

SIF BANAT-CRIȘANA SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

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

This version of the accompanying documents are 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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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

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SIF BANAT – CRIȘANA SA**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018*****(All amounts are presented in RON)***

		Year ended as at 31	Year ended as at
	Note	December 2018	31 December 2017
Operating revenues	8	127,161,455	631,140,323
Operating expenses	9	(30,275,651)	(535,380,966)
Net gains from investment property	10	166,163	14,746,764
Net gains/losses from financial assets	11	(7,717,221)	2,983,552
Other gains/losses – net	12	<u>311,547</u>	<u>(1,166,846)</u>
Operating profit		<u>89,646,294</u>	<u>112,322,827</u>
Finance income	13	496,396	5,284,378
Finance cost	14	<u>(426,118)</u>	<u>(12,126,546)</u>
Finance cost – net	13	70,279	(6,842,168)
Share of net profit of associates	31	<u>-</u>	<u>10,252,117</u>
Profit before income tax		<u>89,716,572</u>	<u>115,732,776</u>
Income tax expense	14	(4,954,904)	(4,140,711)
Profit for the period		<u>84,761,668</u>	<u>111,592,065</u>
Profit is attributable to:			
Owners		84,757,115	104,730,239
Non-controlling interests		<u>4,553</u>	<u>6,861,826</u>
Profit for the period		84,761,668	111,592,065
Other comprehensive income			
Amount transferred to profit and loss (debt instruments)		1,282,416	(2,442,752)

SIF BANAT – CRIȘANA SA**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018*****(All amounts are presented in RON)***

	Year ended as at <u>Note</u> 31 December 2018	Year ended as at 31 December 2017
Change in fair value	(110,267,662)	-
The change in fair value of available-for-sale financial assets	-	282,334,379
Tax effect on the above reserves	22,132,907	(44,792,897)
Gain on revaluation of land and buildings	<u>7,222</u>	<u>28,465,987</u>
Other comprehensive income for the period	<u>(86,845,117)</u>	<u>263,564,717</u>
Total comprehensive income for the period	<u>(2,083,449)</u>	<u>375,156,782</u>
Earnings per share for profit		
Basic earnings per share	0.16	0.22
Diluted earnings per share	0.16	0.22

The consolidated financial statements were approved by the Board of Directors on 22 March 2019, 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 PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
(All amounts are presented in RON)

	<u>Note</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
ASSETS			
Cash and cash equivalents	15	71,692,346	58,282,699
Bank Deposits		21,830,010	31,473,033
Financial assets at fair value through profit and loss	16	1,105,989,676	338
Trade receivables	19	6,994,465	101,767,377
Inventories	20	2,668	80,808,539
Assets held for sale	34	-	1,642,602,587
Available-for-sale financial assets	17	1,190,434,235	-
Investments in Associates		-	68,700,510
Held-to-maturity investments		-	6,499,763
Financial assets at amortized cost	18	6,505,683	-
Investment properties	21	21,122,392	289,152,520
Property, plant and equipment	22	3,539,223	570,200,464
Intangible assets	23	29,071	10,282,641
Other long-term assets		165,554	526,261
Other assets		224,598	1,351,238
Goodwill		-	8,620,328
Investments		-	266,055
Total assets		<u>2,428,520,920</u>	<u>2,870,534,353</u>
LIABILITIES			
Other financial liabilities	24	2,739,935	133,367,836
Dividends	25	5,495	15,586,380
Deferred tax liabilities	26	129,776,548	207,270,420
Loans	27	3,428,853	129,370,582
Investments grants	28	-	38,478,444
Provisions		1,305,025	2,316,355
Other liabilities		<u>13,757</u>	<u>2,492,333</u>
Total liabilities		<u>137,269,613</u>	<u>528,882,350</u>

SIF BANAT – CRIȘANA SA**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
(All amounts are presented in RON)

	<u>Note</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
EQUITY			
Share capital	29	51,746,072	52,000,000
IAS 29 on share capital	29	645,164,114	648,330,055
Treasury shares	29	(223,486)	(4,748,190)
Losses from redemption of treasury shares		(559)	(124,659)
Shares benefits granted		2,380,000	-
Reserves from applying Law 133/1996	29	2,105,675,691	2,105,675,691
The effect of applying IAS 29 on Retain earnings	29	(2,605,353,717)	(2,608,519,657)
Retained earnings		1,457,871,933	1,186,668,064
Other reserves		-	(21,635,428)
Reserves on revaluation of land and buildings		105,016	62,597,610
Legal reserves		10,605,771	26,734,310
Differences in the change in fair value of financial assets measured by other items of comprehensive income		622,243,796	-
Differences in the change in fair value of financial assets available for sale		-	808,753,426
Total		<u>2,290,214,632</u>	<u>2,255,731,222</u>
Non-controlling interests		<u>1,045,677</u>	<u>85,920,781</u>
Total equity		<u>2,291,260,308</u>	<u>2,341,652,003</u>
Total Liabilities and Equity		<u>2,428,529,921</u>	<u>2,870,534,353</u>

The consolidated financial statements were approved by the Board of Directors on 22 March 2019, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
President, General Manager

Ștefan Doba
Economic Manager

SIF BANAT – CRIȘANA SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

<u>2017</u>	<u>Share capital</u>	<u>Legal reserves</u>	<u>Reserves from applying Law 133/1996</u>	<u>Reserves in the fair value of available-for-sale financial assets</u>	<u>Treasury shares</u>	<u>Losses from redemption of shares</u>	<u>Other reserves</u>	<u>Reserves on revaluation of land and buildings</u>	<u>Retained earnings</u>	<u>IAS 29 effect</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
Balance at 1 January 2017	<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
Other movements													
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)
Variation 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)
Total comprehensive income for the period	<u>=</u>	<u>=</u>	<u>=</u>	<u>235,098,730</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>28,465,987</u>	<u>100,175,682</u>	<u>=</u>	<u>363,740,399</u>	<u>7,903,500</u>	<u>371,643,899</u>
Increase/Decrease in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Variation 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 2018

(All amounts are presented in RON)

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

SIF BANAT – CRIȘANA SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

2018	Share capital	Legal reserves	Reserves from applying Law 133/1996	Reserves in the fair value of available-for-sale financial assets	Reserves from changes in the fair value of financial assets measured through OCI	Treasury shares	Losses from redemption of shares	Other reserves	Reserves on revaluation of land and buildings	Benefits in Equity Instruments	Retained earnings	IAS 29 effect	Total	Non-controlling interest	Total equity
	(LEI)	(LEI)	(LEI)	(LEI)		(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
Balance at 1 January 2018	<u>700,330,055</u>	<u>26,734,310</u>	<u>2,105,675,691</u>	<u>808,753,426</u>	<u>-</u>	<u>(4,748,190)</u>	<u>124,659</u>	<u>(21,635,428)</u>	<u>62,597,610</u>	<u>-</u>	<u>1,186,668,064</u>	<u>(2,608,519,658)</u>	<u>2,255,731,221</u>	<u>85,920,781</u>	<u>2,341,652,002</u>
Transaction effect to IFRS 9	<u>-</u>	<u>-</u>	<u>-</u>	<u>(808,753,426)</u>	<u>770,482,693</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>56,868,622</u>	<u>=</u>	<u>18,597,889</u>	<u>=</u>	<u>18,597,889</u>
Balance at 1 January 2018 – restated	<u>700,330,055</u>	<u>26,734,310</u>	<u>2,105,675,691</u>	<u>-</u>	<u>770,482,693</u>	<u>(4,748,190)</u>	<u>124,659</u>	<u>(21,635,428)</u>	<u>62,597,610</u>	<u>-</u>	<u>1,243,536,686</u>	<u>(2,608,519,658)</u>	<u>2,274,329,110</u>	<u>85,920,781</u>	<u>2,360,249,891</u>
Profit for the period	-	-	-	-	-	-	-	-	-	-	84,757,115	-	84,757,115	4,553	84,761,668
Other movements															
Changes in the revaluation reserve of tangible assets	-	-	-	-	-	-	-	-	7,222	-	(7,222)	-	-	-	-
Reserves from revaluation of financial assets transferred to Profit and Loss	-	-	-	-	1,282,416	-	-	-	-	-	-	-	1,282,416	-	1,282,416
Reserve from revaluation of financial assets transferred to Retained earnings	-	-	-	-	(71,300,623)	-	-	-	-	-	71,300,623	-	-	-	-
Increase/ Decrease in reserves from revaluation of property plant and equipment of associates	-	(627,771)	-	-	(107,807,851)	-	-	-	-	-	627,771	-	-	-	-
Variation of legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	(107,807,851)	-	(107,807,851)
Deferred tax related	-	-	-	-	29,587,161	-	-	-	-	-	(7,454,254)	-	22,132,907	-	22,132,907

SIF BANAT – CRIȘANA SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

	Share capital	Legal reserves	Reserves from applying Law 133/1996	Reserves in the fair value of available-for-sale financial assets	Reserves from changes in the fair value of financial assets measured through OCI	Treasury shares	Losses from redemption of shares	Other reserves	Reserves on revaluation of land and buildings	Benefits in equity instruments	Retained earnings	IAS 29 effect	Total	Non-controlling interest	Total equity
	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)	(LEI)
Total comprehensive income for the period	-	(627,771)	-	-	(148,238,897)	-	-	-	7,222	-	149,224,033	-	364,587	4,553	369,140
Increase/Decrease in subsidiaries	-	16,556	-	-	-	-	-	-	-	-	1,120,827	-	1,137,383	1,041,124	2,178,507
Dividends prescribed	-	-	-	-	-	-	-	-	-	-	15,445,748	-	15,445,748	-	15,445,748
Variation in reserve for affiliated subsidiaries	-	(15,517,325)	-	-	-	-	-	21,635,428	(62,499,816)	-	53,163,561	-	(3,218,152)	(85,920,781)	(89,138,933)
Redemption of treasury shares	-	-	-	-	(223,486)	(559)	-	-	-	2,380,000	(4,618,922)	-	(2,462,967)	-	(2,462,967)
Annulment of treasury shares	(3,419,868)	-	-	-	4,748,190	124,659	-	-	-	-	-	3,165,940	4,618,921	-	4,618,921
Total transactions with shareholders recognized in equity	(3,419,868)	(15,500,769)	-	-	4,524,704	124,100	21,635,428	(62,499,816)	2,380,000	2,380,000	65,111,214	3,165,940	15,520,933	(84,879,657)	(69,358,724)
Balance as at 31 December 2018	696,910,187	10,605,770	2,105,675,691	-	622,243,796	(223,486)	(559)	-	105,016	2,380,000	1,457,871,933	(2,605,353,718)	2,290,214,630	1,045,677	2,291,260,307

The consolidated financial statements were approved by the Board of Directors on 22 March 2019, 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 2018**
(All amounts are presented in RON)

	Year ended as at 31 December 2018	Year ended as at 31 December 2017
Cash flows from operating activities		
Net profit for the period	84,761,668	111,592,065
Adjustments for:		
Depreciation and impairment of property, plant and equipment and intangible assets (Note 9)	434,482	48,396,130
(Gain)/Losses on disposal of property plant and equipment	(19,931)	(47,601)
(Gain)/Losses from revaluation of investment property (Note 10)	(166,163)	(14,746,764)
Expenditure related to adjustments for impairment	(162,398)	(627,254)
Net profit from sale of assets (Note 11)	1,282,416	(889,966)
(Net gains)/ Net losses from financial assets at fair value through profit or loss	6,434,805	(1,763,258)
(Net gains)/ Net losses from disposal / acquisition subsidiary	-	-
Share of results of associates	-	(10,252,117)
Income from dividends (Note 8)	(102,476,152)	(58,378,692)
Interest income	(4,729,209)	(2,732,224)
Interest expenses (Note 13)	(10,086)	3,355,096
Benefits in Equity Instruments	2,380,000	-
Other adjustments and exchange rate differences	(126,837)	-
Income tax (Note 14)	4,954,905	3,505,354
Operating cash flows before working capital changes	(7,442,500)	<u>77,410,769</u>
Working capital changes		
Decrease/(increase) in trade and other receivables	10,536	(25,500,729)
Decrease/(increase) in inventories	-	(22,912,606)
Increase/(decrease) in trade and other payables	(2,149,962)	26,172,717
Income tax paid	(27,020,501)	(2,645,617)
Interest paid	(19,456)	<u>(4,708,360)</u>
Net cash from operating activities	(36,621,883)	<u>47,816,174</u>
Net cash from investing activities		
Interest received	6,592,269	3,078,111
Payments for acquisition of property, plant, equipment and real estate investments	(232,484)	(72,429,666)
Payments for the acquisition of Rom Paper (note 23)	-	(23,792,455)

SIF BANAT – CRIȘANA SA**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
(All amounts are presented in RON)

	Year ended as at 31 December 2018	Year ended as at 31 December 2017
Payments for acquisition of shares (Note 17)	(206,876,798)	(163,722,669)
Proceeds from sales of assets held for sale	172,710,266	85,805,053
(Placements) / Proceeds from deposits greater than three months	(6,371,161)	22,228,522
Proceeds from sales / redemption of assets at fair value through Profit or Loss (fund units)	23,466,399	-
Proceeds (Payments) for acquisition of investments held to maturity	-	(155,592)
Proceeds from sales of property plant and equipment	59,013	533,321
Proceeds from dividends	98,779,672	53,961,640
Proceeds / Payments from associates	-	10,252,117
Proceeds / Payments from investments in other securities	<u>(1,759,477)</u>	<u>5,641</u>
Net cash from investing activities	86,367,700	(84,235,977)
Cash flows from financing activities		
Net cash in/out from loans	2,063,748	(17,060,454)
Dividends paid to the Company's shareholders	(1,550)	(3,450,000)
Redemption of treasury shares	<u>(224,045)</u>	<u>(1,425,254)</u>
Net cash from financing activities	1,838,153	(21,935,708)
Net increase/ (decrease) in cash and cash equivalents	<u>51,583,970</u>	<u>(58,355,511)</u>
Cash and cash equivalents at the beginning of the year	<u>13,775,044</u>	<u>72,130,555</u>
Variation in cash and cash equivalents from deconsolidation	<u>6,333,334</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u>71,692,348</u>	<u>13,775,044</u>

SIF BANAT – CRIȘANA SA

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AS AT 31 DECEMBER 2018
(All amounts are presented in RON)

Cash and cash equivalents include:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Cash on hand	5,632	517,986
Current accounts at banks	14,450,738	40,943,364
Bank deposits with original maturity less than 3 months	57,227,855	16,575,382
Interest on deposits	809	-
Other values	7,312	245,967
Overdrafts	<u>-</u>	<u>(44,507,655)</u>
Cash and cash equivalents	<u>71,692,347</u>	<u>13,775,044</u>

The consolidated financial statements were approved by the Board of Directors on 22 March 2019, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
President, General Manager

Ștefan Doba
Economic Manager

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: JO2/1898/1992, 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;
- Risk management
- 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 1st 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 consolidated financial statements of the Company issued for year 2018 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 in 2018 is segmented on the main activity, respectively financial. In 2017 the activity was segmented on four main activities, respectively: financial, industry, agriculture, trade, restaurants and hotel activity.

During the first quarter of 2018, based on the available information as at 31 December 2017, the Company reviewed the fulfilment of the criteria for classification as an investment entity and concluded that they were met, except for the subsidiaries which provides investment-related services (SAI Muntenia Invest, Administrare Imobiliare S.A.). In accordance with IAS 27 and IAS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries that offer investment-related services that will continue to be consolidated.

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” (until 31 December 2017) or IFRS 9 - "Financial Instruments" (as of 1 January 2018);

- 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 measurement

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 consolidated 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) Functional and presentation 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) Changes in accounting policies

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

During the first quarter of 2018, based on the available information as at 31 December 2017, the Company reconsidered the fulfillment of the criteria for the classification as an investment entity and concluded that they are met. In accordance with IAS 27 and IAS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries that offer investment-related services that will continue to be consolidated.

Thus, the Company applied the IFRS 10 Amendments regarding investment entities, starting with the financial year 2018 when, following the review of the criteria presented by the Amendments, the Company's Management concluded that the Company fulfils the conditions for the classification as an investment entity. Thus, the Company changed the

accounting policy for its investments in subsidiaries and associates, these being measured at their fair value through profit or loss. The changes in accounting policies are applied retrospectively from the date of the change, in accordance with IFRS 10.30.

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 31.12.2018, 31.12.2017 is the following:

No.	Company name	Percentage held (%)	
		31 December 2017	31 December 2018
1	SIF Imobiliare PLC Nicosia	99.99	99.99
2	(SIF SPV Two București) SAI Muntenia Invest SA Bucharest	-	99.99
3	Napomar SA Cluj Napoca	99.98	99.98
4	SIF Hoteluri SA Oradea	99.43	99.43
5	Azuga Turism SA București	99.00	99.00
6	Administrare Imobiliare SA București	98.94	98.94
7	Silvana SA Cehu Silvaniei	-	97.40
8	Iamu SA Blaj	96.28	96.28
9	Vrancart SA Adjud	76.69	76.70
10	Somplast SA Bistrița	75.06	75.06
11	Central SA Cluj	70.75	70.75
12	(Uniteh SA Timișoara)	63.51	63.51
14	Ario SA Bistrița ***	-	33.81
14		93.64	93.64

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Note: The subsidiaries shown in brackets in the table above were removed from the consolidation perimeter as of January 1st, 2018.

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

No.	Company name	Percentage held (%)	
		31 December 2017	31 December 2018
1	Comalim SA Arad	91.17	91.17
2	SIFI BH Est SA Bucuresti	94.77	94.77
3	SIFI Cluj Retail SA	96.36	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
	merger with SIFI B		
7	SIFI CS Retail SA	ONE in March 2017	-
8	Uniteh SA	50.20	50.20
	merger with SIFI B		
9	Agrorent SA	ONE in March 2017	-
10	Administrare Imobiliare SA	98.90	2.57
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
	merger with Cora		
	Hunedoara in July		
14	Central Petrosani SA	2017	-
15	Cora SA Hunedoara	93.96	93.96
16	SIFI Baia Mare SA	92.59	92.59
17	SIFI Sighet SA	72.28	72.28
	merger with SIFI B		
18	Urban SA	ONE in March 2017	-
19	SIFI TM Agro SA ****	50.00	50.00
20	SIFI B One SA	90.79	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 2018 a 100% shareholding in Rom Paper SRL. On September 1st 2018, the fusion through absorption between Vrancart SA (Absorbent Company) and its subsidiary Giant Prodimpex SRL (Absorbed Company) took place.

Vrancart SA Adjud owned as at 31 December 2017 a 100% shareholding in Giant Prodimpex SRL. Also, from 2017 Vrancart SA Adjud owned a 85% shareholding in Rom Paper SRL.

*** 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 as at 31 December 2017.

For the purpose of IFRS 10, the date of initial application, the transaction, is the beginning of the annual reporting period in which this IFRS applies for the first time.

Considering that the period in which the Company applies the amendments in the *Investment Entities* document is subsequent to that in which it applies IFRS 10 for the first time, the Company interprets that "the date of initial application" is "the beginning of the annual reporting period for which the amendments to the document *Investment Entities* (Amendments to IFRS 10) are applied for the first time". Thus, when establishing the consolidated values, the Company took into account the value of the deconsolidated subsidiaries as at 31 December 2017.

In order to remove from the subsidiary consolidation perimeter, the Company proceeded to: (i) derecognise the assets (including any goodwill) and the debts of the consolidated subsidiaries and the carrying amount of non-controlling interest in these subsidiaries, (ii) reclassification to profit or loss or retained earnings of the amounts recognized in other comprehensive income on consolidated subsidiaries; and (iii) recognition of any difference resulting in the gain or loss in the profit or loss that may be attributable to the Company.

The impact in the consolidated financial statements as at 31 December 2018 as a result of the removal from the consolidation perimeter of the subsidiaries presented in the previous table is summarized below:

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The effect of the removal from the consolidation perimeter of the associated entities is presented in the table below:

Subsidiaries removed from consolidation	Head office	% from hold capital	Equity of subsidiary	Fair value of participation	Investment of the parent company	Total assets of subsidiary	Total debts of subsidiary	Net assets	Non-controlling interest	Net assests related to the parent company	Gain/loss on the loss of control
Azuga	Bucuresti/R O	98.94	17,650,112	26,712,568	29,520,290	34,418,527	977,463	35,395,990	197,164	35,198,826	(8,486,258)
Central SA	Cluj- Napoca/RO	63.51	17,763,241	21,236,823	11,600,513	43,157,210	(5,404,198)	37,753,012	12,621,102	25,131,910	(3,895,087)
IAMU	Blaj/RO	76.70	37,583,590	49,001,511	19,759,778	80,032,181	(27,270,865)	52,761,316	6,462,901	46,298,415	2,703,096
Napomar	Cluj- Napoca/RO	99.43	4,246,978	22,253,512	25,864,965	45,288,485	(22,633,158)	22,655,328	23,607	22,631,721	(378,208)
Silvana	Cehu Silvaniei/RO	96.28	1,155,863	2,435,964	3,790,498	4,775,737	(907,427)	3,868,311	8,835	3,859,476	(1,423,511)
Somplast	Bistrita/RO	70.75	(348,994)	3,820,561	5,405,915	18,391,328	(10,750,421)	7,640,907	840,225	6,800,682	(2,980,120)
SIF Hoteluri	Oradea/RO	98.99	23,298,732	96,576,144	79,586,652	111,693,601	(17,668,982)	94,024,619	227,015	93,797,604	2,778,540
Vrancart	Adjud/RO	75.06	140,080,487	147,139,050	77,744,830	394,895,297	(197,786,550)	197,108,747	22,601,889	174,506,858	(27,367,808)
SIF Imobiliare	Nicosia/CY	99.99	176,767,097	268,708,025	158,637,617	416,529,465	(126,128,973)	290,400,491	42,931,939	247,468,552	21,239,472
TOTAL			<u>418,197,106</u>	<u>637,884,158</u>	<u>411,911,058</u>	<u>1,149,181,831</u>	<u>(407,573,111)</u>	<u>741,608,720</u>	<u>85,914,677</u>	<u>655,694,043</u>	<u>(17,809,885)</u>

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The effect of the removal from the consolidation perimeter of the associated entities is presented in the table below:

Values as at 1 st January, 2018	Biofarm	Gaz Vest	Total
The value of the equity	63,295,657	5,404,853	68,700,510
The fair value of the holding	66,817,208	28,208,657	95,025,865
The difference in deconsolidation of associated entities			26,325,355
Gain / (Loss) from loss of control of subsidiaries			(17,809,885)
Total application result from consolidation exemption under IFRS 10 – earnings			8,515,470

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.

No.	Company name	31 December 2017	31 December 2018
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. In 2018, following the application of IFRS 10, the Company evaluates these interests at fair value through profit or loss.

On 31 December 2017, IFRS (IAS 28, paragraph 6), SIF Banat-Crișana exercises significant influence over these two entities and they have entered 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-

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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.

<u>No.</u>	<u>Company name</u>	<u>Percentage held (%)</u>		<u>Status</u>
		<u>31 December 2017</u>	<u>31 December 2018</u>	
1	Aradeanca SA Arad	39.16	39.16	Deregistered
2	Mobila Uși SA Bacău	32.45	32.45	Bankruptcy
3	Elbac SA Bacău	32.45	32.45	Bankruptcy
4	Agroproduct SA Reșița	30.00	30.00	Reorganization
5	Agroindustrială Nădlac	30.00	30.00	Bankruptcy
6	Uzina Ardealul Alba Iulia	29.51	29.51	Bankruptcy
7	Commixt SA Ocna Mureș	28.97	28.97	Bankruptcy
8	Mobimet SA Hațeg	28.87	28.87	Bankruptcy
9	Metalurgica SA Marghita	28.41	28.41	Bankruptcy
10	Sunprod Galda de Jos	30.00	30.00	Liquidation
11	Mebis SA Bistrița	26.78	26.78	Insolvency
12	Exfor SA București	24.23	24.23	Bankruptcy
13	Agroindustrială Sagu	23.62	-	Deregistered
14	Mopal SA Bistrița	21.89	21.89	Reorganization
15	Transilvania Aiud	20.19	20.19	Bankruptcy

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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.

- Companies over which it does not exercises significant influence:

No.	Company name	Percentage held (%)	
		31 December 2017	31 December 2018
1	Nord Construcții SA Carei	44.31	44.31
2	Comar SA Baia Mare	34.94	34.94
3	Atlascard SA Deva	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.

d) Comparative information

Starting with the financial year 2018, based on the information available as at 31 December 2017, the Company reviewed the criteria for classification as an investment entity and concluded that they are being met. Consequently, the Company will remove its subsidiaries from the consolidation perimeter, except those providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). In accordance with IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries that provide investment-related services that will continue to be consolidated.

In applying the above exception, the Company proceeded to determine the result of the elimination of unconsolidated subsidiaries under the exception of IFRS 10 based on the data as at 31 December 2017. As a result of deconsolidation, there are significant differences within the previous year in the profit and loss statement and other elements of the global result statement, the statement of the financial position, the cash flow statement and the statement of changes in equity. Consequently, the explanatory notes that reflect significant influence due to deconsolidation are those referring to Commercial receivables, Stocks, Real estate investments, Tangible and intangible assets, Commercial property, Commercial debts, Loans, Investment grants, Segment reporting, and the Notes detailing the main categories of income and expense.

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

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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	Reclasification	
				Others	Mandatory	
Cash and cash equivalent (including bank deposits)	L&R	Amortised cost	16,134,803	-	-	16,134,803
Debt instruments (state and corporate bonds)	AFS	FVTOCI	67,163,649	(343,234)	-	66,820,415
Debt instruments (fund units and corporate bond)	AFS	FVTPL (mandatory)	267,129,024	-	-	267,129,024
Debt instruments (corporate bonds)	HTM	Amortised cost	6,321,346	-	-	6,321,346
TOTAL DEBT INSTRUMENTS			356,748,822	(343,234)	-	356,405,588
Equity instruments (speculative)	HFT	FVTPL (mandatory)	338	-	-	338
Equity instruments (associated)	AFS	FVTPL	95,025,865	-	-	95,025,865
Equity instruments total shares including subsidiaries	AFS	FVTOCI	2,008,815,084	-	18,957,169	2,027,772,253
TOTAL CAPITAL INSTRUMENTS			2,103,841,287	-	18,957,169	2,122,798,456
Receivables	L&R	Amortised cost	1,627,078	-	-	1,627,078
TOTAL RECEIVABLES			1,627,078	-	-	1,627,078
TOTAL FINANCIAL ASSETS						

The changes resulting from the application of IFRS 10 starting the financial year 2018 consist mainly of the classification of subsidiaries that are no longer consolidated at financial assets measured at fair value through profit or loss to be disclosed in Note 6 “Effects of the Company’s classification as an entity investment”.

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:

Currency	Spot rate 31 December 2017	Spot rate 31 December 2018
EUR	4.6597	4.6639
USD	3.8915	4.0736

b) Accounting for the effect of hyperinflation

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.

According to 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 31st 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 31st 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 29);
- The available-for-sale financial assets evaluated at cost, for which there was no active market and for which it was possible to determine the fair value under a reliable manner (See note 4 d), as at 31st December 2017;

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) The financial instruments according to IFRS 9 include the following:

- Investments in equity instruments (eg shares);
- Investments in debt instruments (eg titles, bonds, loans);
- Trade receivables and other receivables;
- Cash and cash equivalents;
- Financial derived instruments;
- Participations in subsidiaries, associations and joint ventures - according to IFRS 10 / IAS 27 / IAS 28.

(i) Classification

Financial instruments held are classified by the Group in accordance with IFRS 9 "Financial Instruments" in financial assets and financial liabilities.

The Group classifies the financial assets as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss based on:

- (a) the entity 's business model for the management of financial assets;
- b) the characteristics of the contractual cash flows of the financial asset.

Business model

- It represents the manner in which an entity manages its financial assets in order to generate cash flows: collection, sale of assets or both of them;
- Its determination is realized by facts, considering: the valuation and reporting modality of their performance, the current risks and the management modality thereof and the management compensation modality (based on fair value or based on cash flows related to these investments);

Model of held for collection assets

- Managed in order to carry out the cash flows by collecting the principal and the interest during the lifetime of the instrument;
- The hold-to-maturity is not necessary;
- There are categories of sale transactions compatible to this model: those ones due to the increase of the credit risk, infrequent or insignificant sales from the value point of view or sales on dates closed to the due date of the instruments;
- The accounting recording of these assets (if the SPPI criterion is also fulfilled and the fair value option was not selected) is made at amortized cost (using the effective interest method; the interests, earnings or losses from impairment and the exchange rate differences – in profit and loss).

Model of held-for-collection and held-for-sale assets

- Managed both to realize cash flows from collection and through the (full) sale of assets;
- The sales have high frequency and value compared to the previous model, without mentioning a certain threshold to classify within this model;
- The purpose of these sales can be: managing the current liquidity needs, mentioning certain structure of the output obtained or optimization decisions of the entity's balance sheet (correlation of the term of financial assets with that of financial liabilities).
- The accounting registration of these assets (if the SPPI criterion is also fulfilled and the fair value option was not selected) is made at the fair value through other comprehensive income (using the effective interest method; the interests, earnings or losses from impairment and the exchange rate differences – in profit and loss / variation of the fair value of these instruments – in other comprehensive income, the amounts recognized in other comprehensive income are recycled through profit and loss when the asset is derecognized).

Other business model

- The assets managed in order to carry out the cash flows by means of sale;
- The collection of cash flows related to these investments is incidental, it does not represent the purpose of their holding;
- Assets whose performance is managed and reported based on their fair value;
- Liability items acquired for the sale in the near future, are meant to obtain short-term profit or these are derivative instruments;
- The accounting recording of these assets is made at the fair value through profit and loss.

SPPI test

It comprises criteria that evaluates to what extent the structure of the cash flows of a liability instrument classifies within the model of the base credit agreement (the interest reflects to a great extent of the value in time of money and credit risk).

There are some ratios that indicate the case in which the liabilities instruments held should be evaluated at the fair value through profit and loss:

- non-standard interest rate;
- presence of the leverage effect;
- hybrid instruments (including an incorporated derivative).

There are also ratios that, although they would impose a registration at fair value, can comply, under certain circumstances, with the SPPI criterion and so the respective assets should be accounted for at amortized cost:

- the existence of an anticipated reimbursement option or extension of the asset term;
- assets without recourse that should guarantee the debt reimbursement
- contractually related instruments.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset must be measured at fair value through profit or loss, except if it is measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income (FVOCI)

A financial asset, such as debt instruments, must be measured at fair value through other comprehensive income if both conditions below are complied with:

- a) the financial asset is held within a business model whose goal is achieved by collecting the contractual cash flows and the sale of financial assets and
- b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

The company can make an irrevocable choice upon the initial recognition in case of certain investments in *equity instruments* that otherwise would have been evaluated at the fair value through profit or loss to present the subsequent modifications of the fair value in other comprehensive income (according to paragraphs 5.7.5 and 5.7.6 of IFRS 9 – Financial Instruments).

Financial assets measured at amortized cost

A financial asset must be measured at amortized cost if both conditions below are complied with:

- (a) the financial asset is held within a business model whose goal is to hold financial assets in order to collect the contractual cash flows and
- (b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

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

(ii) Recognition

The assets and liabilities are recognized on the date when the Group becomes a contractual party to the conditions of the respective instrument. When the Group recognizes a financial asset for the first time, it must classify it according to paragraphs 4.1.1-4.1.5 (at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income) of IFRS 9 and value it according to paragraphs 5.1.1-5.1.3. (a financial asset or financial liability is measured at fair value adding or subtracting the transaction costs, directly attributable to the acquisition or issue of the asset or liability).

(iii) Measurement

After the initial recognition, the entity must measure the financial assets according to paragraphs 4.1.1 – 4.1.5 of IFRS 9 at:

- a) Amortized cost;
- b) Fair value through other comprehensive income; or
- c) Fair value through profit or loss.

After the initial recognition, the entity must value the financial liabilities according to paragraphs 4.2.1-4.2.2 of IFRS 9. Thus, the Group will classify all financial liabilities at amortized cost, except for:

- a) The financial liabilities measured at fair value through profit or loss;
- b) The financial liabilities that appear when the transfer of a financial asset does not qualify for derecognition;
- c) Financial collateral contracts valued at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);
- d) commitments to provide a loan at an interest rate below the market value measured at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15)

- e) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Measurement 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 measured after the initial derecognition minus the reimbursement of principal, plus or minus the accumulated amortization using the effective interest method for each difference between the initial value and the value at due date, and minus any reduction (direct or by the use of an adjustment account) for impairment or unrecoverability.

The effective interest rate represents the rate that updates exactly the future payments and proceeds in cash during the forecasted life of the financial instrument or, where applicable, during a shorter period, up to the level of the net carrying amount of the financial asset or of the financial liability. For the calculation of the effective interest rate, the entity must estimate the cash flows considering all contractual conditions of the financial instrument, but must not consider the future losses from the changes in credit risk. The calculation includes all fees paid or cashed by the contracting parties that make integral part of the effective interest rate, transaction costs and all the other premiums and discounts.

Measurement at fair value

Fair value represents the price that would be received upon the sale of an asset or paid to extinguish a debt within a transaction developed under normal conditions between the participants in the principal market, on the measurement date, or in the absence of the principal market, on the most advantageous market to which the Group has access at that date.

The group measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily available and regularly. The group measures the instruments quoted on the active markets using the closing price.

A financial instrument is considered as being quoted on an active market when the quoted prices are readily available and regularly from an exchange, dealer, broker, association within the industry, a service for establishing the prices or a regulatory agency, and these prices reflect the transactions occurring actually and regularly, developed under objective market conditions.

Within the category of shares quoted on an active market, all those shares admitted to trading on the Stock Exchange or on the alternative market having frequent transactions are included. The market price used to determine the fair value is the closing price of the market on the last trading day before the measurement date.

The fund units are measured according to the Net Asset Value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Group notices that there is no active market for the fund holding, it recurs for measurement to the public financial statements of the fund holding, respectively to the net asset value. According to the net asset, a corrected Net Asset Value is obtained used to evaluate the units in the financial statements of SIF Banat-Crișana.

Government securities are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

In the absence of a price quotation on an active market, the Group uses measurement techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuers, within the current assessment compartment within the Group.

The valuation techniques include techniques based on the use of observable inputs, such as the quoted price of the identical element held by another party as asset, on a market that is not active, and for the assets for which the observable prices are not available, measurements techniques based on the analysis of the updated cash flows, and other measurement methods used regularly by the market participants. These include the method of comparisons with similar instruments for which there is an observable market price or the percentage method of the net assets of these companies adjusted with a discount for minority ownership and a discount for lack of liquidity, 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 assessment techniques are used regularly.

The value resulted through the use of a measurement model is adjusted depending on the number of factors, because the valuation techniques do not reflect reliably all factors considered by the market participants when closing a transaction. The adjustments are recorded so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. The Company 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 financial position.

(iv) Identification and measurement of value impairment

The Group must recognize a provision for the forecasted losses from credit corresponding to a financial asset that is measured according to paragraph 4.1.2 or 4.1.2A of IFRS 9 (debt instruments measured at amortized cost or at the fair value through other comprehensive income), a receivable resulting from a leasing agreement, a credit commitment and a financial guarantee agreement.

The Group applies the impairment provisions for the recognition of the provision for losses corresponding to the assets measured at fair value through other comprehensive income (debt instruments that meet the criteria of paragraph 4.1.2A of IFRS 9 – assets held in order to collect the cash flows and sales, whose cash flows represent exclusively principal reimbursement or interest payments). The provision determined is recognized considering other comprehensive income and does not reduce the carrying amount of the financial asset from the statement of the financial position.

Every reporting day, the Group measures the provision for losses corresponding to a financial instrument at a value equal to:

- The credit losses forecasted for a 12-month period, if the credit risk has not increased significantly as of the initial recognition;
- The credit losses forecasted during the entire life, if the credit risk has increased significantly as of the initial recognition.

The Group recognizes in profit or loss, as earnings or losses from impairment, the value of the forecasted, recognized or reversed losses, required to adjust the provision for losses on the reporting date up to the level imposed by the provisions of IFRS 9.

The Group assesses the expected credit losses of a financial instrument so that it represents:

- An impartial value, resulted from the weighting of more possible results depending on the probabilities related thereto;
- The time value of money;
- Reasonable information available at no cost or disproportionate effort at reporting date.

The Group may assume that the risk credit for a financial instrument has not increased significantly as of the initial recognition if the financial instrument is considered to have a low credit risk on the reporting date. A financial instrument is considered to have a low credit risk if:

- The debtor has a high capacity to meet the obligations associated with short-term contractual cash flow;
- Unfavorable changes in the business and the business environment may, but not necessarily, reduce the debtor's ability to meet its obligations.

In the assessment of low credit risk for issuers, no real collateral is taken into account. At the same time, financial instruments are not considered to be low-risk only because they have a lower risk than the other instruments issued by the debtor or in comparison with the credit risk prevailing in the geographical region or the jurisdiction in which it operates.

In the credit risk assessment, the Group uses both external credit risk ratings and internal ratings that are consistent with generally accepted definitions of credit risk.

(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 separately 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.

Derecognition of financial assets and liabilities is accounted for using the weighted average cost method.

(vi) Reclassifications

If the Group reclassifies the financial assets according to paragraph 4.4.1 of IFRS 9 (as a result of changing the business model for the management of its financial assets), then all the affected financial assets will be reclassified. The financial liabilities cannot be reclassified after the initial recognition.

The Group applies the reclassification of financial assets prospectively as of the reclassification date. The eventual earnings, losses or interests recognized before will not be restated.

If a reclassification occurs, the Groups proceeds as follows:

- When reclassifying an asset in the amortized cost category to fair value through profit or loss, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in profit or loss;
- When reclassifying an asset in the fair value through profit or loss category to the amortized cost, the fair value at the date of reclassification becomes the new gross carrying amount;
- When reclassifying an asset in the amortized cost category to fair value through other comprehensive income, fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in other comprehensive income, without adjusting the effective interest rate or the expected loss from the borrowing;
- When reclassifying an asset in the fair value category by other elements of the comprehensive income to the amortized cost, the reclassification is carried at the fair value of the asset from the reclassification date. Amounts previously recognized in other comprehensive income are eliminated in relation to the fair value of the asset, without affecting the profit or loss account. The actual interest rate and the expected loss on credit are not adjusted as a reclassification effect;
- When reclassifying an asset in the fair value through profit or loss category to fair value through other comprehensive income, the asset continues to be measured at its fair value;
- When reclassifying an asset of fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. Amounts previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS1).

(vi) Gains and losses

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

- a) The gains or losses generated by financial assets or financial liabilities classified as being measured at fair value through profit or loss are recognized in profit or loss;
- b) The gains or losses generated by an available-for-sale financial asset are recognized at other comprehensive income, except for impairment losses

When the assets are derecognized, the accumulated losses or gains previously recognized in other comprehensive income:

- are reclassified from equity in profit or loss, in the case of debt instruments;
- are transferred to retained earnings, in case of equity instruments (shares).

When the financial assets are impaired or derecognized and the financial liabilities are accounted for at amortized cost, and through their amortization process, the Group recognizes the gains or the loss in the statement of income.

As regards the recognized financial assets using the settlement date accounting, no change of the fair value of the asset to be received during the period between the trading date and the settlement date is recognized for the assets carried at cost or at amortized cost (except for impairment losses). But for the assets accounted for at fair value, the change in fair value must be recognized in 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.

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) Property Plant and Equipment

(i) Recognition and measurement

The Property, Plant and Equipment recognized as assets are measured initially at cost. The cost of an item of Property, Plant and Equipment is formed of the purchase price, including the non-recoverable taxes, after having deducted any trade discounts and any costs attributable directly to bringing the asset to the premises and under the necessary condition so that this one might be used to the purpose intended by the management, such as: expenses for employees resulting directly from the construction or acquisition of assets, the costs of site preparation, the initial delivery and handling costs, the installation and assembly costs, the professional fees.

The Property, Plant and Equipment are classified by the Group within the following classes of assets of the same nature and with similar uses:

- Lands and buildings;
- Technical plants and transport means;
- Other furniture, fittings and equipment

(ii) Measurement after recognition

After the recognition as asset, the Property, Plant and Equipment in the form of land and buildings whose fair value can be evaluated are accounted for at a reevaluated value, this one being the fair value on the reevaluation date less any subsequent accumulated depreciation and any accumulated impairment losses. Other Property, Plant and Equipment are measured at cost less accumulated amortization and any 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.

Reevaluations are made regularly in order to ensure the fact that the carrying amount is not different from what it would have been determined by using the fair value at the end of the reporting period.

If an item of Property, Plant and Equipment is reevaluated, then the entire class of Property, Plant and Equipment which includes the item is referred to reevaluation. If the carrying amount of an asset is increased following a reevaluation, the increase is recognized in other comprehensive income and accumulated in equity, as reevaluation surplus. However, the increase will be recognized in profit or loss provided that it compensates a decrease from the reevaluation of the same asset recognized before in profit or loss. If the carrying amount of an asset is decreased as a result of a reevaluation, this decrease is recognized in 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 decrease will be recognized in other comprehensive income to the extent in which the reevaluation surplus presents a credit balance for that asset. The transfers from the reevaluation surplus in the retained earnings are not made through profit or loss.

(ii) Subsequent costs

The subsequent costs corresponding to Property, Plant and Equipment are measured according to the general recognition criteria of the Property, Plant and Equipment described at chapter (i) Recognition.

The daily maintenance costs („repairs and maintenance costs”) corresponding to the Property, Plant and Equipment are not accounted for; they are recognized as costs of the period during which they are incurred. These costs consist mainly in expenses for the workforce and with consumables, and may include the cost of the low-value components.

The expenses for the maintenance and repairs of Property, Plant and Equipment are registered in the statement of income when they are incurred, and the significant improvements of the Property, Plant and Equipment, that increase their value or their life, or increase significantly the capacity to generate some economic benefits by these ones, are accounted for.

(iii) Depreciation

Depreciation is calculated for the cost of the asset or another value replacing the cost, less the residual value. Depreciation is recognized in the statement of income using the straight-line method for the estimate useful live for the Property, Plant and Equipment, as of the date when they are available for use, this modality reflects faithfully the forecasted manner to consume the economic benefits incorporated in the assets.

The estimated useful lives 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 depreciation methods, the estimated useful lives as well as the residual values are reviewed by the Company management at each reporting date.

(iv) Sale/disposal of Property, Plant and Equipment

The carrying amount of a Property, Plant and Equipment is derecognized (removed from the statement of financial position) on disposal or when no future economic benefit is expected from its use or assignment.

The Property, Plant and Equipment that are scrapped or sold are removed from the balance sheet together with the corresponding accumulated amortization. Any profit or loss resulted from such an operation is included in the result for the period.

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

Intangible assets are measured initially at cost. After the initial recognition, an intangible asset is accounted for at cost less the accumulated amortization and any losses from the accumulated depreciation.

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 with 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 expenditure

Subsequent expenditures are accounted for only when these ones increase the value of the future economic benefits embedded in the asset to which they are intended. All the other expenditures, including the expenses for the impairment of the goodwill and the internally generated marks, are recognized in the statement of income when they are incurred.

(ii) Amortization of intangible assets

Amortization is calculated for the cost or the asset or other amount replacing the cost, less the residual value. Amortization is recognized in the statement of income using the straight-line method for the estimated useful life for the intangible assets, as of the date

when they are available for use, this modality reflects the most reliable the forecasted modality to consume the economic benefits embedded in the asset.

The estimated useful lives 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 lives and the residual values are reviewed at the end of each financial year and adjusted accordingly.

i) Investments property

Investment property is a real estate (land, building or part thereof) held by the Group rather to derive income from rent or to increase the value of the capital, or both of them, rather than to be used to produce or to supply goods or services or to administrative purposes or to be sold during the ordinary course of business.

(i) Recognition

Investment property must be recognized as asset if, and only if there is the probability that the future economic benefits associated to the investment property correspond to the Group and the cost of the investment property can be reliably measured.

(ii) Measurement

Measurement at recognition

Investment property must be measured initially at cost, including transaction costs. The cost of an investment property bought comprises its purchase price plus any directly attributable expenses (for example, professional fees to render the legal services, fees for the transfer of the ownership right and other transaction costs).

Measurement after recognition

Fair value based model

After the initial recognition, all investment properties are measured at fair value, unless fair value cannot be determined reliably on a continuing basis.

Under exceptional situations, on the purchase date for the first time of an investment property, there is clear evidence that fair value of the investment property cannot be determined reliably on an ongoing basis, the Group measures that investment property using the cost model.

The residual value of the investment property is assumed to be null. All the other investment properties are measured at fair value. If the Group measured before an investment property at fair value, then it will continue to assess that investment property at fair value until its disposal.

The gains or losses resulted following the changes in the fair value of the investment property are recognized in the statement of income of the period when they occur. The fair value of the investment property 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) the Group begins to use – for transfers from the investment property category to the Property, Plant and Equipment category used by the group;
- (b) starting the arrangement process to the sale perspective – for transfers from the investment property category to the inventories category, held for sale.
- (c) the Group stops using – for transfers from the Property, Plant and Equipment category used by the Group to the investment property category;
- (d) starting of an operational leasing with another party – for transfers from the inventories category to the investment property 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 an Investment property is derecognized (removed from the statement of financial position) on disposal or when the investment is permanently withdrawn from the use and the occurrence of future economic benefits from its disposal is no longer expected.

The gains or the losses generated from the scrapping or disposal of an Investment property must be recognized in the statement of income during the scrapping 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 non-financial assets, other than deferred tax assets, is reviewed at each reporting date in order to identify whether there is any indication of impairment. If such clues exist, the recoverable value of the respective assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or of the cash generating units exceeds the recoverable value of the asset or of the cash generating unit.

A cash generating unit is the smallest identifiable cash generating group and is independent to 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 value in use and its fair value less the costs for the sale of that asset or unit. In order to determine the net value in use, the future cash flows are updated using a discount rate before tax that reflects the current market conditions and the risks specific to the respective asset.

The impairment losses recognized during the previous periods are measured each reporting date in order to determine if they decreased or do not exist anymore. The impairment loss is reversed if a change occurred in the estimates used to determine the recoverable value. The impairment loss is reversed 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 had not 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 equity. The directly attributable incremental costs to an issue of ordinary shares are deducted from the share 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 is likely to be required in the future to use economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. In order to determine the provision, future cash flows are discounted using a discount rate before tax that reflects the current market conditions and the risks specific to the respective liability. The value value recognized as provisions represents the best estimate of the necessary expenses to settle the actual obligation at the end of the reporting period.

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) Interest income and expenses

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) Dividend income

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 wages, bonuses and social security contributions. The short-term benefits of the employees are recognized as expense when the services are rendered. A provision is recognized for the amounts expected to be paid as bonuses in short-term cash or employee profit participation scheme considering that the Group has at present a legal or implicit obligation to pay those amounts as results of the past services rendered by the employees and if the respective obligation can be estimated reliably.

ii) *Defined contribution plans*

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

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

The Group is not committed in any independent pension plan and, therefore, it has no other obligations to this purpose. The Group must not render subsequent services to the former or current employees.

iii) *Long-term employee benefits*

The Group obligation as regards 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. . According to the collective employment Contract in force, the people who retire at full retirement age may benefit upon retirement of an aid in the amount of five average net salaries in the 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.

iv) *Share-based payment and share option plan type programs*

According to IFRS 2, for equity-settled share-based payment transactions, the entity must measure the goods or services received and the appropriate increase in equity to the fair value of the goods or services received, unless the fair value cannot be reliably estimated. If the entity cannot reliably estimate the fair value of the goods or services received, the entity shall measure their value and the corresponding increase in equity, indirectly, in relation to the fair value of the equity instruments granted.

In order to apply these provisions to transactions with employees and other persons providing similar services, the entity shall measure the fair value of services received by reference to the fair value of the equity instruments granted, as it is generally not possible to estimate reliably the fair value of the services received. The fair value of those equity instruments must be measured at the date of issue.

A grant of equity instruments may be conditional on satisfying specific vesting conditions. For example, a share or share option granted to an employee is generally conditional upon the employee remaining in the service of the entity for a specified period of time. It may be necessary to satisfy performance conditions, such as the entity achieving a specified profit growth or a specified increase in the entity's share price. The vesting conditions other than market conditions should not be taken into account when estimating the fair value of shares or share options at the valuation date. Instead, the vesting conditions should be taken into account by adjusting the number of equity instruments included in the transaction value valuation, so that ultimately the value recognized for counterparty goods or services for the equity instruments granted must be based on the number of end-of-life equity instruments. Therefore, on a cumulative basis, no value is recognized for the goods or services received if the equity instruments granted do not qualify due to non-fulfillment of a vesting condition eg the other party does not complete the specified service period or a performance condition is not met.

u) **Borrowing costs**

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

v) Income tax

The income tax corresponding to the year comprises the current tax and the deferred tax. The current income tax includes the income tax resulted from dividends recognized at gross value.

The income tax is recognized in profit or loss or in other comprehensive income if the tax corresponds to the equity elements.

Current tax is the expected tax payable on the taxable income for the year, determined based on the percentages applied on the balance sheet date and of all adjustments corresponding to the previous periods.

Deferred tax is determined using the balance sheet method for those temporary differences occurring between the calculation tax basis 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 assets and liabilities resulted from transactions that are not business combinations and do not affect the accounting profit or the tax profit and differences resulting from the investments in subsidiaries and associates, provided that these ones are not reversed in the near future. The deferred tax is calculated based on the taxation rates expected to be applicable to the temporary differences when reversed, according to the legislation in force on the reporting date or on the legislation issued on the reporting date that will come into 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 deferred tax assets and liabilities are compensated if there is a legally enforceable right to compensate the deferred tax receivables and liabilities that relate to taxes levied by the same tax authority, from the same taxable entity, or different tax entities which intend to offset the deferred tax receivables and liabilities on a net base or the tax receivables and liabilities will be realized simultaneously.

As at 31 December 2018 and 31 December 2017 the corporate income tax was 16%.

w) Earnings per Share

The group presents the basic and diluted share result for the ordinary shares. The basic Earnings per Share are determined by dividing the profit or loss attributable to ordinary shareholders of the Group to the weighted average number of ordinary shares corresponding to the reporting period. The diluted Earnings per Share is determined by adjusting the profit or loss attributable to ordinary shareholders and of 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

i. The following amended standards have entered into force for the Company as of 1 January 2018, but have had no material impact on the Company.

IFRS 15. Revenue from Contracts with Customers (issued on 28 May 2014 and applicable for the periods beginning on 1 January 2018 or after this date) and amendments to IFRS 15 "Revenue from contracts with customers" for periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price.

The Company is currently assessing the impact of the new standard on its financial statements.

- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after January 2018).
- Amendments to IFRS 9 - "Prepayment characteristics with negative netting" (issued on 12 October 2017 and applicable at the latest for annual periods beginning on or after 1 January 2019)
- Improvements to annual IFRSs (2014-2016 cycle) issued on December 8, 2016 and effective for annual periods beginning on or after 1 January 2018 for changes to IFRS 1 and IAS 28.
- Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments to IFRS 4 Insurance Contracts" (issued on September 12, 2016 and effective, by approach, for annual periods beginning on or after 1 January 2018 for entities that opt for the application of the temporary exemption or when the entity first applies IFRS 9 to entities that choose to apply the overriding approach)
- IFRIC 22 - Foreign Exchange Transactions (issued on December 8, 2016 and effective for annual periods beginning on or after January 1, 2018).
- Real estate investment transfers - Amendments to IAS 40 (issued December 8, 2016 and effective for annual periods beginning on or after January 1, 2018).

ii. Certain new standards, amendments and interpretations of the standards and adopted by the EU are not in force for the financial year ended as at 31 December 2018 and thus are not applied for the issue of these financial statements.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019).

For all lessees, this will result in the fact that almost all leasing contracts will be recognized in the balance sheet, the differences between the operational and financial leasing contracts will be eliminated. According to the new standard, an asset (the right to use a rental property) and a financial debt to pay rent will be recognized. The only exceptions are short-term and low-value leasing contracts. Accounting will not change significantly. The Standard is effective for annual periods beginning on 1 January 2019 and early application is permitted. The

Company expects IFRS 16 to have an insignificant impact on current accounting practices.

There are no other standards and interpretations that are not in force and would be expected to have an impact over the financial position of the Company or its performance.

iii. The following other new standards are not expected to have any material impact on the Company when adopted:

- Amendment IAS 28 “Investor and its Associate or Joint Venture” – Long-term interests and associates and joint ventures effective for annual periods beginning on or after 1 January 2019.
- IFRIC 23 "Income Tax Treatment Uncertainty" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). Improvements to IFRSs (2015-2017 cycle), Improvements to IFRS 3, IFRS 11, IAS 12 and IAS 23 to eliminate inconsistencies and clarifications (issued December 12, 2017 and effective from or after January 1, 2019).

Amendments to IAS 19 "Changes, reductions or reversals of the plan" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise stated above, new standards and interpretations are not expected to materially affect the Company'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 assets measured at fair value through profit or loss and other items of comprehensive income. 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 20,873,853 lei (31 December 2017: RON 28), 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 RON 96,148,705 (31 December 2017: RON 137,978,617, 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:

	2018	%	2017	%
Agriculture, forestry and fishing	378,546	0,0	621,150	0,0
Wholesale and retail trade, repair of motor vehicles	37,902,258	1,9	7,409,417	0,6
Constructions	667,238	0,0	1,217,304	0,1
Hotels and restaurants	126,746,145	6,5	10,614,721	0,8
Extractive industry	54,416,217	2,8	59,450,796	4,5
Manufacturing industry	333,231,839	17,0	41,656,280	3,1
Financial brokerage and insurance	998,717,798	51,1	1,168,562,263	88,2
Production and supply of energy, gas and water	27,242,153	1,4	7,429,750	0,6
Financial services applicable to real estate	304,495,261	15,6	-	-
Real estate investments	10,570,630	0,5	-	-
Transport and storage	57,659,329	2,9	25,470,155	1,9
Other activities	<u>2,901,664</u>	<u>0,1</u>	<u>3,134,241</u>	<u>0,2</u>
TOTAL	<u>1,954,929,078</u>	<u>100,0</u>	<u>1,325,566,077</u>	<u>100,0</u>

As the table above shows, as at 31 December 2018, the Group held mainly shares in companies operating in the banking and insurance field, accounting for 51% of the total portfolio, down from the 31 December 2017, subject to the elimination from consolidation of subsidiaries with non-specific activities of an investment entity.

As at 31 December 2018, the Group holds fund units of Closed Investment Funds Active Plus, Certinvest Shares, Star Value, Omnitrend, Romania Strategy Fund and Optim Invest, and as of 31 December 2017 the Group holds fund units in Closed Asset Investment Funds Plus, Star Value, Optim Invest and Omnitrend. The Group is exposed to price risk in terms of placements 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 2018:

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	RON		EUR	
	Range		Range	
Financial assets and liabilities	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
Cash and cash equivalents	-	-	-	-
Bank deposits	0,45%	3,00%	-	-
Financial assets at fair value through profit or loss	3,85%	5,35%	-	-
Financial assets at fair value through other items of comprehensive income *	3,25%	5,75%	5,75%	5,75%
Investments held to maturity	-	-	5,98%	5,98%
Loans	-	-	-	-
Loans from affiliated parties	0%	3,5%	1%	1%

*Financial assets at fair value through other items of comprehensive income includes the corporate bonds.

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

	RON		EUR	
	Range		Range	
Financial assets and liabilities	<u>Min</u>	<u>Max</u>	<u>Min</u>	<u>Max</u>
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%

* - Available-for-sale financial assets include government and corporate bonds.

The following table shows 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.

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	<u>2018</u>	<u>2017</u>
Bank deposits with term <3 months	57,227,855	16,575,382
Bank deposits with term >3 months	21,730,661	31,427,783
Financial assets measured at fair value through profit or loss - corporate bonds	40,562,280	-
Financial assets measured at fair value through other elements of the global result - government and corporate bonds	4,872,610	68,956,899
Financial assets at amortized cost	6,327,044	-
Held-to-maturity investments	-	6,321,346
Loans	-	(129,370,582)
Loans from related parties	<u>(3,063,669)</u>	<u>(41,046,796)</u>
TOTAL	<u>127,656,781</u>	<u>(47,135,968)</u>

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 1,098,052 RON (31 December 2017: RON 2,789,740).

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 2018 may be analyzed as follows:

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31 December 2018

In RON	<u>EUR</u> (equivalent in RON)	<u>USD</u> (equivalent in RON)	<u>GBP</u> (equivalent in RON)	<u>HUF</u> (equivalent in RON)
Financial assets				
Cash and cash equivalents	9,022,099	2,787	1,329	-
Bank deposits	-	-	-	-
Available-for-sale financial assets through profit or loss*	20,255,448	-	-	-
Financial assets at fair value through other elements of the global result *	290,081,290	-	-	-
Investments held to maturity	6,505,683	-	-	-
Other assets	-	-	-	-
TOTAL	325,864,520	2,787	1,329	-
Loans	1,143,716	-	-	-
TOTAL	<u>1,143,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net financial assets	324,720,804	2,787	1,329	-

* As part of financial assets at fair value through other items of comprehensive income, Erste Bank shares and bonds Impact S.A.

** Financial assets at fair value through profit or loss include foreign currency holdings of closed-end investment funds, in proportion to the share of total assets held by the Group.

On 31 December 2018, the Company owns fund units in Active Plus Plus Funds, Omnitrend, Star Value, Optim Invest, Certinvest Shares and Romania Strategy Fund. On 31 December 2017, the Company held fund units in Closed Investment Funds Active Plus, Omnitrend, Star Value and Optim Invest. The Company is exposed to foreign currency risk in terms of placements made by these Investment Funds.

On 31 December 2018, the assets of the Closed Investment Fund Omnitrend were mainly represented by traded shares held at SIF Oltenia - 81.5% (31 December 2017: 47.7% - SIF Moldova) and 18.5% bank deposits (31 December 2017: 48.8%). Investments in financial assets in foreign currency (shares, bank deposits) represent 0.03% of the Fund's assets.

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As at 31 December 2018, the total assets of the Active Plus Investment Fund were mainly traded shares held at SIFs 86.11% (31 December 2017: 83.54%), bonds admitted to trading on a regulated market in another OPUS-Chartered Issuance SA 9,14% (31 December 2017: 10,21%) and other securities admitted to trading on a market in another Member State 4,45% (31 December 2017: 6,05 % structured products Morgan Stanley & Co with asset backing SIF1, SIF2, SIF4 and Palatino Technologies).

On 31 December 2018, the total assets of Optim Invest Invest closed were mainly traded shares held in SIFs 98.3% (31 December 2017: 98.8%), currency investments 0.91% and units fund base of 0.83%.

On 31 December 2018, the total asset of the Certinvest Equities Alternative Investment Fund was mainly represented by shares traded on the domestic market 91.7%, bank deposits in lei 5.1% and fund units with a weight of 3,2%.

On 31 December 2018, the total asset value of the Star Value Investment Fund was mainly represented by shares traded on the domestic market 83.0%, bank deposits in ROL 16.2% and shares on foreign markets 0.38% (Erste Bank).

On 31 December 2018, the total assets of the Romania Strategy Fund closed Fund were mainly traded shares held with SIFs 49.7% and current assets in RON 50.3%.

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

31 December 2017

In RON	<u>EUR</u> (equivalent in RON)	<u>USD</u> (equivalent in RON)	<u>GBP</u> (equivalent in RON)	<u>HUF</u> (equivalent in RON)
Financial assets				
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>
TOTAL	486,508,521	748,067	388,632	766
Financial liabilities				
Loans	55,659,643	-	-	-
Other liabilities	<u>41,046,796</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	96,706,439	-	-	-
Net financial assets	<u>389,802,082</u>	<u>748,067</u>	<u>388,632</u>	<u>766</u>

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This version of the accompanying documents are 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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* Financial assets available for sale in EUR include holdings held abroad (Austria - Erste Bank) and fund units.

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 2018		31 December 2017	
	Impact over	other items of	Impact over the	Impact over
	the profit and	the global	profit and loss	other items of
	loss statement	result	statement	the global result
Increase with 5% (2017: 5%)	1,455,032	12,183,414	(3,306,211)	19,725,672
Decrease 5% (2017: 5%)	(1,455,032)	(12,183,414)	3,306,211	(19,725,672)
Total	=====	=====	=====	=====

(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 2018 and 31 January 2017 the Group did not have security interests as insurance nor other credit rating improvements. As at 31 December 2018 and 31 December 2017, the Group registered outstanding financial assets, but which are not impaired.

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Below its presented the financial assets with exposure to credit risk:

31 December 2018	Current accounts	Bank deposits	Bonds issued by financial institutions (Held to maturity)	Bonds issued by companies (FVTOCI)	Bonds issued by companies (FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating A-							
BBB+	11,329,564	54,727,855	-	-	-	-	66,057,419
BBB	24,299	5,026,000	-	-	-	-	5,050,299
BB+	2,698,188	8,500,000	6,505,683	-	-	-	17,703,871
Baa2	4,367	2,900,000	-	-	-	-	2,904,367
Ba2	-	3,004,661	-	-	-	-	3,004,661
Ba3	3,554	-	-	-	-	-	3,554
Caa2	389,266	-	-	-	-	-	389,266
NR	<u>1,501</u>	<u>4,800,000</u>	<u>-</u>	<u>4,882,639</u>	<u>40,929,816</u>	<u>390,152</u>	<u>51,004,107</u>
TOTAL	<u>14,450,739</u>	<u>78,958,516</u>	<u>6,505,683</u>	<u>4,882,639</u>	<u>40,929,816</u>	<u>390,152</u>	<u>146,117,544</u>

31 December 2017	Current accounts	Bank deposits	Bonds issued by financial institutions (Held to maturity)	Government bonds	Bonds issued by trade companies (available for sale)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating A-							
BBB+	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>-</u>	<u>-</u>	<u>4,912,490</u>	<u>101,767,377</u>	<u>119,742,157</u>
TOTAL	<u>36,056,360</u>	<u>52,935,420</u>	<u>6,499,763</u>	<u>64,044,407</u>	<u>4,912,490</u>	<u>101,767,377</u>	<u>265,215,817</u>

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

Bank	31 December 2017	31 December 2018	Rating
ING Bank	203,248	-	A2
Trezorerie	236,463	-	A3
Garanti Bank	3,798,703	-	A3
Veneto Banca	748,664	-	B
Raiffeisen Bank Romania	1,955,904	2,904,367	Ba1
Libra bank	6,431,288	4,800,000	Baa3
Banca Transilvania	9,065,946	11,197,124	BB
Credit Europe Bank	4,063,088	3,004,661	BB-
Intesa Sanpaolo Romania	5,166,304	5,050,299	BBB-
BRD - Groupe Société Générale	10,874,403	25,170,424	BBB+
Banca Comerciala Romana	6,600,386	46,776	BBB+
Unicredit Tirioc Bank	26,575,748	40,840,219	BBB+
Piraeus Bank Romania	1,006	284	C
Bancpost Romania	204,284	1,064	C
Alpha Bank Romania	4,056	3,554	CCC+
Banca Feroviara	4,641,183	1,501	NR
Marfin Bank	8,260,576	-	NR
Alte banci	<u>160,570</u>	<u>388,982</u>	NR
TOTAL (nota 15)	<u>88,991,779</u>	<u>93,409,255</u>	

** For banks for which there is no rating, we considered the parent company's rating

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

(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 2017 and as at 31 December 2018, as follows:

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31 December 2018	Carrying amount	Less than 3 months	Between 3 and 12 months	More than 1 year	Without pre- established maturity
Financial assets					
Cash and cash equivalents	71,692,346	71,692,346	-	-	-
Bank deposits	21,830,010	18,816,010	3,014,000	-	-
Financial assets at fair value through profit and loss	1,105,989,676	-	-	40,929,816	1,065,059,861
Available-for-sale financial assets	1,190,434,235	-	-	4,882,639	1,185,551,596
Investments held to maturity	6,505,683	-	-	6,505,683	-
Other assets	<u>165,554</u>	<u>165,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>2,396,617,504</u>	<u>90,673,910</u>	<u>3,014,000</u>	<u>52,318,137</u>	<u>2,250,611,457</u>
Financial liabilities					
Loans	3,428,853	4,643	2,115,378	1,308,832	-
Dividends payable	5,495	5,495	-	-	-
Other liabilities	2,739,935	2,739,935	-	-	-
Total financial liabilities	<u>6,174,282</u>	<u>2,750,073</u>	<u>2,115,378</u>	<u>1,308,832</u>	<u>-</u>
Liquidity surplus	<u>2,390,443,221</u>	<u>87,923,837</u>	<u>898,622</u>	<u>51,009,305</u>	<u>2,250,611,457</u>

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FOR THE YEAR ENDED AS AT 31 DECEMBER 2018

(All amounts are presented in RON)

31 December 2017	Carrying amount	Less than 3 months	Between 3 and 12 months	More than 1 year	Without pre- established maturity
Financial assets					
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 through other elements of the global result	1,642,602,587	-	-	68,956,899	1,573,645,688
Investments held to amortized cost	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>
Total financial assets	<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>
Financial liabilities					
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	-
Total financial liabilities	<u>290,016,289</u>	<u>103,766,434</u>	<u>56,602,904</u>	<u>129,636,590</u>	<u>10,361</u>
Liquidity surplus	<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>

5.2 Other risks

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

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

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

The Group 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 1st 2007, following the joining 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 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) Economic environment risk

The management of SIF Banat-Crisana cannot predict all the effects of the financial crisis with an impact on the financial sector in Romania, but it believes that in 2018 it adopted the necessary measures for the Company's sustainability and development under the present state of the financial market by monitoring its cash flows and adapting its investment policies.

Risk avoidance and mitigation of their effects is ensured by the company through an investment policy which complies with prudential rules imposed by the applicable laws and regulations in force.

SIF Banat-Crisana adopted risk management policies through which risks are managed actively, by implementing specific risk identification, evaluation, measurement and control procedures meant to provide reasonable assurance with respect to the achievement of the Company's objectives, thus seeking a consistent balance between risk and expected profit.

The risk management aims at: (i) identifying and assessing significant risks with major impact in achieving the target investment and developing activities to counter the risk identified; (ii) adapting the risk management policies to the developments in the financial capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the development of the capital and money market; (iv) compliance with the legislation in force.

The Euro area economy has experienced a significant recovery in recent years, both in terms of GDP growth (with annualized increases of more than 1.5%) and the progressive reduction of unemployment and the return of inflation to the target ECB (2 %). However, the ECB has also maintained during the latest period (at the meeting in January 2019) both the benchmark interest rate in absolute historical absolutes (0%) and the commitment to fully reinvest the amounts cashed on the maturity date of the financial instruments acquired in the quantitative easing program, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB. Maintaining these exceptional measures, considering the recent macroeconomic data that indicate a slowdown of the economic activity in the main economies of the Euro area (including technical recession in Italy), signals the persistence of some risks despite positive developments in recent years.

(c) Operational risk

Operational risk is the risk of direct or indirect loss resulting from deficiencies or weaknesses in procedures, personnel, the Group internal systems or from external events that can have an impact over its operations. Operational risks result from all the Group activities.

The Group objective is to manage the operational risk so as to limit financial loss, not damage its reputation and achieve the investment objective of generating returns for investors.

The primary responsibility for implementation and development of control over the operational risk lies with the Board of Directors. This responsibility is supported by the development of general standards of operational risk management, including controls and processes within service providers and service commitments with service providers.

(d) Capitals adequacy

The management policy with respect to capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Group and attain the investment objectives.

The Group equity includes the share capital, different types of reserves, the reported result and the minority interests. The equity amounted to RON 2,291,260,308 as at 31 December 2018 (RON 2,341,652,003 as at 31 December 2017).

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

During the first quarter of 2018, the parent reviewed the criteria for classification as an investment entity and concluded that they were met, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA).

Thus, the parent company is an investment company under IFRS 10 because:

- a) it obtains funds from one or more investors for the purpose of providing investment management services to them;
- b) it engages its investors that the purpose of its business is to invest funds only for gains from increasing the value of the investment, investment income, or both; and
- c) it quantifies and evaluates the performance of most of its investments based on fair value.

The Company applies the provisions of IFRS 10 - Investment Entities from the financial year 2018.

In addition, the parent also has other characteristics specific to an investment entity, namely:

(a) Investment related services

The parent company is a joint-stock company that functions as a self-managed closed-end financial investment company and is classified under the "Other Collective Investment Undertakings (AOPC) with a diversified investment policy" under the ASF regulations.

The parent company directly provides services related to the management of investments for its investors, the main activity of which is exclusively the activities of the closed-end investment companies.

The parent company has significant investments in two subsidiaries, SAI Muntenia Invest SA and AISA, which provide (directly or indirectly through a subsidiary) investment services or activities. Thus, after the Company becomes an investment entity, SIF Banat - Crișana will consolidate SAI Muntenia and AISA in accordance with IFRS 10.

(b) Purpose of the activity of an investment entity

According to the articles of association, the purpose of the parent company is to carry out lucrative (financial) activities specific to its object of activity and to obtain profit for its distribution to the shareholders and / or to finance the financial investments permitted by the statutory and the legal provisions in force.

The objective of the parent company is to efficiently manage a diversified portfolio of qualitative assets capable of providing a steady flow of income, preservation and medium to long-term capital growth in order to increase the value for shareholders and obtain the highest returns of the invested capital, under the assurance of a reasonable level of risk spreading, in order to offer its shareholders the possibility of obtaining attractive performances, together with the increase of the invested capital.

The parent investment strategy seeks to maximize portfolio performance in order to increase the value of managed assets and investment income. The investment strategy and the annual investment program of the parent company approved by the General Shareholders' Meeting are public information and are presented on the parent company's official website and can be consulted by potential third party investors to support the decision of the investing in the Company.

At the same time, the parent company frequently monitors the structure and evolution of the investment portfolio and publishes monthly the assets and liabilities situation and publishes together with the Quarterly / Semester / Annual Asset Statement reports.

(c) Exit strategies

SIF Banat - Crișana manages a complex portfolio composed of the following main categories of financial instruments: shares, bonds and fund units. The parent company intends to retain the majority of its investments (financial and non-financial) for a limited period, and for that purpose has an exit strategy defined and implemented for them.

The parent company applies an exit strategy tailored to the specificity of each individual investment, defined on the basis of the following: applied strategy, investment objectives and exit transaction trigger conditions. The Differentiated Approach addressed by the Company for each of its participations aims at capitalizing on an aggregate return (generated by dividend gain and capital gain).

(d) Measurement at fair value

Starting with 1 January 2018, the Company measures the financial investments at fair value, nearly total amount at fair value, the rest of the investments being measured at amortized cost. The parent owns property classified as "Investment property" which is measured using the fair value model in accordance with IAS 40. The assessment is carried out by internal assessors and assessors authorized by the National Association of Authorized Evaluators in Romania (ANEVAR).

(e) Effects of Classification of the Company as an Investment Entity

From the time that the parent became an investment entity, the Company accounted for the change in its status as a "ceded loss" or "loss of control" over its subsidiaries as presented in the consolidated financial statements under IFRS .

The fair value of the investment at the date of change of the statute should be used as a consideration received when the provisions of IFRS 10 are applied.

Thus, gain or loss in the case of a "ceded loss" must be recognized as a gain or loss in the income statement. The parent company measures all its subsidiaries at fair value through profit or loss, except for the subsidiaries of SAI Muntenia Invest SA and AISA, which will continue to be consolidated.

Thus, the Company will prepare two sets of financial statements: individual and consolidated financial statements in accordance with IFRS 10 and IAS 27.

The manner of presenting the investments in the parent's financial statements as an investment entity shall consider both the requirements of IFRS 10 and IFRS 9 for the Classification and Measurement of Financial Instruments held by the Company as required by:

- i) Investments in subsidiaries excluded from consolidation are measured at fair value through profit or loss in accordance with IFRS 9;
- ii) Investments in subsidiaries (SAI Muntenia and AISA) included in the consolidation perimeter will be measured in accordance with IFRS 9 and measured at fair value through other items of comprehensive income.
- iii) Investments in associates are measured at fair value through profit or loss in accordance with IFRS 9;
- iv) Investments in equity instruments (other than in subsidiaries and associates) - at fair value through other items of comprehensive income;
- v) Investments in debt instruments (bonds) will be classified and measured in accordance with IFRS 9, after analysis of the business model and the SPPI test:
 - Government and corporate bonds - at fair value through other elements of the global result, as a result of documenting the Hold to collect & sell business model and passing the SPPI test;
 - Corporate bonds issued by subsidiaries and associates - at fair value through profit or loss, consistently with the method of valuation of subsidiaries and associates, following the provisions of IFRS 10, paragraph 31, and the Company's business model, in line with the exit strategy for those investments; and
 - Corporate bonds, other than those issued by subsidiaries and associates, at amortized cost consistent with those detailed in Section B.1 (iv) "Investments in debt instruments (bonds)".
- vi) Investments in fund units will be classified at fair value through profit or loss, which are ineligible for the irrevocable choice to present them in other changes in the comprehensive income. Under IFRS 9, even if investments in such instruments can be assimilated to equity investments for accounting purposes, they do not meet the definition of equity as set out in IAS 32. Thus, financial instruments that give the holder the right to place the instruments back to the issuer in return for a consideration in cash or another financial asset is a financial liability of the issuer. Moreover, the respective investments representing debt instruments from the perspective of IFRS 9, it is unlikely that these investments will pass the SPPI test.

(f) Presentation of information

For each subsidiary not consolidated in the financial statements, the parent must disclose information about: the subsidiary name, the place of business and the percentage of ownership in the share capital.

If the parent company or one of its subsidiaries has provided financial or other support to a non-consolidated sheet in the financial statements (eg, purchases of assets, financial instruments issued by that subsidiary), it must provide information on the type and amount of support granted, and the reasons why it has granted this support to the subsidiary.

The information presented above was presented in Note 3.

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).

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(d)(iii). 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: quoted market price on an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices on active markets for similar instruments; quoted prices for similar instruments on markets considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques largely based on unobservable inputs. This category includes all instruments where the valuation technique includes items that are not based on observable data and the unobservable input parameters could have a significant effect on the instrument's valuation. This category includes instruments that are rated based on the quoted prices for similar instruments but for which adjustments are necessary based greatly on unobservable inputs or estimates to reflect the difference between the two instruments.

The fair value of financial assets and liabilities that are traded on active markets are based on quoted market prices or on prices quoted by brokers. For all the other financial instruments, the Group determines the fair value using evaluation techniques.

The valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation techniques. Assumptions and data used in valuation techniques include the risk free interest rates and reference rates, credit gaps and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, stock market price indices, volatility and expected correlations. The purpose of the valuation techniques is to determine the fair value to reflect the price of financial instruments on the reporting date, the price that would be determined in objective conditions by market participants.

The Group uses valuation models recognized to determine the fair value of simple financial instruments which use only observable market data and require very few estimates and analysis from management (e.g. instruments that are valued based on quoted prices for similar instruments and which do not require adjustments based on unobservable data or estimates in order to reflect the difference between the two instruments). Observable prices and input parameters are usually available on the market for capital instruments.

Their availability reduces the need for estimates and analyses from management and the uncertainty associated with determining the fair value. The availability of observable market prices and inputs varies depending on products and markets and is subject to changes arising from specific events and general conditions on the financial markets.

For shares that do not have a quoted market price on an active market, the Group Company uses valuation models which are usually derived from known models of valuation. Some or all significant input data of these models may not be observable on the market and are derived from market prices or estimated based on assumptions. The valuation models needing unobservable inputs require from management high level analysis and estimates to determine the fair value. The management analysis and estimates are involved, in particular, in the selection of a suitable valuation model, in the establishment of future cash flows of a financial instrument, in determining the probability of default by the counterparty and of advance payments and in selecting the appropriate discount rates.

The fair value of the financial instruments for which there is no active market (Level 2 and 3) was determined by authorized external valuers and authorized valuers within the Valuation department of the Group, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price. Valuation techniques have been used consistently, with no changes in their application.

An analysis of the financial instruments and investment property and land and buildings recognized at fair value according to the valuation method is presented in the table below:

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31 December 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>1,368,089,964</u>	<u>8,976,610</u>	<u>247,989,671</u>	<u>1,625,056,245</u>
31 December 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Available-for-sale financial assets at fair value – shares	207,568,440	-	561,809,452	769,377,892
Available-for-sale financial assets at fair value – fund units	-	-	295,681,969	295,681,969
Available-for-sale financial assets at fair value - corporate bonds	40,929,816	-	-	40,929,816
Financial assets at fair value through other items of comprehensive income - equity	1,139,744,797	16,138,348	29,668,452	1,185,551,597
Financial assets at fair value through other items of comprehensive income - corporate bonds	4,882,639	-	-	4,882,639
Investments at amortized cost	6,505,683	-	-	6,505,683
TOTAL	<u>1,399,631,374</u>	<u>16,138,348</u>	<u>887,159,874</u>	<u>2,302,929,596</u>

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:

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

	Financial assets measured at fair value through other comprehens ive income - equity	Financial assets measured at fair value through profit or loss - equity	Financial assets measured at fair value through profit or loss - fund units
2018			
Balance as at 1 January 2018	<u>-</u>	<u>-</u>	<u>247,989,671</u>
Initial balance restated under IFRS 9	473,291,733	28,208,657	247,989,671
Reclassifications in assets at fair value through profit or loss	(491,143,508)	491,143,508	-
Exits through deconsolidation	-	-	(17,585,633)
(Earnings) or losses recognized in:			
- the statement of income	-	37,033,415	(51,852,388)
- other items of the global result	9,236,362	-	-
Acquisitions	40,522,753	5,423,872	140,499,992
Cost of acquisition of the ceded shares	(2,238,888)	-	(23,369,673)
Balance as at 31 December 2018	<u><u>29,668,452</u></u>	<u><u>561,809,452</u></u>	<u><u>295,681,969</u></u>

Although the Group considers its fair value estimates as appropriate, the use of other methods or assumptions could result in different amounts of the fair value. For fair values recognized from the use of a significant number of unobservable inputs (Level 3 changing one or more assumptions in order to make possible 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 2,5 mil. (31 December 2017: RON 20,8 mil.) and in the profit and loss account of RON 70.3 million (31 December 2017: 0).. 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(d)(i) were complied with.

For the classification of financial assets as held to maturity, the Group determined that both the positive intent and the ability to maintain that asset until maturity required by Note 3 (e) (i) were met.

Details of the classification of the Group financial assets and liabilities are presented in 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 2018, 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.

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.

Information regarding the fair value measurement using significant unobservable inputs (Level 3) for 2018 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	2-8 euros/mp	8-10%

7 **FINANCIAL ASSETS AND LIABILITIES**

Accounting classifications and fair values

For measurement purposes, IFRS 9 "Financial Instruments", the Group classifies its financial assets in the following categories: (a) loans and receivables; (b) financial assets at fair value through profit or loss; (c) financial assets at amortized cost and (d) financial assets at fair value through other comprehensive income.

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The table below summarizes the carrying amounts and the fair values of the financial assets and liabilities as at 31 December 2018:

	<u>Financial assets measured at fair value through profit or loss</u>	<u>Financial assets measured at fair value through other comprehensive income</u>	<u>Amortized cost</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Total carrying amount</u>	<u>Fair value</u>
Cash and cash equivalent	-	-	-	71,692,346	-	71,692,346	71,692,346
Cash at hand	-	-	-	13,753	-	13,753	13,753
Cash in current accounts	-	-	-	14,450,738	-	14,450,738	14,450,738
Short term deposits	-	-	-	57,227,855	-	57,227,855	57,227,855
Long term bank deposits	-	-	-	21,830,010	-	21,830,010	21,830,010
Financial assets at fair value through profit and loss	1,105,989,676	-	-	-	-	1,105,989,676	1,105,989,676
Shares	769,377,891	-	-	-	-	769,377,891	769,377,891
Unit funds	295,681,969	-	-	-	-	295,681,969	295,681,969
Corporate bonds	40,929,816	-	-	-	-	40,929,816	40,929,816
Financial assets at fair value through other comprehensive income	-	1,190,434,235	-	-	-	1,190,434,235	1,190,434,235
Shares	-	1,185,551,596	-	-	-	1,185,551,596	1,185,551,596
Government bonds	-	-	-	-	-	-	-
Corporate bonds	-	4,882,639	-	-	-	4,882,639	4,882,639
Financial assets-amortized cost	-	-	6,505,683	-	-	6,505,683	6,505,683
Bonds issued by financial institutions	-	-	6,505,683	-	-	6,505,683	6,505,683
Other financial assets	-	-	-	6,994,465	-	6,994,465	6,994,465
Total financial assets	2,211,979,352	1,190,434,235	6,505,683	100,516,821	-	2,403,446,414	2,403,446,414
Dividends payable	-	-	-	-	5,495	5,495	5,495
Loans	-	-	-	-	3,428,853	3,428,853	3,428,853
Other financial liabilities	-	-	-	-	2,739,935	2,739,935	2,739,935
Total financial liabilities	-	-	-	-	6,174,282	6,174,282	6,174,282

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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 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>
Cash and cash equivalent	-	58,282,699	-	-	-	58,036,732	58,036,732
Cash at hand	-	517,986	-	-	-	517,986	517,986
Cash in current accounts	-	41,189,331	-	-	-	40,943,364	40,943,364
Short term deposits	-	16,575,382	-	-	-	16,575,382	16,575,382
Long term bank deposits	-	31,473,033	-	-	-	31,473,033	31,473,033
Financial assets at fair value through profit and loss	338	-	-	-	-	338	338
Available for sale financial assets	-	-	1,642,602,587	-	-	1,642,602,587	1,642,602,587
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
Held to maturity investments	-	-	-	6,499,763	-	6,499,763	6,499,763
Bonds issued by financial institutions	-	-	-	6,499,763	-	6,499,763	6,499,763
Other financial assets	-	<u>101,767,377</u>	-	-	-	<u>101,767,377</u>	<u>101,767,377</u>
Total financial assets	<u>338</u>	<u>191,277,142</u>	<u>1,642,602,587</u>	<u>6,499,763</u>	-	<u>1,840,379,830</u>	<u>1,840,376,344</u>
Loans	-	-	-	-	129,370,582	129,370,582	129,370,582
Dividends payable	-	-	-	-	15,586,380	15,586,380	15,586,380
Other financial liabilities	-	-	-	-	<u>133,367,836</u>	<u>133,367,836</u>	<u>133,367,836</u>
Total financial liabilities	-	-	-	-	<u>278,324,798</u>	<u>278,324,798</u>	<u>278,324,798</u>

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In estimating the fair value of financial assets and financial liabilities measured at amortized cost, the Group has used the following assumptions and has made the following significant judgments:

- For cash and cash equivalents, other financial assets and financial liabilities that are issued or held for very short periods and are generally non-interest bearing or have fixed interest rates, the Group has approximated fair value to 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>2018</u>	<u>2017</u>
Income from the sale of goods	-	480,475,276
Income from lease	133,547	3 0,083,642
Income from interests corresponding to deposits	1,200,233	2,868,715
Income from dividends	102,476,153	58,378,692
Income from interests corresponding to investments	3,548,432	(136,491)
Income from services rendered	19,651,233	48,571,566
Other income	151,857	10,898,923
Total	<u>127,161,455</u>	<u>631,140,323</u>

The decrease in operating incomes and operating expenses is due to deconsolidation.

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9 OPERATING EXPENSES

	<u>2018</u>	<u>2017</u>
Expenses for goods	-	13,516,841
Expenses for amortization	434,482	48,396,130
Consumables (fuel, parking, spare parts)	182,875	74,548,184
Expenses for maintenance and repairs	100,589	4,466,527
Expenses for salaries and other expenses for personnel	20,750,222	153,444,687
Expenses for royalties, premises and rents	832,492	2,982,777
Expenses for electricity, heating and water	121,147	23,622,111
Expenses for raw materials	-	153,820,063
Services executed by third parties	7,099,796	44,738,095
Other operational expenses	<u>754,049</u>	<u>15,845,552</u>
Total	<u><u>30,275,651</u></u>	<u><u>535,380,967</u></u>

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

	<u>2018</u>	<u>2017</u>
Expenses for salaries	19,980,912	118,737,351
Expenses for social security	566,699	28,317,982
Expenses for meal tickets	202,611	6,389,354
Total	<u><u>20,750,222</u></u>	<u><u>153,444,687</u></u>

The fee paid to auditors during the year 2018 for the audit of the financial statements was 413,986 lei (31 December 2017: 382,126 lei) and for non audit 267,024 lei (31 December 2017: 249,310 lei).

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10 EARNINGS/ LOSS FROM INVESTMENT PROPERTY

	<u>2018</u>	<u>2017</u>
Earnings from investment properties	166,460	30,767,818
Loss from investment properties	<u>(297)</u>	<u>(16,021,054)</u>
Net effect of the change of value corresponding to the investment properties	<u>166,163</u>	<u>14,746,764</u>

11 EARNINGS/ LOSS FROM FINANCIAL ASSETS

	<u>2018</u>	<u>2017</u>
Cost of acquisition of financial assets measured at fair value through other elements of the comprehensive result	(63,511,371)	-
Acquisition cost of the available-for-sale financial assets assigned	-	(82,472,335)
Receipts from sale	62,228,955	84,623,326
Other income /(expenses) from assignment (*)	<u>-</u>	<u>(2,503,530)</u>
Net earnings from the sale of financial assets	<u>(1,282,416)</u>	<u>(352,539)</u>

- Other net earnings / losses regarding the financial assets

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	<u>2018</u>	<u>2017</u>
Expenses for adjustments for the impairment of the available-for-sale financial assets	-	(1,223,359)
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
Losses of financial assets at fair value through profit and loss	(14,950,272)	(768,377)
Gain from deconsolidation (Note 3)	<u>8,515,467</u>	<u>-</u>
Net loss from other financial assets	<u>(6,434,805)</u>	<u>3,336,091</u>
Total earnings from financial assets	<u>(7,717,221)</u>	<u>2,983,552</u>
12 OTHER NET EARNINGS /LOSSES		
	<u>2018</u>	<u>2017</u>
Sale of non-current assets:		
– Income	59,013	533,321
– Expenses	(39,081)	(485,720)
Impairment of current assets:		
– Reversals	140,625	4,617,216
– Amounts established during the period	(11,407)	(2,230,865)
Revaluation / value impairment effect on non-current assets:		
– Reversals	-	11,526,552
– Amounts established during the period	-	(15,896,864)
Modifications of provisions:		
– Reversals	311,790	1,800,409
– Amounts established during the period	(149,392)	(1,597,681)

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Other (losses) / earnings – net	_____ -	_____ 566,786
Total	_____ 311,547	_____ (1,166,846)

13 FINANCIAL INCOME AND EXPENSES

	_____ 2018	_____ 2017
Expenses for interest	19,456	3,355,096
Losses from the exchange rate differences	406,661	8,738,711
Other financial expenses	_____ -	_____ 32,739
Financial expenses	426,118	12,126,546
Earnings from the exchange rate differences	(496,396)	(5,281,638)
Other financial income	_____ -	_____ (2,740)
Financial income	(496,396)	(5,284,378)
Net financial expenses	_____ (70,279)	_____ 6,842,168

14 PROFIT TAX

	_____ 2018	_____ 2017
Current profit tax (16%)	1,164,256	6,213,805
Income Tax (1%)	24,680	53,615
Tax on specific (for restaurants and hotels)	-	298,875
Dividends tax (0%, 10%, 16%)	3,696,481	2,073,414
Available-for-sale financial assets	-	740,943
Financial assets at fair value through profit and loss	-	(639,632)
Tangible assets /Real estate investment	22,803	(4,826,019)
Provisions for risks and expenses and adjustments of receivables and inventories	_____ 46,685	_____ 225,710
Total profit tax recognized in the result of the year	_____ 4,954,905	_____ 4,140,711

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018*****(All amounts are presented in RON)***

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

	<u>2018</u>	<u>2017</u>
Profit before tax	89,716,572	115,732,776
Tax according to the statutory taxation rate	14,354,652	18,517,244
Dividend tax	3,696,481	2,073,414
Effect on the corporate income tax of :		
The non-taxable income	(28,912,448)	(30,919,318)
The non-deductible expenses and assimilated items (*)	8,442,962	34,810,482
Tax deductions	-	(6,989,218)
The items similar to income	33,355,269	1,678,222
The items similar to expenses	-	-
Tax loss to recover from the previous years	(1,109,699)	(1,917,484)
The amounts representing sponsorship within the legal limits and other deductions	(161,942)	(558,651)
Tax credit	-	(2,040,700)
Tax recognized in retained earnings	(24,779,858)	-
Deferred tax	<u>69,488</u>	<u>(4,498,997)</u>
Corporate income tax	<u>4,954,905</u>	<u>8,287,221</u>

(*) Starting with January 1st 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.

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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.

The current income tax also includes the deferred income tax corresponding to the sales of ERSTE shares during the current year. 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 2018</u>	<u>31 December 2017</u>
Cash on hand	5,632	517.986
Current accounts at banks	14,450,738	40.943.364
Deposits at bank with initial maturity smaller than 3 months	57,228,664	16.575.382
Other values	<u>7.312</u>	<u>245.967</u>
Total cash and cash equivalents with maturity smaller than 3 months	<u>71,692,346</u>	<u>58.282.699</u>
Deposits at bank with initial maturity higher than 3 months	21,730,661	31.427.783
Attached interest corresponding to deposits	<u>99.349</u>	<u>45.250</u>
Total cash and cash equivalents	<u>93,522,356</u>	<u>89.755.732</u>

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

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Shares evaluated at fair value	769,377,892	338
Units measured at fair value	295,681,969	-
Corporate Bonds (including the Interest Attributed)	40,929,816	-
Total	<u>1,105,989,677</u>	<u>338</u>

Following the application of IFRS 9 as of 1 January 2018, holdings in associates, unithold units and bonds held with related parties have been reclassified as assets at fair value through profit or loss.

Shares valued at fair value through profit or loss include unconsolidated subsidiaries of RON 674,144,609 and related parties RON 95,232,870.

The fair value of investments in subsidiaries is presented below:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Evaluated at fair value through profit or loss		
SIF IMOBILIARE PLC NICOSIA	304,495,261	268,708,025
NAPOMAR SA CLUJ-NAPOCA	30,615,905	22,253,512
SIF HOTELURI SA ORADEA	83,297,586	96,576,144
AZUGA TURISM SA BUCURESTI	27,529,618	26,712,568
SILVANA SA CEHU SILVANIEI	882,000	2,435,964
IAMU SA BLAJ	51,264,214	49,001,511
CENTRAL SA CLUJ	29,091,869	21,236,823
VRANCART SA ADJUD	133,199,561	147,139,050
SOMPLAST SA BISTRITA	3,197,965	3,820,561
SIF SPV TWO	119,988	-
UNITEH	10,450,642	-
Total	674,144,609	637,884,158

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Statement of Investment Funds in which units are held:

	31 December 2018	31 December 2017
Closed Fund of Active Investment Plus	148,826,336	170,671,268
The Closed Investment Fund Omnitrend	21,442,900	13,015,760
Closed Investment Fund Optim Invest	24,279,839	46,717,010
Star Value Star Fund	8,233,456	-
Alternative Investment Fund Certinvest Shares	65,165,578	-
Alternative Investment Fund Romania Strategy Fund	<u>27,733,860</u>	<u>-</u>
Total	<u>295,681,969</u>	<u>230,404,038</u>

	<u>Shares</u>	<u>Fund units</u>	<u>Corporate bonds</u>	<u>Total</u>
1 January 2018	338	-	-	338
1 January 2018- restated	95,233,619	230,404,039	36,989,473	362,627,131
Acquisitions	5,423,872	140,499,992	-	145,923,864
Reclassifications in assets measured at fair value through other elements of the global result	635,959,310	-	-	635,959,310
Sales	(338)	(23,369,673)	-	(23,370,011)
Afferent interest	-	-	103,047	103,047
Changing the fair value	32,761,428	51,852,389	3,837,295	(15,253,667)
31 December 2018	<u>769,377,891</u>	<u>295,681,969</u>	<u>40,929,815</u>	<u>1,105,989,677</u>

At the end of the first quarter of 2018, the Company concluded that it met the criteria to declare an investment entity and thus reclassified its holdings in subsidiaries from assets measured by other items of comprehensive income to assets measured at fair value through profit or loss. The fair value of these participations at the date of reclassification was amounted to 635,959,310 RON.

Acquisitions of shares amounting to 5.4 mil RON include mainly the equivalent of shares of Uniteh SA Timisoara (5.3 mil RON), classified as shares held in subsidiaries.

During 2018, fund units in the amount of 140.5 million RON were purchased, out of which 74.5 million RON to the Certinvest Shares Fund, 29 million RON to the Romania Strategy Fund, 15 million RON to the Omnitrend Fund, 12 million RON to the Active Plus Fund and 10 million lei to the Star Value Investment Fund.

Sales of fund units include the redemption of fund units by the Optim Invest Fund in the amount of 18.5 mil RON and Omnitrend amounting to 4.8 mil RON.

Hierarchy of the fair value of financial instruments

As at 31 December 2018, the financial assets measured at fair value classified as Level 3 are as follows:

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Financial assets	Fair value at 31 December 2017	Evaluation technique	Input data used		Unobservable input data	The weighted average cost of capital		Capitalization rate	The relationship between unobservable input data and fair value - sensitivity	
						Standard values	Variations from standard values			
Financial investments available for sale, d.c:	887,159,874	-	-	-	-	-	-	-	-	
Non-listed or no active market – subsidiaries	236,449,787	income approach – discounted cash flow method	Turnover, EBITDA for each major stake	Variation +/- 5% from standard value	weighted average cost of capital	8 % - 14%	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
No active market - subsidiaries	304,495,261	Income approach – corrected net assets method	Corrected net assets for each subsidiary of the holding	Variation +/- 5% from standard value	Average market rental rates and capitalization rates – used in valuation of real estate holdings – major effect on net assets	-	-	8,5%-12%	Variation +/- 5% from standard value	Increasing of net asset (influenced by the increase in the value of real estate investments) brings about the rise in fair value and vice versa to lowering the fair value
Investments in Associated Entities	20,864,403	income approach – discounted cash flow method	Turnover, EBITDA for each investment in associated entities	Variation +/- 5% from standard value	weighted average cost of capital	9.30 %	Variation +/- 5% from standard value	-	-	Increasing EBITDA (influenced by revenue growth and / or declining costs and wacc decrease in fair value and versus fair value reduces fair value.
Minority holdings without active market	29,668,453	net asset corrected approach	historical and half-yearly financial statements		discounts for lack of liquidity					
Fund units	295,681,969	asset approach	financial data - VU AN published by the Fund Manager	-	-	-	-	-	-	-
Total	887,159,874									

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**17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME**

	<u>2018</u>
Shares evaluated at the fair value	1,185,551,596
Corporate bonds	4,882,639
Total	<u>1,190,434,235</u>

	<u>2017</u>
Shares evaluated at the fair value	1,301,699,517
Shares evaluated at cost	23,956,501
Fund units evaluated at the fair value	247,989,670
Corporate bonds	4,912,491
Government securities at fair value	<u>64,044,408</u>
Total	<u>1,642,602,587</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 2018, 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..

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The movement of financial assets measured at fair value through other items of comprehensive income in 2018 is presented in the following table:

	Equities valued at fair value	Government bonds at fair value	Corporate bonds	Shares valued at cost	Fund units	<u>Total</u>
1 January 2018	1,301,699,517	64,044,407	4,912,491	23,956,501	247,989,670	1,642,602,586
1 January 2018- restated	1,344,748,497	64,044,407	4,912,491	-	-	1,413,705,395
Influences from deconsolidation	637,884,158	-	-	-	-	637,884,158
Acquisitions	60,952,933	-	-	-	-	60,952,933
Reclassifications in assets measured at fair value through profit or loss	(635,959,310)	-	-	-	-	(635,959,310)
Sales	(111,649,280)	(62,228,956)	-	-	-	(173,878,236)
Afferent interest	-	(2,007,441)	9	-	-	(2,007,431)
Changing the fair value	(110,425,403)	191,989	(29,861)	-	-	(110,263,274)
31 December 2018	1,185,551,595	-	4,882,639	-	-	1,190,434,235

The decrease in the volume of these financial assets on 1 January 2018 as of the end of 2017 is due to the reclassification, under IFRS 9 Financial Instruments, Fund Units, Shares held by Associates and Securities Obtained from a Subsidiary in the Assets category at fair value through profit or loss.

Shares in the year 2018 totaling RON 61 mn include mainly Conpet (48.3 mn lei), Banca Transilvania (8.1 mln lei), Erste Bank SA (4.1 mln lei) and shares of Central SA Cluj (RON 0.4 mn).

Sales of shares amounting to 111.6 mn lei include mainly the sale of Erste Bank (98.8 mn lei), Compa (1.9 mn lei), Celhart Donaris (1.7 mn lei), Hora Reghin 1.5 million lei), SIF Moldova (1.3 million lei), Bermas (1.3 million lei), Silvarom (1.3 million lei), Hercules (1.1 million lei), Cotroceni Park lei lei), etc.

The gains from transactions in the amount of RON 71.3 mn were recognized in the retained earnings.

SIF BANAT – CRIȘANA SA

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During the year 2018 government bonds were sold, amounting to 62.2 million lei.

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

	Fair value Shares evaluated at the fair value	Equity Shares evaluated at cost	Fair value Fund units evaluated at the fair value	Fair value Government securities at fair value	Corporate bonds	Total
1 January 2017	1,083,708,928	24,544,709	64,499,755	103,690,723	-	1,276,444,115
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>-</u>	<u>66,826,915</u>	<u>(2,060,631)</u>	<u>(122,529)</u>	<u>282,334,379</u>
31 December 2017	<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>	<u>1,642,602,587</u>

Stock entries in 2017 mainly include the following:

- purchases of shares on the hill market in the amount of 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 in the amount of RON 112 million were purchased, of which RON 72 million were paid to the Active Plus Investment Fund and the Optim Invest Investment Fund in the amount of 40 million lei.

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

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
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Acquisitions of corporate bonds in 2017 include Impact liabilities amounting to RON 4.9 mn.

In RON	2018	2017
As at 1 January	1,251,829,179	982,963,061
As at 1 January 2018 – restated	1,149,040,945	
Profit from the measurement at the fair value of financial assets measured at fair value through other comprehensive income	(110,042,412)	316,072,688
Profit transferred to retained earnings corresponding to the financial assets measured at fair value through other comprehensive income out of the portfolio (Profit)/Loss transferred to statement of income corresponding to the financial assets measured at fair value through other comprehensive income out of portfolio	(71,300,623)	-
Transfer of the reserve corresponding to subsidiaries in retained earnings following the application of IFRS 10	1,282,416	(2,442,752)
Effect of deferred income tax	(376,323,691)	-
	29,587,161	(44,763,818)
As at 31 December	<u>622,243,796</u>	<u>1,251,829,179</u>

18 FINANCIAL ASSETS EVALUATED AT AMORTIZED COST**31 December 2018**

Bonds	6,327,044
Attached interest corresponding to the state titles and bonds	<u>178,639</u>
Total	<u>6,505,683</u>

Following the application of IFRS 9 as of 1 January 2018, the bonds held with Banca Transilvania reclassified from held-to-maturity investments to financial assets at amortized cost.

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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Investments held to maturity**31 December 2018**

Bonds	6,321,346
Attached interest corresponding to the state titles and bonds	<u>178,418</u>
Total	<u><u>6,499,764</u></u>

As at 31 December 2018 and 2017 include corporate bonds issued by Banca Transilvania in EURO, amounting to RON 6.3 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 TRADE RECEIVABLES

	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade receivables	2,922,387	99,024,751
Less: provisions for the impairment of trade receivables	-	(10,586,129)
Trade receivables – net	2,922,387	88,438,622
VAT to recover	58	522,880
Tax receivable	2,126,352	2,317,825
Other receivables related to personnel	-	401,223
Advances to suppliers	20,769	72,219
Other receivables	<u>1,924,899</u>	<u>10,014,608</u>
Total trade receivables	<u><u>6,994,465</u></u>	<u><u>101,767,377</u></u>
 Total short-term position	 6,994,465	 101,767,377
 Trade receivables not due	 <u><u>-</u></u>	 <u><u>66,780,094</u></u>
 Trade receivables due, but not impaired	 <u><u>-</u></u>	 <u><u>21,658,528</u></u>

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

As at 31 December 2018 the trade receivables amounting to RON 1,6 mil. (31 December 2017: RON 10.6 mil.) were impaired.

As at 31 December 2018, the trade receivables amounting to RON mil. 0 (RON 2017: 20.9 mil.) were overdue, but unimpaired. The analysis of the oldness of these trade receivables is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Up to 30 days		14,910,055
Between 30 and 90 days		5,391,538
Between 90 and 180 days		1,055,121
Over 180 days		<u>301,814</u>
		<u><u>21,658,528</u></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:

	<u>31 December 2018</u>	<u>31 December 2017</u>
RON	2,922,387	79,224,043
EUR	-	9,057,394
USD	-	78,216
GBP	<u>-</u>	<u>78,970</u>
	<u><u>2,922,387</u></u>	<u><u>88,438,622</u></u>

The details of the various receivables as at 31 December 2018 and 31 December 2017 is presented below:

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
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	<u>31 December 2018</u>	<u>31 December 2017</u>
Various debtors	1,652,879	19,228,499
Other various receivables	1,890,381	56,776
Less: provision for the impairment of other receivables	<u>(1,618,360)</u>	<u>(9,370,667)</u>
Total Other Receivables	<u>1,924,899</u>	<u>10,014,608</u>

At row Various Debtors as at 31 December 2017 the Group registered litigious receivables at the purchase price amounting to RON 11.7 mil. according to the Litigious Rights Assignment Contract celebrated between TM Agro and Lemen Holding Limited on May 28th 2014 and to the addendum no. 1 dated December 22nd 2014.

Within the line of Other Drawings as at 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.

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Goods	-	1,761,414
Inventories at third parties	-	3,888,840
Production in course	-	8,636,673
Finished products	-	14,402,693
Raw materials and other materials	<u>2,668</u>	<u>52,418,919</u>
Total inventories	<u>2,668</u>	<u>80,808,539</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 2017	257,427,670
Entries	6,832,381
Transfer from tangible assets	957,066
Transfers from available-for-sale assets	9,188,639
Disposals	-
Effect of the change of the fair value	14,746,764
Balance as at 31 December 2017	289,152,520
Balance at 1 January 2018	289,152,520
Exits through deconsolidation	(268.196.291)
Entries	-
Transfer from tangible assets	-
Transfers from available-for-sale assets	-
Effect of the change of the fair value	<u>166,163</u>
Balance as at 31 December 2018	21,122,392
Net carrying amounts	
Balance as at 31 December 2017	<u>289,152,520</u>
Balance as at 31 December 2018	<u>21,122,392</u>

22 PROPERTY, PLANT AND EQUIPMENT

Cost or evaluation (RON)	<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>
Balance as at 31 December 2016	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>
Balance as at 31 December 2017	<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>
Balance as at 1 January 2018	310,971,313	307,020,107	17,336,633	28,067,281	663,395,334
Output through deconsolidation	(307,151,586)	(304,160,473)	(16,756,586)	(28,067,281)	(656,135,926)
Entries	-	317,067	17,985	-	335,052
Transfers from the assets in course	-	-	-	-	-
Transfer from intangible assets	-	-	-	-	-
Disposals	-	(263,266)	(46,725)	-	(309,990)
Acquisition of subsidiary	-	-	-	-	-
Transfers to investment property	-	-	-	-	-
Reevaluation	-	-	-	-	-
Cancellation of accumulated depreciation at revaluation	-	-	-	-	-
Balance as at 31 December 2018	3,819,727	2,913,436	551,307	-	7,284,470

Value adjustments	<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>
Balance as at 31 December 2016	<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>
Balance as at 31 December 2017	<u>9,858,442</u>	<u>73,082,403</u>	<u>10,170,370</u>	<u>83,655</u>	<u>93,194,870</u>
Balance as at 1 January 2018	301,112,870	233,937,705	7,166,263	27,983,626	570,200,464
Output through deconsolidation	(300,176,675)	(231,707,403)	(6,717,289)	(27,983,626)	(566,584,993)
Expenses for depreciation	110,117	257,140	34,501	-	401,758
Depreciation corresponding to exits	-	(228,740)	(43,242)	-	(271,982)
Reclassification of amortization corresponding to the investment properties	-	-	-	-	-
Cancellation of accumulated depreciation at revaluation	-	-	-	-	-
Adjustments for impairment of property, plant and equipment	-	-	-	-	-
Balance as at 31 December 2018	1,046,312	2,258,701	440,233	=	3,745,246
Net carrying amount					
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>
Balance as at 31 December 2018	<u>2,773,415</u>	<u>654,735</u>	<u>111,073</u>	<u>-</u>	<u>3,539,223</u>

At December 31st, 2017**Pledged assets and assets acquired following the obtaining of some loans**

Napomar. The net value of the pledged assets as at 31.12.2017 was 19.4 million RON.

SIF Hotels. On December 31, 2017, SIF Hotels has pledged tangible fixed assets (Doubletree by Hilton Hotel Oradea) with a net book value of 60.8 million lei for the loan contracted with Intesa San Paolo Bank for investments.

IAMU. Pledged assets for credit agreements in favor of BRD at net book value are equipment, amounting to ROL 19.1 million as at 31 December 2017.

Vrancart. Some of Vrancart's tangible assets are mortgaged or pledged to guarantee loans from banks. The net book value of these pledged or mortgaged assets is 147.3 million lei at 31 December 2017.

Somplast. Other pledged assets in favor of Banca Transilvania SA Cluj and DGPF Bistrita Nasaud have net book value of 5.2 million RON at 31 December 2017.

SIF Imobiliare. BH Retail Company has a mortgage on commercial real estate in favor of the credit guarantee bank, amounting to 18.7 million RON.

The company SIFI CJ Logistic has a pledged property in favor of the bank for guaranteeing loans with a net book value as of 31 December 2017 of ROL 4 million RON.

Assets held in financial leasing

Vrancart

The net carrying amount of the non-current assets acquired by financial leasing amounts to RON 1 mil at 31 December 2017.

Somplast

As at 31 December 2018, the company has registered as financial leasing the property, plant and equipment having a net carrying amount of RON 0.2 mil 31 December 2017. 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 as at 31 December 2017.

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

23 INTANGIBLE ASSETS AND GOODWILL*Intangible assets**Goodwill*

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

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 5,160,670 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.

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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.

24 OTHER FINANCIAL ASSETS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade liabilities	401,610	58,936,350
Amounts owed to related parties	-	41,056,438
Amounts owed to employees	1,927,844	17,340,898
Advances from clients	-	2,491,355
Debt corresponding to the income tax	157,283	1,350,411
VAT payable	44,714	2,075,172
Other liabilities – short-term	208,483	7,372,664
Other liabilities – long-term	<u>-</u>	<u>2,744,548</u>
Total liabilities	<u>2,739,934</u>	<u>133,367,836</u>

As at 31 December 2017, the amount of RON 4,453,300 represents the put option 2, a derivative financial instrument recognized as a result of the acquisition agreement by the subsidiary Vrancart SA of the social part of Rom Paper SRL (see Note 3 a). As 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 determination formula, using the most recent estimates the value of EBITDA made by Rom Paper for 2017.

25 DIVIDENDS PAYABLE

<i>In RON</i>	<u>31 December 2018</u>	<u>31 December 2017</u>
Dividends payable	5,495	15,586,380

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.

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26 DEFERRED TAX LIABILITIES

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit and loss	-		
Financial assets at fair value through comprehensive income	-	799,042,481	(799,042,481)
Tangible assets and investment properties			
Property, plant and equipments and Investment property	-	13,400,265	(13,400,265)
Value adjustments in respect of assets	-	34,303	34,303
Provisions for risks and expenses	-	1,305,025	1,305,025
Total	-	813,782,074	(811,103,418)
Tax corresponding to the loss carried forward	-	-	-
Net temporary differences - 16%	-	-	(811,103,418)
Net temporary differences - 10%	-	-	-
Liabilities regarding the deferred income tax	-	-	(129,776,548)

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>
Total	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%	-	-	-
Liabilities regarding the deferred income tax	-	-	(207,270,420)

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

	<u>Value</u>
Liabilities deferred tax 31 December 2016	<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>
Liabilities deferred tax 31 December 2017	<u>207,270,420</u>
Impact tax deconsolidation	(31,023,268)
Tax with impact over the profit and loss	69,488
Impact of assets evaluation reserves held for sale	<u>(35,986,712)</u>
Liabilities deferred tax 31 December 2018	<u>129,776,547</u>

Table of movements concerning liabilities from deferred income tax

	<u>31/12/2018</u>	<u>01/01/2018</u>	<u>Increases / decreases in the Profit and loss account</u>	<u>Increases / decreases in Other comprehensive income</u>	<u>31/12/2018</u>
Financial assets at fair value through profit and loss	215,658	215,658	(215,658)	-	-
Available-for-sale financial assets	174,400,283	163,846,902	-	(36,000,106)	127,846,796
Tangible assets and real-estate investments	34,950,521	34,950,521	(32,842,676)	22,803	13,394
Provisions	<u>(2,296,042)</u>	<u>(2,296,042)</u>	<u>2,035,065</u>	<u>46,685</u>	<u>(214,292)</u>
	<u>207,270,420</u>	<u>196,717,039</u>	<u>(31,023,269)</u>	<u>69,488</u>	<u>(35,986,712)</u>
			<u>69,488</u>	<u>(35,986,712)</u>	<u>129,776,547</u>

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	<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
Financial assets at fair value through comprehensive income	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>

27 LOANS

	<u>31 December 2018</u>	<u>31 December 2017</u>
Long-term		
Bank loans	-	69,016,063
Bounds	-	1,228,682
Loans	3,342,194	-
Financial leasing liabilities	<u>86,659</u>	<u>2,252,661</u>
Total long-term loans	3,428,853	72,497,406
Short-term		
Authorised overdrafts	-	44,507,655
Financial leasing liabilities	-	1,730,685
Short-term loans	<u>-</u>	<u>10,634,836</u>
Total short-term loans	-	56,873,176
Total borrowings	<u>3,428,853</u>	<u>129,370,582</u>

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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.

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

Currency	<u>31 December 2018</u>	<u>31 December 2017</u>
EUR	1,143,717	55,659,643
RON	<u>2,285,136</u>	<u>73,710,939</u>
Total	<u>3,428,853</u>	<u>129,370,582</u>

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**

Banca/Societate	<u>2018</u>	<u>2017</u>
Banca Comerciala Romana	-	9,446,401
Banca Transilvania	-	6,217,239
BRD - Groupe Société Générale	-	26,895,124
ING Bank	-	18,278,158
Intesa Sanpaolo Romania	-	9,506,334
Raiffeisen Bank	-	15,992,690
Unicredit Bank	-	16,553,991
Veneto Banca	-	5,824,624
Garanti Bank	-	7,280,539
Eximbank	-	8,163,454
Other banks	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>124,158,554</u>

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.

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*(All amounts are presented in RON)***31 December 2018 31 December 2017**Obligations from financial leasing– gross –
minimum leasing payments

Less than 1 year	18,925	1,844,473
More than 1 year and not more than 5 years	67,734	2,302,195
Future financial expenses corresponding to the financial leasing contracts	_____ -	_____(163,322)
Updated value of the obligations from financial leasing	<u>86,659</u>	<u>3,983,346</u>

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

31 December 2018 31 December 2017

Less than 1 year	18,925	1,730,685
More than 1 year and up to 5 years	<u>67,734</u>	<u>2,252,661</u>
	<u>86,659</u>	<u>3,983,346</u>

28 SUBSIDIES FOR INVESTMENTS**31 December 2018****31 December 2017**

IAMU	-	6,116,635
VRANCART	-	24,006,238
NAPOMAR	-	8,056,585
SOMPLAST	-	236,324
Other subsidies	_____ -	<u>62,662</u>
Total subsidies	<u>_____ -</u>	<u>38,478,444</u>

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The table below summarizes the evolution of investment grants:

	<u>31 December 2018</u>	<u>31 December 2017</u>
Balance at 1 January	38,478,444	41,511,736
Outputs through deconsolidation	(38,478,444)	-
Subsidies obtained during the year	-	-
Subsidies obtained at acquisition		
RomPaper	-	3,069,841
Income from investment grants	<u>-</u>	<u>(6,103,133)</u>
Balance at 31 December	<u><u>-</u></u>	<u><u>38,478,444</u></u>

29 CAPITAL AND RESERVES

(a) Share capital

As at 31 December 2018, the share capital SIF Banat Crișana amounted to RON 51,746,072 and is divided into 517,460,724 shares with nominal value of RON 0.1 and is the result of direct subscriptions to the share capital of SIF by converting into shares the amounts due as dividends under law no. 55/1995 and law no. 133/1996. As at 31 December 2018, the number of shareholders was 5,754,670 (31 December 2017: 5,760,880).

Shares issued by SIF Banat Crisana are traded on the Bucharest Stock Exchange since November 1999. The records of shares and shareholders is kept by Depozitarul Central S.A. Bucharest. All shares are ordinary shares, were subscribed and fully paid as at 31 December 2018 and as at 31 December 2017. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

The Extraordinary General Meeting of Shareholders dated 26 April 2018 approved the reduction of the share capital of SIF Banat-Crișana SA, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of a number of 2,539,276 own shares acquired by the company, as part of the redemption programs of its own shares in 2016 and 2017.

The Extraordinary General Meeting of Shareholders dated 26 April 2018 approved the execution of a program for the redemption of 17,460,724 own shares ("Program I") by the Company for the purpose of reducing its share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The Extraordinary General Meeting of Shareholders dated 26 April 2018 approved the execution of a program of redemption of 1.400.000 own shares ("Program II") by the Company, for distribution free of charge to the members of the management of the Company (administrators, directors) as well as the reward for the activity carried out within the Company, according to the performance criteria to be established by the Board of Directors.

Following the decision of the Extraordinary General Meeting of Shareholders dated 26 April 2018, the Board of Directors approved the "Share-based payment plan" which provided 1,400,000 shares of SIF1 to the directors and directors of the Company. Entry rights (share transfer) will be made when the conditions in the "Share-based Payment Plan" are met and the option is exercised by each beneficiary after a 12-month deadline has elapsed since the signing of the payment agreements.

On 28 September 2018, SIF Banat-Crișana reported related to the starting, from 2 October 2018, of the Program II of redemption of its own shares through daily transactions in the market, according to the decision of the AGM no. 2 art. 2 of 26.04.2018. The program has been suspended by the Society since October 29, 2018

The reconciliation of the share capital according to IFRS with the one according to the Articles of Incorporation is presented in the following table:

	31 December 2018	31 December 2017
Statutory share capital	51,746,072	52,000,000
Effect of applying IAS 29 over the share capital	<u>645,164,114</u>	<u>648,330,055</u>
Share capital reconsidered	<u>696,910,187</u>	<u>700,330,055</u>

(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:

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(All amounts are presented in RON)

	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2017</u>
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>
Reserves established following the application of Law no, 133/1996	<u><u>2,105,675,691</u></u>	<u><u>2,105,675,691</u></u>

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 financial assets at fair value through other comprehensive income

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 2018 amounts to 10,605,771 RON (31 December 2017: RON 26,734,310).

Legal reserves cannot be distributed to shareholders.

(e) Dividends

SIF Banat-Crișana shareholders did not approved during year 2018 and 2017 the distribution of dividends out of the profit of the financial year 2017 respectively 2016.

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>2018</u>	<u>2017</u>
Profit from continuous activities assignable to parent companies	84,761,668	104,730,239
Average number of ordinary shares issued in circulation	<u>517,441,294</u>	<u>517,849,298</u>
Basic share result	0,164	0,215

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

31 SEGMENTS REPORTING

In 2018, the Group operated on a single segment, respectively financial activity. In 2017, the Group's activity was segmented into four main activities, respectively:

- 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 (2017: 3).

The industry activity includes 5 companies in 2017 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 in 2017.

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The trade, restaurants and hotel activity includes 3 companies in 2017.

Assets	<u>2018</u>	<u>2017</u>
Industry	-	543,383,028
Trade, hotels, restaurants	-	189,268,976
Financial activity	2,517,665,587	2,376,116,255
Agriculture	-	136,801,190
Adjustments corresponding to consolidation	<u>(89,135,666)</u>	<u>(375,035,096)</u>
Total assets according to the consolidated statement of the financial position	<u>2,428,529,921</u>	<u>2,870,534,353</u>
Liabilities	<u>2018</u>	<u>2017</u>
Industry	-	222,358,946
Trade, hotels, restaurants	-	22,095,355
Financial activity	137,494,341	239,192,097
Agriculture	-	45,235,951
Adjustments corresponding to consolidation	<u>(224,728)</u>	<u>-</u>
Total liabilities according to the consolidated statement of the financial position	<u>137,269,613</u>	<u>528,882,350</u>
Equity	<u>2018</u>	<u>2017</u>
Industry	-	321,024,081
Trade, hotels, restaurants	-	167,173,621
Financial activity	2,380,171,247	2,181,690,472
Agriculture	-	46,798,925
Adjustments corresponding to consolidation	<u>(88,910,939)</u>	<u>(375,035,096)</u>
Total equity according to the consolidated statement of the financial position	<u>2,291,260,308</u>	<u>2,341,652,003</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Operating revenue	<u>2018</u>	<u>2017</u>
Industry	-	486,497,857
Trade, hotels, restaurants	-	29,576,446
Financial activity	127,161,455	104,423,545
Agriculture	<u>-</u>	<u>10,642,475</u>
Total operating revenue according to the consolidated statement of the global result	<u>127,161,455</u>	<u>631,140,323</u>
Operating profit	<u>2018</u>	<u>2017</u>
Industry	-	30,400,606
Trade, hotels, restaurants	-	9,284,479
Financial activity	89,646,294	63,649,764
Agriculture	<u>-</u>	<u>8,987,978</u>
Total operating profit according to the consolidated statement of the global result	<u>89,646,294</u>	<u>112,322,827</u>
Financing expenses	<u>2018</u>	<u>2017</u>
Industry	-	4,788,919
Trade, hotels, restaurants	-	1,302,080
Financial activity	426,118	1,181,102
Agriculture	<u>-</u>	<u>4,854,445</u>
Total financing expenses according to the consolidated statement of the global result	<u>426,118</u>	<u>12,126,546</u>

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(All amounts are presented in RON)

Profit before tax	<u>2018</u>	<u>2017</u>
Industry	-	27,596,148
Trade, hotels, restaurants	-	8,354,175
Financial activity	89,716,572	73,510,461
Agriculture	<u> </u>	<u>6,271,992</u>
Total profit before tax according to the consolidated statement of the global result	<u>89,716,572</u>	<u>115,732,776</u>
Net profit	<u>2018</u>	<u>2017</u>
Industry	-	25,663,685
Trade, hotels, restaurants	-	11,914,974
Financial activity	84,761,668	68,696,531
Agriculture	<u> </u>	<u>5,316,876</u>
Total net profit according to the consolidated statement of the global result	<u>84,761,668</u>	<u>111,592,065</u>

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:

	Place of business (and country of incorporation if different)	Proportion of non- controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2017						
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	-
Total				4.992.547	85.790.990	2.915.429

(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.

SIF BANAT – CRIȘANA SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are presented in RON)

Summarized statement of the financial position

	Central SA Cluj <u>31 December 2017</u>	Vrancart SA Adjud <u>31 December 2017</u>	Iamu SA Blaj <u>31 December 2017</u>	SIF Imobiliare <u>31 December 2017</u>
Current assets	3,333,392	112,949,135	30,389,046	21,471,696
Current liabilities	<u>1,079,722</u>	<u>77,193,631</u>	<u>18,165,179</u>	<u>5,331,113</u>
Net current assets	2,253,670	35,755,504	12,223,867	16,140,583
Non-current assets	39,823,818	280,995,211	49,526,835	313,662,585
Long-term liabilities	<u>6,842,841</u>	<u>105,369,066</u>	<u>11,259,475</u>	<u>132,703,873</u>
Net non-current assets	32,980,977	175,626,145	38,267,360	180,958,712

Summarized statement of the global result	Central SA Cluj <u>31 December 2017</u>	Vrancart SA Adjud <u>31 December 2017</u>	Iamu SA Blaj <u>31 December 2017</u>	SIF Imobiliare <u>31 December 2017</u>
Operating income	4,721,971	328,294,848	88,599,248	35,407,448
Net profit	565,127	25,438,955	5,926,080	14,372,848
Other items of the global result	-	<u>(18,297,200)</u>	-	-
Total global result corresponding to the period	<u>565,127</u>	<u>4,868,805</u>	<u>5,926,080</u>	<u>14,372,848</u>
Net Assets	<u>35,234,647</u>	<u>211,381,649</u>	<u>50,491,227</u>	<u>197,099,295</u>
Interests that do not control	<u>12,621,102</u>	<u>22,601,889</u>	<u>6,462,901</u>	<u>44,105,098</u>

SIF BANAT – CRIȘANA SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Summary statement of cash flows	Central SA Cluj	Vrancart SA Adjud	Iamu SA Blaj	SIF Imobiliare
	<u>31 December 2017</u>	<u>31 December 2017</u>	<u>31 December 2017</u>	<u>31 December 2017</u>
General cash / (used in) operating activity	2,232,732	33,276,835	9,128,287	13,338,206
General cash / (used in) investment activity	(90,467)	(68,824,801)	(3,926,442)	(14,954,167)
General cash / (used in) financing activity	<u>(1,391,553)</u>	<u>13,834,242</u>	<u>(4,972,588)</u>	<u>5,253,355</u>
Net increase / (decrease) in cash and cash equivalents	<u><u>750,712</u></u>	<u><u>(21,713,724)</u></u>	<u><u>229,257</u></u>	<u><u>3,637,394</u></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.

(e) Interest in Associates

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business / country of incorporation	% of ownership interest 2017 %	Nature of relationship	Measurement method	Quoted fair value 2017	Carrying amount 2017
Gaz Vest SA Arad Biofarm	Romania	25,82	Associate (1)	Equity method	28,208,657	11,976,169
SA București	Romania	23,22	Associate (2)	Equity method	66,817,208	56,724,342
Total equity accounted investments					95,025,965	68,700,511

(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.

Summarized statement of the financial position

	Biofarm SA București 31 December 2017	Gaz Vest SA Arad 31 December 2017
Current assets		
Cash and cash equivalents	37,598,446	814,797
Other current assets	<u>105,254,428</u>	<u>18,188,871</u>
Total current assets	<u>142,852,874</u>	<u>19,003,668</u>
Non-current assets	<u>116,298,968</u>	<u>52,580,050</u>
Current liabilities		
Other current liabilities	<u>39,099,997</u>	<u>14,495,606</u>
Total current liabilities	<u>39,099,997</u>	<u>14,495,606</u>
Long-term liabilities		
Long-term financial liabilities (excluding other liabilities and provisions)		
Other long-term liabilities	<u>3,173,032</u>	<u>2,113,543</u>
Total long-term liabilities	<u>3,173,032</u>	<u>2,113,543</u>
Net assets	<u>216,878,812</u>	<u>54,974,568</u>

Reconciliation of financial information summarized with the value of interest held in the associate entity

	Biofarm SA București 31 December 2017	Gaz Vest SA Arad 31 December 2017
Net assets as at January 1 st	197,146,500	57,410,675
Net profit / loss	36,483,695	6,893,107
Other items of the global result	-	-
Redemption of equity	-	-
Prescribed dividends	-	-
Distributed dividends	<u>(16,751,382)</u>	<u>(9,329,213)</u>
Net assets as at December 31st	216,878,812	54,974,568
Percentage held by SIF (%)	22,33%	25,82%
Profit/(loss) of the financial year corresponding to associate enterprises	<u>8,146,809</u>	<u>1,779,800</u>

Summarized statement of the global result

	Biofarm SA București 31 December 2017	Gaz Vest SA Arad 31 December 2017
Operating income	172,581,390	46,978,935
Financial income	(115,104,835)	(33,683,670)
Expenses for impairment and amortization	798,668	26,909
Financial expenses	(14,019,786)	(5,254,717)
Expenses for income tax	<u>(1,085,959)</u>	<u>(10,394)</u>
Profit or loss from continuous activities	<u>36,483,694</u>	<u>6,893,107</u>
Net profit / loss	<u>36,483,694</u>	<u>6,893,107</u>
Other items of the global result	-	-
Total global result corresponding to the period	<u>36,483,694</u>	<u>6,893,107</u>
Dividends received from the associate entity	<u>3,890,043</u>	<u>2,408,666</u>

(g) Investment in associates

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

	<u>31 December</u> <u>2017</u>
Carrying amount at 1 January	64,747,102
Increase (decrease) as a result of a change in ownership	-
Share of profit of associates	10,252,117
Share of other comprehensive income of associates	-
Dividends received from associates	<u>(6,298,709)</u>
Carrying amount at 31 December	<u>68,700,510</u>

33 CONTINGENT ASSETS AND LIABILITIES**(a) Litigation**

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 pricing

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 2018, 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 2018

- As at 31 December 2018 the Board of directors of SIF BANAT-CRIȘANA SA was formed of 5 members: Bogdan-Alexandru Drăgoi-President, Răzvan-Radu Străuț -Vice-president, Sorin Marica, Ionel Ciucioi and Marcel Pfister.
- As at 31 December 2018 the members of the executive management of SIF BANAT-CRIȘANA SA: Bogdan-Alexandru Drăgoi –General Manager, Teodora Sferdian – Deputy General Manager and Laurențiu Riviș - Director.

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.

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 2018, the gross amounts paid to CA members and the directors of the parent company and subsidiaries amounted to 6,472 thousand lei (2017: 10,030 thousand lei). Currently an action-based payment program is in progress, through which will provide actions to directors and directors, while in the year 2018 the amount of ROL 2,380 thousand is recognized in expenditures.

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

SIF BANAT – CRIȘANA SA**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED AS AT 31 DECEMBER 2018**
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The following transactions were developed with related parties:

(a) *Sales of products and services*

	<u>2018</u>	<u>2017</u>
<i>Sales of goods:</i>	-	65,599
<i>Sales of services:</i>	<u>-</u>	<u>1,012,949</u>
Total	<u><u>-</u></u>	<u><u>1,078,549</u></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) *Income from dividends* - Dividend income in the amount of 14,979,299 lei (Vrancart, Iamu and Biofarm) was received in 2018.

(c) *Interest income* - interest in the amount of RON 1,616,044 (Vrancart SA - bonds) was received in 2018,

(d) *Acquisitions of products and services*

	<u>2018</u>	<u>2017</u>
Acquisitions of services:	43,161	381,637
Purchases of electricity:	<u>-</u>	<u>14,759,677</u>
Total	<u><u>43,161</u></u>	<u><u>15,141,313</u></u>

SIF BANAT – CRIȘANA SA

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

	<u>31 December 2018</u>	<u>31 December 2017</u>
Trade receivables from related parties	-	1,157,625
Debts towards related parties	12,026	1,447,230
Loans	<u>(3,342,194)</u>	<u>(41,046,796)</u>
Total	<u><u>(3,330,169)</u></u>	<u><u>(41,336,401)</u></u>

(f) *Balance of non - current receivables at 31 December 2018 - 40,929,816 RON, Vrancart bonds (including interest)*

35 SUBSEQUENT EVENTS

On January 28, 2019, SIF Banat-Crișana informed the shareholders about the transaction for the subscription and acquisition of 7500 unlisted corporate bonds with a nominal value of 2000 Euro, issued by SIFI BH RETAIL SA Bucharest, a transaction that falls in the provisions of art. 82 of Law 24/2017.