583,828
Consumables (fuel, parking, spare parts)	74,548,184	65,669,810
Expenses for maintenance and repairs	4,466,527	4,384,753
Expenses for salaries and other expenses for personnel	153,444,687	129,105,892
Expenses for royalties, premises and rents	2,982,777	2,878,938
Expenses for electricity, heating and water	23,622,111	24,145,354
Expenses for raw materials	153,820,063	110,291,251
Services executed by third parties	44,738,095	39,736,141
Other operational expenses	<u>15,845,552</u>	<u>15,397,321</u>
<b>Total</b>	<u>535,380,967</u>	<u>439,381,441</u>

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Expenses for salaries and other expenses for personnel are detailed as follows:

	<u>2017</u>	<u>2016</u>
Expenses for salaries	118,737,351	100,072,757
Expenses for social security	28,317,982	23,521,813
Expenses for meal tickets	6,389,354	5,511,322
<b>Total</b>	<u>153,444,687</u>	<u>129,105,892</u>

The fee paid to auditors during the year 2017 for the audit of the financial statements was 334,993 lei (31 December 2016: 249,219 lei) and for non audit 221,585 lei.

**10 GAINS/ LOSS FROM INVESTMENT PROPERTY**

	<u>2017</u>	<u>2017</u>
Gains from investment properties	30,767,818	11,013,419
Loss from investment properties	<u>(16,021,054)</u>	<u>(35,361,872)</u>
<b>Net effect of the change of value corresponding to the investment properties</b>	<u>14,746,764</u>	<u>(24,348,453)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017  
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## 11 GAINS/ LOSS FROM FINANCIAL ASSETS

	<u>2017</u>	<u>2016</u>
Acquisition cost of the available-for-sale financial assets assigned	(82,472,335)	(1,594,350)
Receipts from sale	84,623,326	3,784,252
Other income /(expenses) from assignment (*)	<u>(2,503,530)</u>	<u>-</u>
<b>Net gains from the sale of financial assets</b>	<u><u>(352,539)</u></u>	<u><u>2,189,902</u></u>

- Other net earnings / losses regarding the financial assets

	<u>2017</u>	<u>2016</u>
Expenses for adjustments for the impairment of the available-for-sale financial assets	(1,223,359)	(2,800,004)
Permanent impairment recycled from Other comprehensive income in respect of closed investment funds	-	(4,077,417)
Resumption of depreciation adjustments for fund units	4,077,417	-
Earnings from the financial assets at fair value through profit and loss	1,250,410	47,809
Losses of financial assets at fair value through profit and loss	<u>(768,377)</u>	<u>-</u>
<b>Net loss from other financial assets</b>	<u><u>3,336,091</u></u>	<u><u>(6,829,612)</u></u>
<b>Total gain/loss from financial assets</b>	<u><u>2,983,552</u></u>	<u><u>(4,639,710)</u></u>

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)****12 OTHER GAINS /LOSSES**

	<u>2017</u>	<u>2016</u>
Sale of non-current assets:		
– Income	533,321	14,928,186
– Expenses	(485,720)	(9,617,377)
Impairment of current assets:		
– Reversals	4,617,216	4,176,879
– Amounts established during the period	(2,230,865)	(8,622,458)
Revaluation / value impairment effect on non-current assets:		
– Reversals	11,526,552	2,758,304
– Amounts established during the period	(15,896,864)	(24,915,001)
Modifications of provisions:		
– Reversals	1,800,409	9,926,455
– Amounts established during the period	(1,597,681)	(5,749,567)
Other gains – net	<u>566,786</u>	<u>12,483,708</u>
<b>Total</b>	<u>(1,166,846)</u>	<u>(4,630,871)</u>

Within the Other (loss) / gains as at 31 December 2016, the amount of 11.3 million lei is the difference between the recoverable amount of the receivables secured by the debtors of TM Agro (SIF Imobiliare) and the acquisition cost of the assigned receivables at Lemen Holding Limited

## 13 FINANCIAL INCOME AND EXPENSES

	<u>2017</u>	<u>2016</u>
Expenses for interest	3,355,096	3,624,083
Losses from the exchange rate differences	8,738,711	8,931,539
Other financial expenses	<u>32,739</u>	<u>45,669</u>
<b>Financial expenses</b>	12,126,546	12,601,291
Earnings from the exchange rate differences	(5,281,638)	(7,534,008)
Other financial income	<u>(2,740)</u>	<u>(1,071)</u>
<b>Financial income</b>	(5,284,378)	(7,535,079)
<b>Net financial expenses</b>	<u>6,842,168</u>	<u>5,066,212</u>

## 14 PROFIT TAX

	<u>2017</u>	<u>2016</u>
<b>Current income tax</b>		
Current profit tax (16%)	6,213,805	6,344,287
Income Tax (1%)	53,615	-
Tax on specific (for restaurants and hotels)	298,875	-
Dividends tax (0%, 10%, 16%)	2,073,414	3,570,410
<b>Deferred tax expenses/(income)</b>		
Available-for-sale financial assets	740,943	(635,906)
Financial assets at fair value through profit and loss	(639,632)	(22)
Tangible assets /Real estate investment	(4,826,019)	2,934,627
Provisions for risks and expenses and adjustments of receivables and inventories	<u>225,710</u>	<u>953,973</u>
<b>Total profit tax recognized in the result of the year</b>	<u>4,140,711</u>	<u>13,167,369</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The reconciliation of the profit before tax with the expenses for profit tax in the statement of income:

	<u>2017</u>	<u>2016</u>
Profit before tax	115,732,776	75,878,292
Tax according to the statutory taxation rate	18,517,244	12,140,527
Dividend tax	2,073,414	3,570,410
Effect on the corporate income tax of :		
The non-taxable income	(30,919,318)	(35,660,746)
The non-deductible expenses and assimilated items (*)	34,810,482	41,676,466
Tax deductions	(6,989,218)	(6,736,325)
The items similar to income	1,678,222	(2,885,091)
The items similar to expenses	-	-
Tax loss to recover from the previous years	(1,917,484)	-
The amounts representing sponsorship within the legal limits and other deductions	(558,651)	(717,611)
Tax credit	(2,040,700)	(1,472,833)
<b>Deferred tax</b>	<u>(4,498,997)</u>	<u>3,252,572</u>
<b>Corporate income tax</b>	<u>8,287,221</u>	<u>9,914,797</u>

(\*) Starting with January 1<sup>st</sup> 2014, the amendments to the Fiscal code come into force, according to which the income from the sale/assignment of the participation titles and income from liquidation are included in the category of non-taxable income for the calculation of the income tax, together the dividend income, regardless if the legal entities in which participation titles are held are Romanian or foreign legal entities, from states with which Romania has celebrated conventions for avoiding the double taxation (including outside the EU). This income is not taxable if certain conditions are fulfilled (if on the date of sale / assignment of the participation title or on the date of beginning the liquidation operation the minimum period of 1 year is fulfilled regarding the continuous holding of a participation of minimum 10%). Taking into account that the economic benefits related to the available-for-sale financial assets that fulfill the conditions established in the Fiscal Code are not taxable, according to IAS 12, the tax basis of the respective assets is equal to the accounting base and, therefore, the receivables with the previous deferred tax were resumed for expenses recognized for the temporary differences generated by the adjustments for the loss of value.

During the previous years, following the acquisition of ERSTE shares by exchange with BCR shares, according to IFRS accounting system, the earnings were registered in the reported result and a deferred tax corresponding to transaction was established.

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The current income tax also comprises the deferred income tax corresponding to the sales of ERSTE shares during year 2016. The Group calculates the income tax resulted following the transaction with ERSTE shares as difference between the sale price and the tax basis of the share. In the absence of a specific tax regulation, the income tax is calculated both as difference between the sale price and the IFRS cost of the share and registered through the expenses for the income tax, and as difference between the IFRS cost of the share and the fiscal basis of the ERSTE share, by resuming the tax calculated from the deferred income tax.

## 15 CASH AND CASH EQUIVALENTS

	<u>31 December 2017</u>	<u>31 December 2016</u>
Cash on hand	517.986	544,086
Current accounts at banks	40.943.364	91,408,572
Deposits at bank with initial maturity smaller than 3 months	16.575.382	12,217,000
Other values	<u>245.967</u>	<u>420,224</u>
Total cash and cash equivalents with maturity smaller than 3 months	<u>58.282.699</u>	<u>104,589.882</u>
Deposits at bank with initial maturity higher than 3 months	31.427.783	53,286,425
Attached interest corresponding to deposits	<u>45.250</u>	415,130
Total cash and cash equivalents	<u>89.755.732</u>	<u>158,291.437</u>

Current accounts are opened with banks and bank deposits are pledged in favour to banks.

## 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Shares</b>	338	309
Domestic market	<u>338</u>	<u>309</u>
Total	<u>338</u>	<u>309</u>

The evaluation of the shares at the fair value was realized by multiplying the number of shares held on the balance sheet date by the closing price on the last trading day during the reporting period. The shares are traded on the main market of the Stock of Exchange of Bucharest (BVB).

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This version of the accompanying documents re a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**17 FINANCIAL ASSETS AVAILABLE FOR SALE**

	<u>2017</u>	<u>2016</u>
Shares evaluated at the fair value	1,301,699,517	1,083,708,928
Shares evaluated at cost	23,956,501	24,544,709
Fund units evaluated at the fair value	247,989,670	64,499,755
Corporate bonds	4.912.491	-
Government securities at fair value	<u>64.044.408</u>	<u>103.690.723</u>
<b>Total</b>	<u><u>1,642,602,587</u></u>	<u><u>1,276,444,115</u></u>

The evaluation of the shares at the fair value was realized by multiplying the number of shares held on the balance sheet date by the closing price on the last trading date during the reporting period or the price determined by other evaluation methods, respectively the evaluations realized by evaluators (see Note 6).

As at 31 December 2017, the category of shares evaluated at the fair value includes mainly the value of the shares held in Banca Transilvania, Erste Group Bank AG, BRD - Groupe Societe Generale S.A..

Fund units include holdings of the Active Plus Investment Fund in the amount of 182.2 million lei (31 December 2016: 56.6 million lei), to the closed investment fund Omnitrend amounting to 18 million lei (31 December 2016: 12 million lei) and the Optim Invest Invest Closed Fund in the amount of 12 million lei (31 December 2016: - RON).

The fair value of government securities was set taking into account the market quotation available on Bloomberg for the issue (expressed as percentage of the nominal amount of the issue) multiplied by the number of titles held and the nominal unit value.

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The movement of the financial assets available for sale during the financial year ended as at 31 December 2016 and 31 December 2017 is presented in the table below:

	<b>Fair value Shares evaluated at the fair value</b>	<b>Equity Shares evaluated at cost</b>	<b>Fair value Fund units evaluated at the fair value</b>	<b>Fair value Government securities at fair value</b>	<b>Total</b>
<b>1 January 2016</b>	<u>1,038,456,557</u>	<u>25,302,475</u>	<u>48,661,430</u>	-	<u>1,112,420,462</u>
Acquisition 2016	8,258,738	-	14,000,000	100,989,762	123,248,500
Sales 2016	(1,309,036)	(501,650)	-	-	(1,810,686)
Establishment of adjustment of losses from impairment	(1,155,618)	(256,116)	(4,077,418)	-	(5,489,152)
Modification of the fair value	<u>39,458,287</u>	<u>-</u>	<u>5,915,743</u>	<u>2,700,961</u>	<u>48,074,991</u>
<b>31 December 2016</b>	<u>1,083,708,928</u>	<u>24,544,709</u>	<u>64,499,755</u>	<u>103,690,723</u>	<u>1,276,444,115</u>

The entries of shares during year 2016, include mainly the following:

- acquisitions of shares made at the stock exchange amounting to RON 8.3 mil (Romgaz RON 3.3 mil, Electrica RON 2.9 mil, Transgaz RON 2.0 mil., etc.);

The assignment of total shares amounting to RON 1,810,686 mil. comprises the carrying amount of the participation titles withdrawn from management, mainly as result of the sales of titles (Albalact RON 1.1 mil, Fondul Proprietatea RON 0.2 million etc.).

In 2016, fund units were purchased amounting to RON 14 million in the Closed Investment Fund Active plus

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	<b>Fair value Shares evaluated at the fair value</b>	<b>Equity Shares evaluated at cost</b>	<b>Fair value Fund units evaluated at the fair value</b>	<b>Fair value Government securities at fair value</b>		<b>Total</b>
<b>1 January 2017</b>	1,083,708,928	24,544,709	64,499,755	103,690,723	-	<u>1,276,444,115</u>
Acquisition 2017	8,413,273	-	112,585,583	39,996,019	5,025,000	166,019,875
Sales 2017	(8,075,842)	(460,904)	-	(76,378,341)	-	(84,915,087)
Interest rate	-	-	-	(1,203,363)	10,020	(1,193,343)
Establishment of adjustment of losses from impairment	(31,836)	(127,304)	4,077,417	-	-	3,918,277
Modification of the fair value	<u>217,690,624</u>	-	<u>66,826,915</u>	<u>(2,060,631)</u>	<u>(122,529)</u>	282,334,379
<b>31 December 2017</b>	<u>1,301,699,517</u>	<u>23,956,501</u>	<u>247,989,670</u>	<u>64,044,408</u>	<u>4,912,491</u>	1,642,602,587

The entries of shares during year 2017, include mainly the following:

- purchases of shares on the hill market amounting to RON 8,4 mn of Intercontinental SA Bucharest

The total disposal of the shares in the amount of 8,536,746 lei includes the book value of the issued shares, mainly as a result of the sales of securities (Fondul Proprietatea 2,8 mil lei, Felix Turism 2,5 mil lei, Prebet 1, 4 million lei, Shipyard RON 0.8 million, Nuclearelectrica 0.5 million lei, etc.).

In the year 2017, fund units were purchased in the amount of RON 112 mn, out of which the Active Investment Investment Fund in the amount of 72 mn lei and the Optim Invest Invest Closed Fund in the amount of 40 mn lei.

During the year 2017, government securities were purchased in the amount of 40 million lei.

Acquisitions of corporate bonds during 2017 include Impact liabilities amounting to RON 4.9 mn.

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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**18 INVESTMENTS HELD TO MATURITY**

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Bonds	6,321,346	6,165,753
Attached interest corresponding to the state titles and bonds	<u>178,418</u>	<u>176,263</u>
<b>Total</b>	<b><u>6,499,764</u></b>	<b><u>6,342,016</u></b>

As at 31 December 2017 and 2016 include corporate bonds issued by Banca Transilvania in EURO, amounting to RON 6.2 mil. acquired in May 2013, convertible in shares of Transilvania bank, with due date in May 2020, with a variable annual rate of the interest based on EURIBOR + a margin established at 6.25%;

**19 RECEIVABLES**

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Trade receivables	99,024,751	82,368,768
Less: provisions for the impairment of trade receivables	<u>(10,586,129)</u>	<u>(13,520,833)</u>
Trade receivables – net	88,438,622	68,847,935
Out of which with related parties	-	367,562
VAT to recover	522,880	241,807
Tax receivable	2,317,825	732,279
Other receivables related to personnel	401,223	151,140
Advances to suppliers	72,219	16,180
Other receivables	<u>10,014,608</u>	<u>14,853,657</u>
<b>Total trade receivables</b>	<b>101,767,377</b>	<b>85,210,560</b>
 Total short-term position	 101,767,377	 85,210,560
 Trade receivables not due	 <u>66,780,094</u>	 <u>47,863,230</u>
 Trade receivables due, but not impaired	 <u>21,658,528</u>	 <u>20,984,705</u>

For all the trade receivables, the carrying amount is closed to their fair value.

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This version of the accompanying documents re a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017**  
**(All amounts are presented in RON)**

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As at 31 December 2017, the trade receivables amounting to RON 10.6 mil. (31 December 2016: RON 13.5 mil.) were impaired.

As at 31 December 2017, the trade receivables amounting to RON mil. 21.7 (RON 2016: 20.9 mil.) were overdue, but unimpaired. The analysis of the oldness of these trade receivables is as follows:

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Up to 30 days	14,910,055	17,240,517
Between 30 and 90 days	5,391,538	2,476,754
Between 90 and 180 days	1,055,121	941,250
Over 180 days	<u>301,814</u>	<u>326,184</u>
	<u>21,658,528</u>	<u>20,984,705</u>

General provision was not registered for these receivables.

The carrying amounts of the trade receivables and other receivables of the Group are denominated in the following currency:

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
RON	79,224,043	59,950,316
EUR	9,057,394	8,695,151
USD	78,216	37,025
GBP	<u>78,970</u>	<u>165,443</u>
	<u>88,438,622</u>	<u>68,847,935</u>

The details of the various receivables as at 31 December 2017 and 31 December 2016 is presented below:

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Various debtors	19,228,499	23,534,513
Other various receivables	56,776	50,946
Less: provision for the impairment of other receivables	<u>(9,370,667)</u>	<u>(8,731,802)</u>
<b>Total Other Receivables</b>	<u>10,014,608</u>	<u>14,853,657</u>

## SIF BANAT – CRIȘANA SA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017  
(All amounts are presented in RON)

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At row Various Debtors as at 31 December 2017 the Group registered litigious receivables at the purchase price amounting to RON 11,7 mil. (31 December 2016: RON 13.6 mil.) according to the Litigious Rights Assignment Contract celebrated between TM Agro and Lemen Holding Limited on May 28<sup>th</sup> 2014 and to the addendum no. 1 dated December 22<sup>nd</sup> 2014.

In the line of Other Drawings as of December 31, 2017, the amount of 136,310 RON is represented by Option 2, a derivative financial instrument recognized as a result of the acquisition agreement by the subsidiary Vrancart SA of the social parties of Rom Paper SRL (see Note 3 a) .

The modifications of the provision for impaired receivables were included in “other losses /earnings” in the profit and loss statement.

The maximum exposure to the credit risk on the reporting date is the carrying amount of each class of receivables mentioned above.

The Group has real estate guarantees established to guarantee the bank loans.

## 20 INVENTORIES

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Goods	1,761,414	11,587,514
Inventories at third parties	3,888,840	3,534,353
Production in course	8,636,673	7,824,752
Finished products	14,402,693	832,954
Raw materials and other materials	<u>52,418,919</u>	<u>34,116,360</u>
Total inventories	<u>80,808,539</u>	<u>57,895,933</u>



**21 INVESTMENT PROPERTY**

The investment properties of the Group include mainly the constructions and buildings held by the companies within the portfolio for lease.

**Cost (RON)**

Balance as at 1 January 2016	237,718,204
Entries	24,910,671
Transfer from tangible assets	7,326,625
Transfers from available-for-sale assets	13,030,241
Disposals	(1,209,618)
Effect of the change of the fair value	<u>(24,348,453)</u>
Balance as at 31 December 2016	257,427,670
Balance at 1 January 2017	257,427,670
Entries	6,832,381
Transfer from tangible assets	957,066
Transfers from available-for-sale assets	9,188,639
Effect of the change of the fair value	14,746,764
Balance as at 31 December 2017	289,152,520
Net carrying amounts	
Balance as at 31 December 2016	257,427,670
Balance as at 31 December 2017	<u>289,152,520</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)*

## 22 TANGIBLE ASSETS

<b>Cost or evaluation (RON)</b>	<b><u>Lands and buildings</u></b>	<b><u>Technical installations and machinery</u></b>	<b><u>Other installations, plants and furniture</u></b>	<b><u>Advances and tangible assets in course</u></b>	<b><u>Total</u></b>
<b>Balance as at 31 December 2015</b>	288,445,915	253,109,489	17,018,715	10,850,016	569,424,135
Entries	676,441	1,212,300	552,920	61,632,405	64,074,066
Transfers from the assets in course	9,768,273	46,745,074	124,702	(56,638,049)	-
Transfer from intangible assets	-	-	-	(128,099)	(128,099)
Disposals	(3,516,738)	(2,823,120)	(621,000)	(7,332,026)	(14,292,884)
Transfer to investment properties	(5,337,981)	(976,212)	(131,452)	(880,981)	(7,326,626)
Reevaluation	16,687,905	-	-	-	16,687,905
Update at inflation	-	(33,404)	(5,984)	-	(39,388)
Cancellation of accumulated depreciation at revaluation	<u>(6,546,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,546,295)</u>
<b>Balance as at 31 December 2016</b>	<u>300,177,520</u>	<u>297,234,127</u>	<u>16,937,901</u>	<u>7,503,266</u>	<u>621,852,814</u>
<b>Balance as at 31 December 2016</b>	300,177,520	297,234,127	16,937,901	7,503,266	621,852,814
Entries	332,390	3,701,521	666,307	64,387,617	69,087,835
Transfers from the assets in course	4,136,052	37,377,257	52,235	(41,565,544)	-
Transfer from intangible assets	-	(170,842)	(149,637)	(95,354)	(415,833)
Disposals	(1,675,704)	(5,761,778)	(170,173)	(1,881,054)	(9,488,708)
Acquisition of subsidiary	9,606,195	13,206,867	-	-	22,813,062
Transfers to investment property	(957,066)	-	-	-	(957,066)
Reevaluation	10,302,881	15,820,752	-	(243,157)	25,880,413
Cancellation of accumulated depreciation at revaluation	<u>(10,950,891)</u>	<u>(54,387,798)</u>	<u>-</u>	<u>-</u>	<u>(65,338,689)</u>
<b>Balance as at 31 December 2017</b>	<u>310,971,313</u>	<u>307,020,107</u>	<u>17,336,633</u>	<u>28,067,281</u>	<u>663,395,334</u>

## SIF BANAT – CRIȘANA SA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)*

<b>Value adjustments</b>	<b><u>Lands and buildings</u></b>	<b><u>Technical installations and machinery</u></b>	<b><u>Other installations, plants and furniture</u></b>	<b><u>Advances and tangible assets in course</u></b>	<b><u>Total</u></b>
<b>Balance as at 31 December 2015</b>	<u>7,953,882</u>	<u>60,423,358</u>	<u>5,522,953</u>	<u>83,655</u>	<u>73,983,848</u>
Expenses for depreciation	6,747,504	31,202,009	2,688,160	-	40,637,673
Expenses for impairment	4,975,544	6,310,210	-	-	11,285,754
Amortization corresponding to exits	(340,754)	(3,274,831)	(582,567)	-	(4,198,152)
Reclassification of amortization corresponding to the investment properties	-	-	-	-	-
Cancellation of accumulated depreciation at revaluation	(6,423,820)	-	-	-	(6,423,820)
Update at inflation	-	(33,404)	(5,984)	-	(39,388)
	-	-	-	-	-
<b>Balance as at 31 December 2016</b>	<u>12,912,356</u>	<u>94,627,342</u>	<u>7,622,562</u>	<u>83,655</u>	<u>115,245,915</u>
<b>Balance as at 31 December 2015</b>	<u>12,912,356</u>	<u>94,627,342</u>	<u>7,622,562</u>	<u>83,655</u>	<u>115,245,915</u>
Expenses for depreciation	7,761,618	35,045,681	2,725,431	-	45,532,730
Depreciation corresponding to exits	(915,579)	(2,043,956)	(16,023)	-	(2,975,558)
Reclassification of amortization corresponding to the investment properties	-	(158,866)	(161,600)	-	(320,466)
Cancellation of accumulated depreciation at revaluation	(10,950,891)	(54,387,798)	-	-	(65,338,689)
Adjustments for impairment of property, plant and equipment	<u>1,050,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,938</u>
<b>Balance as at 31 December 2017</b>	<u>9,858,442</u>	<u>73,082,403</u>	<u>10,170,370</u>	<u>83,655</u>	<u>93,194,870</u>

## SIF BANAT – CRIȘANA SA

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are presented in RON)

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	<u>Lands and buildings</u>	<u>Technical installations and machinery</u>	<u>Other installations, plants and furniture</u>	<u>Advances and tangible assets in course</u>	<u>Total</u>
Net carrying amount					
Balance as at 31 December 2016	<u>287,265,164</u>	<u>202,606,785</u>	<u>9,315,339</u>	<u>7,419,611</u>	<u>506,606,899</u>
Balance as at 31 December 2017	<u>301,112,870</u>	<u>233,937,705</u>	<u>7,166,263</u>	<u>27,293,626</u>	<u>570,200,464</u>

#### ***Pledged assets and assets acquired following the obtaining of some loans***

##### **Napomar**

The net value of the pledged assets as at 31.12.2017 amounts to RON 19.4mi. The net value of the pledged assets as at 31.12.2016 amounts to RON 47.8 mil.

##### **SIF Hoteluri**

As at 31 December 2017 and 31 December 2016 SIF Hoteluri holds tangible assets pledged (Hotel Doubletree by Hilton Oradea) at the net carrying amount of **RON 60.8 mil** as at 31 December 2017 (31 December 2016: RON 59.5 mil) for the loan contracted with Intesa San Paolo for investment activity.

##### **IAMU**

The assets pledged for the loan contracts in favor of BRD, at the net carrying amount, amount **to 19.1 mil** lei as at 31 December 2017 (31 December 2016: RON 24.4 mil).

##### **Vrancart**

Part of the tangible assets of Vrancart are mortgaged or pledged in order to guarantee the loans taken from banks. The net carrying amount of these pledged or mortgaged non-current assets amounts to **RON 147.3 mil as** at 31.12. 2017 (31.12.2016: RON 115.1 mil).

### **Somplast**

The other assets pledged in favor of Banca Transilvania SA Cluj and DGPPF Bistrita Nasaud, have the net carrying amount, amount of RON 5.2 mil as at 31 December 2017 (31 December 2016: RON 2.7 mil).

### **SIF Imobiliare**

BH Retail company holds a mortgage established over the real estate trading premises, divided, arranged to be rented in favor of the bank to guarantee the loan, amounting to RON 18.7 mil (31 December 2016: RON 26.8 mil).

SIFI CJ Logistic company has 1 asset pledged in favor of the bank to guarantee the loans with a net value at 31 December 2017 of RON 4 million.

### ***Assets held in financial leasing***

#### **Vrancart**

The net carrying amount of the non-current assets acquired by financial leasing amounts to RON 1 mil as at 31.12.2017 (31.12.2016: RON 3.2 mil).

#### **Somplast**

As at 31 December 2017, the company has registered as financial leasing the property, plant and equipment having a net carrying amount of RON 0.2 mil (as at 31 December 2016: RON 0.2 mil). The assets held in leasing or acquired in installments are encumbered by pledge corresponding to the leasing debts or sale and purchase contracts in installments.

#### **SIF Imobiliare**

TM agro company has leasing contracts for the purchase of equipment and a car with a net book value of 2.1 million lei (31 December 2016: 0.9 million lei).

CJ Agro Company has a leasing contract for the procurement of equipment of 0.2 million lei.

## 23 INTANGIBLE ASSETS AND GOODWILL

### *Intangible assets*

The increase in the net book value of intangible assets at 31 December 2017 as compared to the previous year is due to the customer and trademark relations resulting from the acquisition of Rom Paper SRL (see Note 3 a).

Customer and trademark relationships have been recognized on the basis of a purchase price report drawn up by an authorized Valuer Vrancart SA. The fair value of these intangibles is based on detailed business plans of Rom Paper SRL, which include estimates of the future evolution of key indicators such as customer income and margins or branding rates as well as the choice of an update rate appropriate.

The life spans of customer relationships recognized as a result of the acquisition of Rom Paper SRL are between 6 and 10 years.

These are estimated on the basis of the remaining delivery time to them, and correlated with the turnover generated by those customers (customers with higher weights in turnover will collaborate for a longer period with Rom Paper SRL than those with lower weights), as well and by reference to the lifetime of trademarks.

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

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

### *Goodwill*

Goodwill was recognized as a result of acquisitions of the two subsidiaries of Vrancart SA, Giant Prodimplex SRL and Rom Paper SRL (see Note 3 a).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Goodwill on the acquisition of Rom Paper SRL was recognized on the date of the acquisition of 70% of the shares of Rom Paper SRL on 20 January 2017, as follows:

1	Payment made on the date of purchase by Vrancart SA		18,630,018
2	Payment made on the date of purchase of Giant Prodimpex SRL		1,767
3=1+2	Total payments made by the Group		18,631,785
4	The carrying amount of the existing net assets		(16,640,576)
5	Customer relationships recognized at the acquisition date		(6,133,926)
6	Trademarks recognized at the time of purchase		(3,094,411)
7	Deferred tax liabilities		2,461,229
8=5+6+7	Total net asset value adjustments		(6,767,108)
9	Value of put options purchased	Nota 1	10,444,225
10	Value of purchased call options	Nota 1	(522,746)
11=3+4+8+9+10	Goodwill		5,145,580

On 19 July 2017, Vrancart SA exercised its option to purchase an additional 15% stake in Rom Paper SRL, for which it paid a sum of 5,120,670 lei.

Total payments made by the Group during the year 2017 for the acquisition of 85% of the shares of Rom Paper SRL is 23,792,455 lei.

At December 31, 2017, the Group analyzed the need for a goodwill adjustment to recognize goodwill recognized in the relationship with the two subsidiaries, based on a business plan for the period 2018-2027. Following this analysis, the Group considers that such adjustments are not necessary.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)***24 OTHER TRADE LIABILITIES**

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Trade liabilities	58,936,350	34,064,936
Amounts owed to related parties	41,056,438	40,910,638
Amounts owed to employees	17,340,898	13,245,737
Advances from clients	2,491,355	1,342,440
Debt corresponding to the income tax	1,350,411	1,101,482
VAT payable	2,075,172	1,684,286
Other liabilities – short-term	7,372,664	5,706,678
Avansuri de la clienti – pe termen lung		911,912
Other liabilities – long-term	<u>2,744,548</u>	<u>426,304</u>
Total liabilities	<u>133,367,836</u>	<u>99,394,413</u>

Other short-term liabilities include the amount of RON 4,453.30 representing Option 2, a derivative financial instrument recognized as a result of the acquisition by Vrancart SA of the shares of Rom Paper SRL (see Note 3 a) .

At 31 December 2017, its value represents the estimate of the net present value of the future liability of Vrancart SA if the Rom Paper SRL vendors would exercise this option, calculated on the basis of the contract price formula, using the most recent estimates Rompet Paper's EBITDA for 2017.

**25 DIVIDENDS PAYABLE**

<i>In RON</i>	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Dividends payable	15,586,380	20,204,247

According to the Decision of the General Meeting of Shareholders, the dividends not taken during three years and for which the right to ask the payment was prescribed is registered in equity at Other reserves.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)***26 LIABILITIES REGARDING THE DEFERRED INCOME TAX**

The assets and liabilities regarding the deferred tax as at 31 December 2017 are generated by the items detailed in the table below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit and loss	-	1,347,863	(1,347,863)
Available-for-sale financial assets	-	1,090,001,769	(1,090,001,769)
Tangible assets and investment properties			
Property, plant and equipments and investment property	33,579,475	252,020,229	(218,440,754)
Value adjustments in respect of assets	<u>14,350,260</u>	<u>-</u>	<u>14,350,260</u>
<b>Total</b>	47,929,735	1,343,369,860	(1,295,440,126)
Tax corresponding to the loss carried forward	-	-	-
Net temporary differences - 16%	-	-	(1,295,440,126)
Net temporary differences - 10%	-	-	-
<b>Liabilities regarding the deferred income tax</b>	-	-	(207,270,420)

The assets and liabilities regarding the deferred tax as at 31 December 2016 are generated by the items detailed in the table below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit and loss	(309)	-	(309)
Available-for-sale financial assets	-	805,597,010	(805,597,010)
Tangible assets and investment properties	-	198,146,554	(198,146,554)
Value adjustments in respect of assets	13,466,865	-	13,466,865
<b>Total</b>	13,466,556	1,003,743,564	(1,003,743,564)
Tax corresponding to the loss carried forward	-	-	-
Net temporary differences - 16%	-	-	(990,277,008)
Net temporary differences - 10%	-	-	-
<b>Liabilities regarding the deferred income tax</b>	-	-	(158,444,322)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

The movements during the years corresponding to the liabilities regarding the deferred tax are presented below:

	<u>Value</u>
<b>Liabilities deferred tax 31 December 2015</b>	<u>148,822,379</u>
Tax with impact over the profit and loss	3,252,674
Impact of assets evaluation reserves held for sale	6,369,269
<b>Liabilities deferred tax 31 December 2016</b>	<u>158,444,322</u>
Tax with impact over the profit and loss	(4,498,997)
Impact of assets evaluation reserves held for sale	<u>53,325,095</u>
<b>Liabilities deferred tax 31 December 2017</b>	<u>207,270,420</u>

Table of movements concerning liabilities from deferred income tax

	<u>01/01/2017</u>	<u>Increases / decreases in the Profit and loss account</u>	<u>Increases / decreases in Other comprehensive income</u>	<u>31/12/2017</u>
Financial assets at fair value through profit and loss	49	740,944	(525,335)	215,658
Available-for-sale financial assets	128,895,522	(639,632)	46,144,394	174,400,283
Tangible assets and real- estate investments	31,703,449	(4,826,018)	8,073,090	34,950,521
Provisions	<u>(2,154,698)</u>	<u>225,710</u>	<u>(367,053)</u>	<u>(2,296,042)</u>
	<u>158,444,322</u>	<u>(4,498,997)</u>	<u>53,325,095</u>	<u>207,270,420</u>

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FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)*

	<u>01/01/2016</u>	<u>Increases / decreases in the Profit and loss account</u>	<u>Increases / decreases in Other comprehensive income</u>	<u>12/31/2016</u>
Financial assets at fair value through profit and loss	(72)	(23)	144	49
Available-for-sale financial assets	122,211,546	(636,049)	7,320,025	128,895,522
Tangible assets and real- estate investments	26,610,905	2,934,627	2,157,916	31,703,449
Provisions	-	953,974	(3,108,672)	(2,154,698)
	<u>148,822,379</u>	<u>3,252,529</u>	<u>6,369,413</u>	<u>158,444,322</u>

**27 LOANS**

	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Long-term</b>		
Bank loans	69,016,063	60,722,261
Bounds	1,228,682	-
Financial leasing liabilities	<u>2,252,661</u>	<u>2,189,407</u>
<b>Total long-term loans</b>	72,497,406	62,911,668
<b>Short-term</b>		
Authorised overdrafts	44,507,655	32,459,325
Financial leasing liabilities	1,730,685	797,318
Short-term loans	<u>10,634,836</u>	<u>39,535,535</u>
<b>Total short-term loans</b>	56,873,176	72,792,176
<b>Total borrowings</b>	<u>129,370,582</u>	<u>135,703,844</u>

The fair value of the loans equals to their carrying amount. The update impact is not significant because all loans are variable interest rates bearing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

The distribution of loans (inclusive the financial leasing liabilities) of the Group on currency is presented as follows:

<b>Currency</b>	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
EUR	55,659,643	58,414,646
RON	<u>73,710,939</u>	<u>77,289,199</u>
<b>Total</b>	<b><u>129,370,582</u></b>	<b><u>135,703,844</u></b>

The bank loans and the overdraft are guaranteed with the lands and buildings (Note 22) and the trade receivables (Note 19) of the Group.

**Detailed listing of bank loans cumulated at bank level (exclusive leasing)****Amount in RON**

<b>Banca/Societate</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Banca Comerciala Romana	9,446,401	11,531,298
Banca Transilvania	6,217,239	8,220,703
BRD - Groupe Société Générale	26,895,124	31,214,546
ING Bank	18,278,158	13,118,319
Intesa Sanpaolo Romania	9,506,334	9,927,317
Raiffeisen Bank	15,992,690	18,425,279
Unicredit Bank	16,553,991	33,411,819
Veneto Banca	5,824,624	6,750,448
Garanti Bank	7,280,539	-
Eximbank	8,163,454	-
Other banks	<u>-</u>	<u>117,392</u>
<b>Total</b>	<b><u>124,158,554</u></b>	<b><u>132,717,122</u></b>

*Liabilities regarding the financial leasing*

The leasing liabilities are guaranteed effectively once the rights corresponding to the leased asset correspond to the lessor in case of failure to pay.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)***31 December 2017 31 December 2016**Obligations from financial leasing– gross –  
minimum leasing payments

Less than 1 year	1,844,473	858,770
More than 1 year and not more than 5 years	2,302,195	2,264,812
Future financial expenses corresponding to the financial leasing contracts	<u>(163,322)</u>	<u>(136,859)</u>
<b>Updated value of the obligations from financial leasing</b>	<b><u>3,983,346</u></b>	<b><u>2,986,723</u></b>

The current value of the liabilities from financial leasing is as follows:

**31 December 2017 31 December 2016**

Less than 1 year	1,730,685	797,317
More than 1 year and up to 5 years	<u>2,252,661</u>	<u>2,189,406</u>
	<b><u>3,983,346</u></b>	<b><u>2,986,723</u></b>

**Reconciliation of net debt**

Below is an analysis of net debt and net debt movements for each period:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	58,282,699	104,589,882
Liquid investments *	338	309
Corporate bonds issued	(1,228,682)	-
Overdraft	(44,507,655)	(32,459,325)
Short-term loans	(12,365,521)	(40,332,853)
Long-term loans	<u>(71,268,724)</u>	<u>(62,943,794)</u>
<b>Net debt</b>	<b><u>(71,087,545)</u></b>	<b><u>(31,145,781)</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

	<b><u>Cash and cash equivalents (net of overdraft)</u></b>	<b><u>Liquid investme nts</u></b>	<b><u>Corporate bonds issued</u></b>	<b><u>Financial leasing obligations - short term</u></b>	<b><u>Financial leasing obligations - long term</u></b>	<b><u>Short-term loans</u></b>	<b><u>Long-term loans</u></b>	<b><u>Total</u></b>
Net debt on 1 January 2017	72,130,557	309	-	(798,233)	(2,221,533)	(39,534,620)	(60,722,261)	(31,145,781)
Cash Flows	(58,355,513)		(1,228,682)	(932,452)	(31,128)	27,546,520	(8,293,802)	(41,295,057)
Change in fair value	-	29	-	-	-	-	-	29
Other moves - non-cash	-	-	-	-	-	1,353,264	-	1,353,264
Net debt on 31 December 2017	<u>13,775,044</u>	<u>338</u>	<u>(1,228,682)</u>	<u>(1,730,685)</u>	<u>(2,252,661)</u>	<u>(10,634,836)</u>	<u>(69,016,063)</u>	<u>(71,087,545)</u>

\* Liquid investments comprise financial assets at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2017

*(All amounts are presented in RON)***28 INVESTMENT GRANTS**

	<u>31 December 2017</u>	<u>31 December 2016</u>
IAMU	6,116,635	7,762,935
VRANCART	24,006,238	23,975,302
NAPOMAR	8,056,585	9,472,937
SOMPLAST	236,324	244,076
Other subsidies	<u>62,662</u>	<u>56,486</u>
<b>Total subsidies</b>	<u><b>38,478,444</b></u>	<u><b>41,511,736</b></u>

The table below summarizes the evolution of investment grants:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Balance at 1 January	41,511,736	44,379,448
Subsidies obtained during the year	-	3,111,923
Subsidies obtained at acquisition		
RomPaper	3,069,841	-
Income from investment grants	<u>(6,103,133)</u>	<u>(5,979,635)</u>
Balance at 31 December	<u><b>38,478,444</b></u>	<u><b>41,511,736</b></u>

Vrancart obtained subsidies for investments from the Ministry of Economy and Research having as object the financing of modernization and development of the technological line for the manufacture of paper and from the Administration for Environment Fund, subsidy consisting in equipment for sludge burning Boiler, the non-refundable amount in the initial amount is RON 18,500,000.

Also, Vrancar company obtains subsidies for investments for the purpose of funding collection centers, increasing the cardboard converting capacity and energy efficiency.

Iamu obtained structural funds based on the contract concluded with the Management Authority regarding the granting of non reimbursable financing for the implementation of the project „Modernization of the production activity at SC Iamu SA Blaj”.

Napomar obtained non reimbursable financing from the Ministry of Economy and Commerce and Business Environment for the project Modernization of Napomar SA company through the development of the production capacities and their capabilities.

In respect of the grants received, Vrancart, Iamu si Napomar must comply a number of indicators, as detailed below.

**Vrancart.** The financing contract signed with the Ministry of Economy and Research includes a series of indicators to be met at the end of the monitoring period. Currently, Vrancart has completed the project implementation phase and is in the project monitoring phase until January 2017.

If, at that time, the indicators are not fully realized, the non-reimbursable financing of ROL 18,500,000 can be withdrawn in proportion to the % non-fulfillment, except for the technically justified cases. Although the staff indicator was not met at the end of 2016 and 2015, the Company believes that it will be able to fully implement it until the end of the monitoring period.

There are no indices leading to the withdrawal of the monitored grant, in part or in full. The company did not benefit from any new subsidies.

**Iamu.** According to the financing contract, Iamu must meet at the end of the monitoring period, in 2017, a series of indicators assumed regarding the subsidies received. Failure to meet them will attract in 2017 the reimbursement of the amounts received as a grant proportional to the degree of non-fulfillment of these indicators.

**Napomar.** According to the financing contract, Napomar must meet certain indicators for the next 5 years from the official closure of the POS CCE. Failure to meet them will attract in March 2018 the reimbursement of the amounts received as a grant proportional to the degree of non-fulfillment of these indicators. The management appreciates that the Company will meet the result indicators at the end of the mandatory maintenance period.

## 29 CAPITAL AND RESERVES

### *(a) Share capital*

The share capital according to the Articles of Incorporation of the Group amounts to RON 52,000,000 being divided into 52,000,000 shares with a nominal value of RON 0.1 and results from the direct subscriptions realized at the share capital of SIF. Following the transformation in shares of the amounts granted as dividends based on law no. 55/1995 and according to the effect of law 133/1996. As at 31 December 2017, the number of shareholders was 5,760,880 (31 December 2016: 5,767,382).

The shares issued by SIF Banat Crișana are traded at the Stock Exchange of Bucharest in November 1999. The evidence of the shares and shareholders is kept by Depozitarul Central S.A. București.

All shares are ordinary, they were subscribed and are paid integrally as at 31 December 2017, and 31 December 2016. All shares have the same voting right and have a nominal value of RON 0.1/ share. The number of shares authorized to be issued equals to the number of shares issued.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The reconciliation of the share capital according to IFRS conform to the Articles of Incorporation is presented in the table below:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Statutory share capital	52,000,000	54,884,930
Effect of applying IAS 29 over the share capital	<u>648,330,055</u>	<u>684,298,992</u>
<b>Share capital reconsidered</b>	<u><u>700,330,055</u></u>	<u><u>739,183,922</u></u>

Following the approval by the General Shareholders' Meeting in the month of April 2006, in august 2017, 30,849,268 shares were redeemed (the share capital will be reduced by 28,849,268 while 2,000,000 shares will be distributed to employees, managers and directors). The total redemption value of the shares was RON 52,443,756.

As a result of approval by the Shareholders' General Assembly of October 2016, in September 2017, 539,276 shares were redeemed, the value of which would be reduced by the share capital.

During 2017, the share capital was reduced by 28,849,268 shares with a value of 2,884,927 lei.

**(b) Reserves established following the application of Law no. 133/1996**

The reserve corresponding to the initial portfolio was established following the application of Law no. 133/1996, as difference between the value of the portfolio brought and the value of the share capital subscribed at SIF. Thus, these reserves are assimilated to a contribution premium and are not used to sell the non-current titles. The reconciliation of the reserve corresponding to the initial portfolio according to IFRS with that one according to the Accounting Regulations applicable until the application date of FSA Rule no. 39/2015 is presented in the table below:

	<b><u>31 December</u></b> <b><u>2017</u></b>	<b><u>31 December</u></b> <b><u>2016</u></b>
Reserves from applying Law 133/1996	145,486,088	145,486,088
Effect of application of IAS 29 over the reserve established following the application of Law no. 133/1996	<u>1,960,189,603</u>	<u>1,960,189,603</u>
<b>Reserves established following the application of Law no. 133/1996</b>	<u><u>2,105,675,691</u></u>	<u><u>2,105,675,691</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

The hyperinflation effect over the share capital amounting to 684,298,992 lei and over the reserve established following the application of Law no. 133/1996 amounting to 1,960,189,603 was registered by the reduction of the result reported, resulting in a loss cumulated from the effect of application of IAS 29 over the capital item of 2,644,488,595 lei at the end of each period presented.

**(c) Reserves from the reevaluation of the available-for-sale financial assets**

This reserve comprises the net cumulated reserves of the fair values of the available-for-sale financial assets as of the classification date in this category until the date when these were derecognized or depreciated.

The reserves from the reevaluation of the available-for-sale financial assets are registered at the net value of the corresponding deferred tax. The value of the deferred tax recognized directly by the reduction of equity is presented at Note 25.

**(d) Legal reserves**

According to the legal requirements, the Group establishes legal reserves amounting to 5% of the profit registered according to the applicable accounting reserves up to the level of 20% of the share capital according to the Articles of Incorporation. The value of the legal reserve as at 31 December 2017 amounts to 26,734,310 RON (31 December 2016: RON 10,976,985).

Legal reserves cannot be distributed to shareholders.

**(e) Dividends**

SIF Banat-Crișana shareholders did not approved during year 2017 the distribution of dividends out of the profit of the financial year 2016 respectively 2015.

### 30 SHARE RESULT

The calculation of the basic share result was realized based on the profit assignable to ordinary shareholders and to the weighted average number of ordinary shares:

	<u>2017</u>	<u>2016</u>
Profit from continuous activities assignable to parent companies	110,495,726	61,614,584
Average number of ordinary shares issued in circulation	<u>509,716,911</u>	<u>538,566,179</u>
<b>Basic share result</b>	0,217	0,114

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The diluted share result equals to the basic share result, because the Group did not register potential ordinary shares.

**31 SEGMENTS REPORTING**

The activity developed by the Group was segmented on four main activities, that is:

- financial;
- industry;
- agriculture;
- trade, restaurants and hotel activity.

The Group does not report the revenues from external customers, neither in total or by countries, because the information is not available and the cost of obtaining it is excessive.

The activity of 3 companies was included within the financial activity (2015: 3).

The industry activity includes 5 companies (2015: 5) that have as business object the manufacture of plants and machinery for metals processing, manufacture of plates and plastic material profiles, manufacture of paper and corrugated carton and manufacture by knitting the clothes.

The agriculture activity includes 1 company (2016: 1).

The trade, restaurants and hotel activity includes 3 companies (2016: 3).

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Industry	543,383,028	450,666,047
Trade, hotels, restaurants	189,268,976	179,420,113
Financial activity	2,376,116,255	1,966,719,097
Agriculture	136,801,190	130,623,106
Adjustments corresponding to consolidation	<u>(375,035,096)</u>	<u>(296,996,069)</u>
<b>Total assets according to the consolidated statement of the financial position</b>	<b><u>2,870,534,353</u></b>	<b><u>2,430,432,294</u></b>

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<b>Liabilities</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	222,358,946	192,792,167
Trade, hotels, restaurants	22,095,355	26,807,427
Financial activity	239,192,097	197,159,433
Agriculture	<u>45,235,951</u>	<u>42,239,907</u>
Adjustments corresponding to consolidation	<u>-</u>	<u>-</u>
<b>Total liabilities according to the consolidated statement of the financial position</b>	<b><u>528,882,350</u></b>	<b><u>458,998,934</u></b>
<b>Equity</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	321,024,081	257,873,880
Trade, hotels, restaurants	167,173,621	152,612,686
Financial activity	2,181,690,472	1,818,811,530
Agriculture	46,798,925	39,131,332
Adjustments corresponding to consolidation	<u>(375,035,096)</u>	<u>(296,996,069)</u>
<b>Total equity according to the consolidated statement of the financial position</b>	<b><u>2,341,652,003</u></b>	<b><u>1,971,433,360</u></b>
<b>Operating revenue</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	486,497,857	382,709,739
Trade, hotels, restaurants	29,576,446	27,977,271
Financial activity	104,423,545	126,849,279
Agriculture	<u>10,642,475</u>	<u>7,004,402</u>
<b>Total operating revenue according to the consolidated statement of the global result</b>	<b><u>631,140,323</u></b>	<b><u>544,540,691</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

<b>Operating profit</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	30,400,606	12,262,363
Trade, hotels, restaurants	9,284,479	(12,813,908)
Financial activity	63,649,764	64,309,666
Agriculture	<u>8,987,978</u>	<u>7,782,095</u>
<b>Total operating profit according to the consolidated statement of the global result</b>	<b><u>112,322,827</u></b>	<b><u>71,540,216</u></b>
<b>Financing expenses</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	4,788,919	5,584,676
Trade, hotels, restaurants	1,302,080	1,318,852
Financial activity	1,181,102	4,877,550
Agriculture	<u>4,854,445</u>	<u>820,213</u>
<b>Total financing expenses according to the consolidated statement of the global result</b>	<b><u>12,126,546</u></b>	<b><u>12,601,291</u></b>
<b>Profit before tax</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	27,596,148	9,554,524
Trade, hotels, restaurants	8,354,175	(13,473,036)
Financial activity	73,510,461	72,834,269
Agriculture	<u>6,271,992</u>	<u>6,962,535</u>
<b>Total profit before tax according to the consolidated statement of the global result</b>	<b><u>115,732,776</u></b>	<b><u>75,878,292</u></b>
<b>Net profit</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Industry	25,663,685	7,101,152
Trade, hotels, restaurants	11,914,974	(13,108,732)
Financial activity	68,696,531	56,343,185
Agriculture	<u>5,316,876</u>	<u>12,375,318</u>
<b>Total net profit according to the consolidated statement of the global result</b>	<b><u>111,592,065</u></b>	<b><u>62,710,923</u></b>

**SIF BANAT – CRIȘANA SA**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**32 PRESENTATION OF INTERESTS HELD IN OTHER ENTITIES**

**(a) List of companies in which SIF Banat-Crișana holds more than 50% and exercises the control over them**

*In respect of the List of companies in which SIF Banat-Crișana holds more than 50% and exercises the control over them See note 3.*

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

	<b>Place of business (and country of incorporation if different)</b>	<b>Proportion of non- controlling interest</b>	<b>Proportion of non- controlling interest's voting rights held</b>	<b>Profit or loss attributable to non-controlling interest</b>	<b>Accumulated non-controlling interest in the subsidiary</b>	<b>Dividends paid to non-controlling interest during the year</b>
<b>Year ended 31 December 2017</b>						
Central SA						
Cluj	Romania	36,49%	36,49%	206.231	12.621.102	
Iamu SA Blaj	Romania	23,31%	23,31%	1.380.972	6.462.901	288.734
Vrancart SA						
Adjud	Romania	24,94%	25,28%	5.108.967	22.601.889	2.626.695
SIF Imobiliare	Romania	0,001%	0,001%	(1.703.623)	44.105.098	
<b>Total</b>				<b>4.992.547</b>	<b>85.790.990</b>	<b>2.915.429</b>
<b>Year ended 31 December 2016</b>						
Central SA						
Cluj	Romania	36.49%	36.49%	(1,799,475)	8,183,027	-
Iamu SA Blaj	Romania	23.31%	23.31%	1,461,437	10,216,137	367,943
Vrancart SA						
Adjud	Romania	25.28%	25.28%	5,179,169	18,537,254	3,493,940
SIF Imobiliare	Romania	0.001%	0.001%	(3,040,614)	42,812,958	-
<b>Total</b>				<b>1,800,517</b>	<b>78,591,708</b>	<b>3,861,883</b>

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*(All amounts are presented in RON)***(b) Non-controlling interests – summarized financial information**

The summarized financial information for each subsidiary holding non-controlling interests significant for the group is presented below.

The amounts presented for each subsidiary are before removing the balances and transactions between companies.

**Summarized statement of the financial position**

	Central SA Cluj		Vrancart SA Adjud		Iamu SA Blaj	SIF Imobiliare		
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	
	2017	2016	2017	2016	2017	2016	2016	
Current assets	3,333,392	2,563,722	112,949,135	103,521,115	30,389,046	23,450,590	21,471,696	57,387,677
Current liabilities	1,079,722	8,567,584	77,193,631	69,227,973	18,165,179	12,605,177	5,331,113	12,130,641
<b>Net current assets</b>	2,253,670	(6,003,862)	35,755,504	34,293,142	12,223,867	10,845,413	16,140,583	45,257,036
Non-current assets	39,823,818	29,168,471	280,995,211	187,930,744	49,526,835	51,374,481	313,662,585	293,674,677
Long-term liabilities	6,842,841	738,836	105,369,066	55,847,368	11,259,475	16,130,463	132,703,873	71,434,229
<b>Net non-current assets</b>	32,980,977	28,429,635	175,626,145	132,083,376	38,267,360	35,244,018	180,958,712	222,240,448

**Summarized statement of the global result**

	Central SA Cluj		Vrancart SA Adjud		Iamu SA Blaj	SIF Imobiliare		
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	
	2017	2016	2017	2016	2017	2016	2016	
Operating income	4,721,971	5,337,377	328,294,848	233,203,196	88,599,248	75,884,914	35,407,448	31,142,159
Net profit	565,127	(4,931,041)	25,438,955	20,485,031	5,926,080	6,271,376	14,372,848	(6,183,116)
Other items of the global result	-	-	(18,297,200)	(369,798)	-	-	-	-
<b>Total global result corresponding to the period</b>	<u>565,127</u>	<u>(4,931,041)</u>	<u>4,868,805</u>	<u>20,115,233</u>	<u>5,926,080</u>	<u>6,271,376</u>	<u>14,372,848</u>	<u>(6,183,116)</u>
<b>Net Assets</b>	<u>35,234,647</u>	<u>22,425,773</u>	<u>211,381,649</u>	<u>166,376,518</u>	<u>50,491,227</u>	<u>46,089,431</u>	<u>197,099,295</u>	<u>267,497,484</u>
<b>Non controlling interests</b>	<u>12,621,102</u>	<u>12,034,262</u>	<u>22,601,889</u>	<u>18,537,254</u>	<u>6,462,901</u>	<u>5,207,234</u>	<u>44,105,098</u>	<u>42,812,958</u>

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Summary statement of cash flows	Central SA Cluj		Vrancart SA Adjud		Iamu SA Blaj		SIF Imobiliare	
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2017	2016	2017	2016	2017	2016	2017	2016
General cash / (used in) operating activity	2,232,732	2,228,562	33,276,835	32,855,871	9,128,287	8,817,087	13,338,206	(18,085,235)
General cash / (used in) investment activity	(90,467)	-	(68,824,801)	(36,602,662)	(3,926,442)	(11,834,435)	(14,954,167)	4,447,136
General cash / (used in) financing activity	(1,391,553)	(1,482,249)	13,834,242	27,141,718	(4,972,588)	914,133	5,253,355	16,442,174
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>750,712</u>	<u>746,313</u>	<u>(21,713,724)</u>	<u>23,394,927</u>	<u>229,257</u>	<u>(2,103,215)</u>	<u>3,637,394</u>	<u>2,804,075</u>

**(c) Modifications of the participations in the equity of a subsidiary, that do not result in the loss of control***See note 3.***(d) Companies in which SIF holds more than 50% and does not exercise the control over them***See note 3.*



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*(All amounts are presented in RON)***(e) Interest in Associates**

Set out below are the associates of the Group as at 31 December 2016 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Quoted fair value		Carrying amount	
		2017	2016			2017	2016	2017	2016
			%						
Gaz Vest SA Arad	Romania	25.82		Associate (1)	Equity method	28,208,657	29,531,463	11,976,169	12,605,034
Biofarm SA București	Romania	22,06		Associate (2)	Equity method	66,817,208	61,783,035	56,724,342	52,142,068
<b>Total equity accounted investments</b>						<b>95,025,965</b>	<b>91,314,498</b>	<b>68,700,511</b>	<b>57,827,997</b>

(1) Biofarm is one of the first Romanian manufacturers of medicines and food supplements. Ever since its foundation in 1921, the company has focused on the development, manufacturing and marketing of both powerful brands and generic products.

(2) S.C. Gaz Vest S.A. supplies and distributes natural gas used for: heating homes, schools and nurseries and for the needs of business firms.

**(f) Associates – summarized financial information**

The summarized financial information for each significant associate for the group is presented below.

The amounts presented for each associate are before removing the balances and transactions between companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)*

## Summarized statement of the financial position

	Biofarm SA București		Gaz Vest SA Arad	
	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
<b>Current assets</b>				
Cash and cash equivalents	37,598,446	35,643,669	814,797	7,433,878
Other current assets	<u>105,254,428</u>	<u>99,012,370</u>	<u>18,188,871</u>	<u>14,436,340</u>
<b>Total current assets</b>	<u>142,852,874</u>	<u>134,656,039</u>	<u>19,003,668</u>	<u>21,870,218</u>
<b>Non-current assets</b>	<u>116,298,968</u>	<u>104,604,506</u>	<u>52,580,050</u>	<u>51,805,162</u>
<b>Current liabilities</b>				
Current financial liabilities (excluding other liabilities and provisions)	-	-	-	-
Other current liabilities	<u>39,099,997</u>	<u>41,694,892</u>	<u>14,495,606</u>	<u>7,951,908</u>
<b>Total current liabilities</b>	<u>39,099,997</u>	<u>41,694,892</u>	<u>14,495,606</u>	<u>7,951,908</u>
<b>Long-term liabilities</b>				
Long-term financial liabilities (excluding other liabilities and provisions)		-		-
Other long-term liabilities	<u>3,173,032</u>	<u>419,154</u>	<u>2,113,543</u>	<u>8,312,796</u>
<b>Total long-term liabilities</b>	<u>3,173,032</u>	<u>419,154</u>	<u>2,113,543</u>	<u>8,312,796</u>
<b>Net assets</b>	<u>216,878,812</u>	<u>197,146,499</u>	<u>54,974,568</u>	<u>57,410,676</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(All amounts are presented in RON)***Reconciliation of financial information summarized with the value of interest held in the associate entity**

	<b>Biofarm SA București</b>		<b>Gaz Vest SA Arad</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Net assets as at January 1 <sup>st</sup>	197,146,500	182,130,618	57,410,675	55,636,768
Net profit / loss	36,483,695	29,477,747	6,893,107	9,910,630
Other items of the global result	-	-	-	--
Redemption of equity	-	-	-	--
Prescribed dividends	-	1,304,140	-	-
Distributed dividends	<u>(16,751,382)</u>	<u>(15,766,005)</u>	<u>(9,329,213)</u>	<u>(8,136,723)</u>
<b>Net assets as at December 31<sup>st</sup></b>	216,878,812	197,146,500	54,974,568	57,410,675
Percentage held by SIF (%)	22,33%	22,33%	25,82%	25,82%
Profit/(loss) of the financial year corresponding to associate enterprises	<u>8,146,809</u>	<u>6,845,381</u>	<u>1,779,800</u>	<u>2,558,907</u>

**Summarized statement of the global result**

	<b>Biofarm SA București</b>		<b>Gaz Vest SA Arad</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Operating income	172,581,390	149,920,095	46,978,935	44,938,181
Financial income	(115,104,835)	402,274	(33,683,670)	10,301
Expenses for impairment and amortization	798,668	(6,437,400)	26,909	(4,830,066)
Financial expenses	(14,019,786)	(536)	(5,254,717)	(4,596)
Expenses for income tax	<u>(1,085,959)</u>	<u>(5,962,939)</u>	<u>(10,394)</u>	<u>(1,717,692)</u>
<b>Profit or loss from continuous activities</b>	<u>36,483,694</u>	<u>29,477,747</u>	<u>6,893,107</u>	<u>9,910,630</u>
<b>Net profit / loss</b>	<u>36,483,694</u>	<u>29,477,747</u>	<u>6,893,107</u>	<u>9,910,630</u>
Other items of the global result	-	-	-	-
<b>Total global result corresponding to the period</b>	<u>36,483,694</u>	<u>29,477,747</u>	<u>6,893,107</u>	<u>9,910,630</u>
Dividends received from the associate entity	<u>3,890,043</u>	<u>3,478,037</u>	<u>2,408,666</u>	<u>2,100,782</u>

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**(g) Investment in associates**

The table below summarises the movements in the carrying amount of the Group's investment in associates,

	<b><u>31 December</u></b> <b><u>2017</u></b>	<b><u>31 December</u></b> <b><u>2016</u></b>
Carrying amount at 1 January	64,747,102	57,827,998
Increase (decrease) as a result of a change in ownership	-	3,093,636
Share of profit of associates	10,252,117	9,404,288
Share of other comprehensive income of associates	-	-
Dividends received from associates	<u>(6,298,709)</u>	<u>(5,578,820)</u>
<b>Carrying amount at 31 December</b>	<b><u>68,700,510</u></b>	<b><u>64,747,102</u></b>

**33 COMMITMENTS AND CONTINGENT LIABILITIES****(a) Actions in court**

The Group makes the object of a number of actions in court resulted during the normal development of the activity. The management considers that these actions will not have a significant effect over the economic results and the consolidated financial position.

**(b) Transfer price**

The tax legislation of Romania comprises since 2000 regulations regarding the transfer prices between affiliates. The current legislative framework defines the "arm's length value" principle for the transactions between related parties, as well as the methods for establishing the transfer prices. Therefore, we expect the tax authorities to start inspections on the subject of transfer prices. In order to make sure that the tax result and/or the customs value of the imported goods is/are not distorted by the impact of the prices charged between affiliates, the Group cannot anticipate the result of such an inspection.

**(c) Other commitments**

As at 31 December 2017 and 2016, the Group has obtained loans from banks for which the banks asked collateral guarantees represented by mortgages of non-current assets (lands, buildings) and movable guarantees over the receivables, inventories and cash.

**34 TRANSACTIONS WITH RELATED PARTIES**

The parties are considered related if one of the parties has the capacity to control the other party or to exercise a significant influence over this one in making the financial or functioning decisions.

The Group has identified the following related parties during the development of its activity:

***Key management personnel***

*31 December 2017*

- As at 31 December 2017 the Board of directors of SIF BANAT-CRIȘANA SA was formed of 4 members: Bogdan-Alexandru Drăgoi-President, Răzvan-Radu Străuț - Vice-president, Sorin Marica and Marcel Pfister.
- As at 31 December 2017 the members of the executive management of SIF BANAT-CRIȘANA SA: Bogdan-Alexandru Drăgoi –General Manager, Octavian Avrămoiu – Deputy General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Manager.

*31 December 2016*

- As at 31 December 2016 the Board of directors of SIF BANAT-CRIȘANA SA was formed of 7 members: Bogdan-Alexandru Drăgoi-President, Octavian Avrămoiu-Vice-president, Ștefan Dumitru, Valentin Chiser, Ion Stancu, Dan Weiler and Ionel Marian Ciucioi.
- As at 31 December 2016 the members of the executive management of SIF BANAT-CRIȘANA SA: Bogdan-Alexandru Drăgoi –General Manager, Octavian Avrămoiu – Deputy General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Manager.

During the financial exercise, transactions have not been carried-out and advances and loans have not been granted to the Company's managers and directors, except for the advances for business travels.

During year 2017, the gross amounts paid to the members of the Board of directors and to the Managers amounted RON 10,030 thousands (2016: RON 9,412).

The Group did not receive and did not grant guarantees in favor of any related party.

The following transactions were developed with related parties:

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Maria Trading SRL (2017) is considered a party to the group because it has a significant influence on a significant subsidiary, SIFI TM Agro, in which it owns a 50% stake. The nature of the transactions with Maria Trading is the granting of loans to TM Agro. Maria Trading SRL took over in December 2017 the Agriventure participations in TM Agro.

Industrial Energy (2016 and 2017) is considered related party because it is controlled by the Board of Directors members of a significant subsidiary, Vrancart SA. The nature of transactions with Industrial Energy is the purchase of electricity by Vrancart from this company.

Danomar (2016 and 2017) is an associate of subsidiary Napomar SA. The nature of transactions with Danomar is sale of goods.

Ario SA Bistrita (2016 and 2017) is a subsidiary of SIF Banat-Crișana, undergoing a legal reorganization procedure and not included in the consolidation. The Group has an older debt of RON 300,000 to be recovered from this company.

#### (a) Sales of products and services

	<u>2017</u>	<u>2016</u>
Sales of goods:	65,599	81,287
Sales of services:	<u>1,012,949</u>	439,340
Company withdrawal	<u>-</u>	<u>-</u>
Total	<u>1,078,549</u>	<u>520,627</u>

The sales of services are negotiated with related parties by applying a margin to the production costs, margin ranging from 5% to 10% (2017: from 5% to 10%).

#### (b) Acquisitions of products and services

	<u>2017</u>	<u>2016</u>
Acquisitions of products:	381,637	-
Purchases of electricity:	<u>14,759,677</u>	8,188,096
Total	<u>15,141,313</u>	<u>8,188,096</u>

**SIF BANAT – CRIȘANA SA****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2017*****(All amounts are presented in RON)***

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(c) *Balances at the end of the year resulting from the sales /acquisitions of products /services*

	<b><u>31 December 2017</u></b>	<b><u>31 December 2016</u></b>
Trade receivables from related parties	1,157,625	367,562
Debts towards related parties	1,447,230	(1,276,441)
Loans	<u>(41,046,796)</u>	<u>(40,514,717)</u>
<b>Total</b>	<b><u>(41,336,401)</u></b>	<b><u>(41,423,596)</u></b>

The receivables from related parties result mainly from the sale transactions and are due after one month or two months as of the sale date. The receivables are not secured in kind and do not bear interest. Impairment adjustments of the receivables with related parties are not registered.

The debts to the related parties result mainly from the acquisition transactions and are due within one month or two months as of the acquisition date. The debts do not bear interest.

The Loans received from related parties relates to the borrowing in amount of EUR 8.5 mil. and the related interest in amount of EUR 0.2 mil. received by TM Agro from Agriventure Trading SAL. This borrowing is presented in the Statement of Financial position row „Other financial liabilities”.

The transactions with related parties are realized under normal market conditions. Most of the service purchases refer to the supply of electricity by Industrial Energy to Vrancart (based on the electricity supply contract signed between the parties). The selection of Industrial Energy as an electricity supplier was based on the lowest purchase price for electricity and the best contractual conditions criterias.

## 35 ASSETS HELD FOR SALE

Following a previous analysis, the Group decided during year 2016 to put on sale a part of the assets held. Therefore, these ones were reclassified from the category of investment property into the category of non-current assets meant for sale.

As at 31 December 2017, the group's decision to sell a part of the assets held is maintained. In 2017, out of the 36 assets proposed for sale, 7 were completely sold and one asset was partially sold. Also, 8 assets were removed from the list of assets available for sale, because there are either potential clients for their lease or they are to be developed, and 2 assets were entered on the list to be sold.

*The assets of the Group meant to assignment that are classified as assets held for sale*

<b>Cost (RON)</b>	<b><u>Total (RON)</u></b>
<b>Balance as at 31 December 2015</b>	27,104,429
Outputs due to sales	(4,885,550)
Transfer to investment properties	<u>(13,030,241)</u>
<b>Balance as at 31 December 2016</b>	<u>9,188,638</u>
Outputs due to sales	-
Transfer to investment properties	<u>(9,188,638)</u>
<b>Balance as at 31 December 2017</b>	<u>-</u>

The aforementioned amount at 31 December 2016 corresponds to the following entities:

<b>Entity</b>	<b><u>31 December 2016</u></b>
Comalim SA	2,294,119
SIFI CJ Storage SA	-
Agrorent SA	1,279,918
SIFI CJ Office SA	-
SIFI CJ Agro SA	-
Central Petrosani S.A.	1,431,319
Cora SA	413,301
SIFI Baia Mare SA	526,458
SIFI Sighet SA	602,198
Urban SA	-
SIFI BH Retail SA	<u>2,641,325</u>
<b>Balance as at 31 December 2016</b>	<u>9,188,638</u>



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The non-current assets meant to sale are reported within the segment “Financial activity” at Note 30 “Segments reporting”.

	<u>Year ended as at</u> <u>31 December 2017</u>	<u>Year ended as at 31</u> <u>December 2016</u>
<b>Discontinued activities</b>		
Operating income (*)		(285,845)
Operating expenses		(597,214)
<b>Operating result</b>		(883,059)
Expenses for income tax corresponding to discontinued activities		<u>(80,475)</u>
<b>Loss corresponding to the financial year – from discontinued activities</b>		(963,534)

(\*) The Operational Income reported above concerning the year ended as at 31 December 2017 include the impact of the revaluation of assets amounting to **RON 0,6 mil.**

### 36 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The Board of Directors of SIF Banat-Crișana, meeting on January 16, 2018, approved the appointment of Mr. Ionel-Marian CIUCIOI as interim administrator of SIF Banat-Crișana until the meeting of the general meeting of the shareholders.

The Board of Directors of SIF Banat-Crișana, meeting on January 25, 2018, according to the provisions of art. 7 par. (15) of the Articles of Incorporation of the Company decided to maintain the decisions of the Board of Directors dated 24.04.2017, reconfirming the appointment of Mr. Radu Răzvan Străuț, Deputy Chairman of the Board of Directors, as Deputy General Manager of SIF Banat-Crișana and delegation of the management of the company under art. 143 of Law no. 31/1990.

SIF Banat-Crișana will take the necessary steps to approve by the Financial Supervisory Authority of Mr. Radu Răzvan Străuț as director of the company.

On 15 February, 2018, SIF Banat-Crișana published the preliminary financial results for the year ended December 31, 2017 through market communication (BSE) and posting on the Company's website at [www.sifi.ro](http://www.sifi.ro).

On 9 March 2018, the Financial Supervisory Authority communicated to SIF Banat-Crișana the authorization by which SIF Banat-Crișana is authorized as Alternative Investment Fund Manager (AIFM).

## SIF BANAT – CRIȘANA SA

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#### January 2018

- The Ordinary General Meeting of Shareholders of Somplast on January 8, 2018 elects the financial auditor.
- The Board of Directors of Napomar SA appoints a provisional Administrator by CA Decree of 19.01.2018
- The board of directors of Azuga Turism SA appoints a provisional administrator, by CA decision of 11.01.2018.

#### February 2018

- On 18 February 2018, SIF Banat-Crișana published preliminary financial results for the year ended 31 December 2017, prepared in accordance with IFRS, through market communication (BSE) and posting on the Company's website at [www.sifi.ro](http://www.sifi.ro).
- SIF Hoteluri informed that the request for resignation of the General Manager was registered on 09.02.2018. By decision of the Administrative Council No. 1 of 09.02.2018 a new Director General was appointed.
- On February 19, 2018, the share capital increase was registered at Central SA, approved by the Extraordinary General Meeting of the Shareholders of 29.11.2017 and the CA Decree of 30.01.2018.
- SIF Hotels SA announced on 28 February 2018 the resignation of the CA President and the convening of the Ordinary General Meeting of Shareholders.

#### March 2018

- SIF HOTELURI SA ORADEA informed the shareholders that at the deadline of 01.03.2018 in the file no. 2147/111/2014 in the case of the Bihor Court (applicant: HAJDU-BAU, defendant: SIF Hotels SA), which has the object of terminating the contract, the court granted a new term on 10 May 2018 for the taking of evidence.
- On 01.03.2018, SIF Banat-Crișana signed a comfort letter in favor of Napomar.
  - ASF authorized SIF Banat-Crișana as Alternative Investment Funds Administrator (authorization No. 78 / 09.03.2018) as well as its key risk management and compliance officers.
  - The management of SIF Banat-Crișana analyzed and decided that the Company meets the necessary conditions to be classified as an investment entity. As such, from 2018, the Company intends to apply the consolidation exception in IFRS 10 applicable to investment entities. The company is working to determine the transition date and the effects of this transition.