SIF Moldova S.A.

Interim Consolidated Financial Statements
on 30th June 2018
Drafted in compliance with the International Financial Reporting Standards adopted by the European Union

Not audited

# Consolidated overall result statement
***on 30th June 2018***

**Contents**

# Consolidated overall result statement
***on 30th June 2018***

| *In LEI* | *Notes* | **30 June 2018** | **30 June 2017** |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from dividends | *8* | 65,997,720 | 26,046,423 |
| Revenue from interests | *9* | 695,922 | 575,416 |
| Other revenue from operations | *10* | 32,278,892 | 27,845,682 |
| **Revenue from investments** | | | |
| Net revenue from asset | *11* | 1,341,412 | 52,667,603 |
| Net loss/net revenue from assets evaluation | | | |
| Financial assets at fair value through the profit or loss account | *12* | (4,592,437) | 11,070,953 |
| **Expenses** | | | |
| (Losses)/ losses re-run from assets impairment | *13* | (403,213) | (894,510) |
| Expenses with the setup of provisions for risks and expenses | | 95,923 | 1,513,990 |
| Other expenses from operations | *14* | (38,140,266) | (37,290,483) |
| **Operating profit** | | 57,273,953 | 81,535,074 |
| Financing expenses | | (530,499) | (200,460) |
| **Profit before taxation** | | **56,743,454** | **81,334,614** |
| Profit tax | *15* | (7,367,749) | (11,634,127) |
| **Net profit of the financial year** | | **49,375,705** | **69,700,487** |
| **Other overall result elements** | | | |
| Reserve (decrease)/ increase from the re-evaluation of tangible assets net of deferred tax | | (1,095,763) | 309,892 |
| Revaluation at fair value of financial assets evaluated at fair value through other elements of overall result/financial assets available for sale | *18 e)* | (4,577,700) | 132,947,064 |
| Reserve increase (decrease) following the sale of financial assets evaluated at fair value through other ceded items of the overall result / available-for-sale financial assets | *18 e)* | 18,188,547 | (52,948,752) |
| Reported result following the adoption of IFR9 net of deferred tax | | 69,129,507 | |
| **Other overall result elements** | | **81,644,590** | **80,308,203** |
| **Total overall result of the period** | | **131,020,295** | **150,008,690** |

# Consolidated overall result statement

***on 30th June 2018***

***(continued)***

| *In LEI* | | **30th June 2018** | **30th June 2017** |
|---|---|---|---|
| ***Net profit corresponding to*** | | | |
| the company's shareholders | | 48,936,239 | 69,700,487 |
| Minority interest | *29* | 439,466 | (4,951,649) |
| | | **49,375,705** | **64,748,838** |
| | | | |
| ***Overall result corresponding to*** | | | |
| the company's shareholders | | 115,864,225 | 149,394,559 |
| Minority interest | | 15,156,070 | 614,131 |
| | | **131,020,295** | **150,008,690** |

The consolidated financial statements have been approved by the Board of Directors on September 2018 and have been signed on its behalf by:

Claudiu Doros
CEO

Decebal Dumitrescu
Chief accountant

The explanatory notes from page 10 to 66 are integral part of the consolidated financial statements.

# Consolidated financial position statement

***on 30th June 2018***

| *In LEI* | *Note* | Group 30th June 2018 | Group 31st December 2017 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *16* | 11,519,434 | 12,420,186 |
| Bank deposits | *17* | 95,742,768 | 44,977,823 |
| Financial assets at fair value through the profit or loss account | *18 a* | 254,364,333 | 208,830,917 |
| Financial assets at fair value through other items of the overall result | *18 b* | 1,440,389,243 | 1,452,654,846 |
| Investments held to maturity | *18 c* | 7,315,597 | 7,324,894 |
| Real estate investments | *19* | 23,444,510 | 11,462,193 |
| Intangible assets | *20* | 8,579,862 | 8,613,463 |
| Tangible assets | *20* | 73,619,980 | 79,573,635 |
| Biological assets | *21* | 1,651,041 | 1,686,975 |
| Other assets | | 158,702,519 | 84,664,096 |
| **Total assets** | | **2,075,329,287** | **1,912,209,028** |
| **Liabilities** | | | |
| Loans | *22* | 31,345,941 | 16,886,065 |
| Dividends to pay | *23* | 72,150,952 | 33,176,908 |
| Provisions for risks and expenses | *24* | 4,116,699 | 4,153,896 |
| Liabilities regarding deferred profit tax | *25* | 84,891,806 | 75,217,640 |
| Liabilities regarding current profit tax | *26* | 1,806,856 | 5,384,665 |
| Other liabilities | *26* | 47,992,740 | 43,177,026 |
| **Total l** | | **242,304,994** | **177,996,200** |
| **Equity** | | | |
| Equity capital | *27* | 537,220,149 | 539,720,149 |
| Reported result | | 689,097,646 | 612,623,242 |
| Reserves from the re-evaluation of tangible assets | | 8,210,924 | 9,321,185 |
| Reserves from the re-evaluation of financial assets at fair value through other items of the overall result | *18 e)* | 591,551,834 | 596,129,534 |
| Other equity elements | | (8,212,330) | (38,283,388) |
| **Total equity assignable to Company's shareholders** | | **1,817,868,223** | **1,719,510,722** |
| Minority interest | 27 | 15,156,070 | 14,702,105 |
| **Total equity** | | **1,833,024,293** | **1,734,212,827** |
| **Total liabilities and equity** | | **2,075,329,287** | **1,912,209,027** |

The consolidated financial statements have been approved by the Board of Directors on September 2018 and have been signed on its behalf by:

Claudiu Doros
CEO

Decebal Dumitrescu
CFO

The explanatory notes from page 10 to page 66 are integral part of the consolidated financial statements.

# Statement of consolidated equity modifications

***for the accounting period concluded on 30th June 2018***

| *In LEI* | **Share capital** | **Reserve from the re-evaluation of fixed assets** | **Reserves from the re-evaluation of financial assets** | **Reported result** | **Other equity** | **Total assignable to shareholders of the mother company** | **Interests that do not control** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance on 1st January 2018** | **539,720,149** | **9,321,185** | **596,129,534** | **612,623,242** | **(38,283,388)** | **1,719,510,721** | **14,702,105** | **1,734,212,827** |
| **Overall result** | | | | | | | | |
| ***Profit of the financial year*** | | | | 48,936,239 | | 48,936,239 | 439,466 | 49,375,705 |
| ***Other overall- result elements*** | | | | 107,117 | | 107,117 | | 107,117 |
| Reserve increase (decrease) from the re-evaluation of tangible assets | | (1,110,261) | | | | (1,110,261) | 14,498 | (1,095,763) |
| Reserve transfer from re-evaluation to reported result following the sale of tangible assets | | | | | | - | | - |
| Transfer of reserve to retained earnings as a result of the changeover to IFRS9 | | | (78,095,851) | 69,129,507 | | (8,966,344) | | (8,966,344) |
| Fair value re-evaluation of financial assets through other elements of tangible assets | | | 91,706,698 | | | 91,706,698 | | 91,706,698 |
| Reserve decrease following the sale of financial assets available For sale | | | (18,188,547) | 18,188,547 | | - | | - |
| Modifications of subsidiaries holdings | | | | 2,895,459 | | 2,895,459 | | 2,895,459 |
| **Total overall result of the priod** | **-** | **(1,110,261)** | **(4,577,700)** | **139,256,868** | **-** | **133,568,908** | **453,964** | **134,022,871** |
| **Transactions with sharehodlers directly recognized in equity** | | | | | | | | - |
| Share capital decrease | (2,500,000) | | | | | (2,500,000) | | (2,500,000) |
| Own bought-back shares | | | | (23,330,050) | 29,968,653 | 6,638,603 | | 6,638,603 |
| Other transfers | | | | - | 102,405 | 102,405 | | 102,405 |
| Dividends prescribed according to the law | | | | 10,406,544 | | 10,406,544 | | 10,406,544 |
| Dividends to pay for 2017 | | | | (49,858,959) | | (49,858,959) | | (49,858,959) |
| **Total transactions with shareholders directly recognized in equity** | **(2,500,000)** | **-** | **-** | **(62,782,465)** | **30,071,058** | **(35,211,407)** | **-** | **(35,211,407)** |
| **Balance on 30th June 2018** | **537,220,149** | **8,210,924** | **591,551,834** | **689,097,645** | **(8,212,330)** | **1,817,868,223** | **15,156,070** | **1,833,024,293** |

Explanatory notes from page 10 to 66 are integral part of the consolidated financial statements.

# Statement of consolidated equity modifications

***for the accounting period concluded on 30th June 2018018***

| *In LEI* | **Share Capital** | **Reserves from the revaluation of tangible assets** | **Reserves from the re-evaluation of financial assets available for sale** | **Reported Result** | **Other equity elements** | **Total assignable to the company's shareholders** | **Interests that do not control** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance on 1st January 2017** | **539,720,149** | **8,618,009** | **545,110,922** | **485,007,295** | **(10,723,746)** | **1,567,732,629** | **20,833,238** | **1,588,565,867** |
| **Overall result** | | | | | | | | |
| ***Profit of the financial year*** | | | | 69,700,487 | | 69,700,487 | (4,951,649) | 64,748,838 |
| ***Other overall- result elements*** | | | | | | - | | - |
| Reserve increase (decrease) from the re-evaluation of tangible assets | | (309,892) | | 1,350,112 | | 1,040,220 | (730,328) | 309,892 |
| Reserve transfer from re-evaluation to reported result following the sale of tangible assets | | | | | | - | | - |
| Fair value re-evaluation of financial assets available for sale, net of deferred tax. | | | 132,947,064 | | | 132,947,064 | | 132,947,064 |
| Reserve decrease following the sale of financial assets available for sale | | | (52,948,752) | | | (52,948,752) | | (52,948,752) |
| Modifications of subsidiaries holdings | | | | (2,186,411) | | (2,186,411) | 6,296,108 | 4,109,697 |
| **Total overall result of the period** | **-** | **(309,892)** | **79,998,312** | **68,864,188** | **-** | **148,552,608** | **614,131** | **149,166,739** |
| **Transactions with shareholders directly recognized in equity** | | | | | | | | - |
| Share capital increase | - | | | - | | - | | - |
| Own bought-back shares | | | | | (27,457,237) | (27,457,237) | | (27,457,237) |
| Other transfers | | | | - | | - | | - |
| Dividends prescribed according to the law | | | | - | | - | | - |
| Dividends to pay for 2015 | | | | (44,975,883) | | (44,975,883) | | (44,975,883) |
| **Total transactions with shareholders directly recognized in equity** | **-** | **-** | **-** | **(44,975,883)** | **(27,457,237)** | **(72,433,120)** | **-** | **(72,433,120)** |
| **Balance on 30th June 2017** | **539,720,149** | **8,308,117** | **625,109,234** | **508,895,600** | **(38,180,983)** | **1,643,852,117** | **21,447,370** | **1,665,299,487** |

The explanatory notes from page 10 to 66 are integral part of the consolidated financial statements.

# Consolidated cash-flow statement

***for the accounting period concluded on 30th June 2018***

| | 30 June 2018 | 30 June 2017 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | 56,743,453 | 81,334,614 |
| *Adjustments* | | |
| Losses from the impairment of financial assets | (403,213) | 894,510 |
| Net revenue / loss from the sale of tangible assets | (1,341,913) | |
| Net loss/revenue from financial assets at fair value through the profit or loss account | (4,592,437) | (11,070,953) |
| Adjustments corresponding to financial assets available for sale | (145,490,837) | (80,985,879) |
| Revenue from dividends | (65,997,720) | (26,046,423) |
| Revenue from interest | 695,922 | (575,416) |
| Expenses with provisions for risks and expenses | 95,923 | (1,513,990) |
| Net revenue from the re-run off other assets | 10,165,759 | (3.025) |
| Other adjustments | (1,542,664) | 1,965,298 |
| **Modifications of assets and liabilities corresponding to the exploitation activity** | | |
| Purchase of financial assets at fair value through the profit or loss account | (789,841) | 4,946,289 |
| Sale of financial assets at fair value through the profit or loss account | 338,177 | - |
| Purchase of financial assets available for sale | (39,605,269) | (35,285,909) |
| Sale of financial assets available for sale | 133,217,504 | 94,106,432 |
| Modification of investments held to maturity | 5,881 | 4,880 |
| Modifications of deposits with maturity over 3 months | 608,310 | (343,315) |
| Modification of other assets | 65,470,456 | (18,549,488) |
| Modification of other assets | (8,718,529) | 3,044,389 |
| Collected dividends | 50,635,248 | 11,480,274 |
| Collected interest | 666,716 | 523,934 |
| Paid profit tax | (15,847,262) | 4,324,476 |
| **Net cash resulting from exploitation** | **34,313,665** | **28,253,723** |
| **Investment activities** | | |
| Payments for tangible purchase | (574,035) | 3,890,435 |
| Collections from the sale of tangibles and real estate investments | 1,534,748 | - |
| **net assets used in investment activities** | **960,713** | **3,890,435** |
| **Financing activities** | | |
| Paid dividends | (478,371) | (311,981) |
| Short-term loans modifications | 14,459,876 | 1,989,451 |
| Own bought back shares | - | (27,457,237) |
| **Net cash used in financing activities** | **13,981,506** | **(25,779,767)** |
| **Net increase in cash and cash equivalents** | 49,255,883 | 6,364,393 |
| cash and cash equivalents on 1 January | 55,969,850 | 135,733,629 |
| **cash and cash equivalents on 30 June** | **105,225,734** | **142,098,022** |

The explanatory notes from page 10 to page 66 are integral part of the consolidated financial statements.

# Consolidated cash-flow statement

***for the accounting period concluded on 30th June 2018***

**Cash and cash equivalents include:**

| *In LEI* | **30 June 2018** | **30 June 2017** |
|---|---|---|
| Cash in the cash office | 11,447,624 | 177,643 |
| Current accounts with banks | 71,810 | 31,427,224 |
| Bank deposits with maturity under 3 months | 93,655,799 | 110,460,297 |
| Attached claims | 50,501 | 32,859 |
| **cash and cash equivalents** | **105,225,734** | **142,098,022** |
| | | |
| Bank deposits with maturity under 3 months | 2,036,468 | 550,746 |
| Blocked deposits | - | - |
| **Total** | **2,036,468** | **550,746** |

**Reconciliation of cash and cash equivalents with the accounting balance:**

| *In LEI* | **30 June 2018** | **30 June 2017** |
|---|---|---|
| Cash and cash equivalents | 11,519,434 | 31,604,867 |
| Bank deposits | 95,742,768 | 111,043,902 |
| Less deposits with maturity over 3 months and blocked deposits | (2,036,468) | (550,747) |
| **Cash and cash equivalents in the cash flow statements** | **105,225,734** | **142,098,022** |

The consolidated financial statements have been approved by the Board of Directors on ... September 2018 and have been signed on its behalf by:

Claudiu Doros
CEO

Decebal Dumitrescu
CFO

The explanatory notes from page 10 to page 66 are integral part of the consolidated financial statements.

# Explanatory notes to the consolidated financial statements

***for the accounting period concluded on 30th June 2018***

## 1. Reporting entity

SIF Moldova SA **(„The Company" or „SIF Moldova"),** Bucharest Stock Exchange index **„SIF2"** is a collective placement entity operating in Romania according to the provisions of Law 31/1990 regarding Companies and Law 297/2004 regarding capital market with its later amendments and additions.

The company is the successor of Fondul Proprietăţii Private II Moldova, reorganized and transformed according to the provisions of Law no. 133/1996 and is headquartered in Pictor Aman St. no. 94C, Bacău municipality, Bacau district, România. SIF Moldova also operates through its agencies in Iaşi and Bucharest.
According to the Memorandum of Association, the Company's main field of activity is:

- the administration and management of financial instruments, derivatives and other instruments qualified as such through the regulations of the National Committee for Securities (CNVM), whose attributions and prerogatives have been taken over by the Financial Supervision Authority (F.S.A.);

- the administration and management of shares/bonds and other rights resulting from these in untraded or closed companies;

- other auxiliary and related activities, according to applicable regulations.

The company is self-managed.

The shares of the Company have been listed on Bucharest Stock Exchange, 1st category, with the indicative SIF2, since November 1st, 1999.

The shares and shareholders' records are kept according to the law S.C. Depozitarul Central S.A. Bucureşti.

The assets deposit services are provided by BRD – Société Générale S.A. – a company authorized by the National Committee for Securities, whose attributions and prerogatives have been taken over by the Financial Supervision Authority (F.S.A.);

The Company's consolidated financial statements of the Company for the financial year concluded on 30 June 2018 include the company and its subsidiaries (hereinafter referred to as „Group") as well as the interests of the Group in the associated entities.

Basic activities of the Group are represented by the financial investment activity carried out by the Company, as well as the activities carried out by the subsidiaries consisting mainly in business and management consultancy, rental of land sub-rental of own or leased real estate, manufacture of machines and tools, restaurants, cultivation of fruit-bearing trees, strawberries, nut trees and other fruit-bearing trees.

## 2. Drafting grounds

### (a) Statement of Compliance

The consolidated financial statements on 30 June 2017 have been drafted in compliance with IAS 34 „Interim financial reporting" adopted by the European Union. These do not include all the information required for a complete set of financial statements, in compliance with the Financial Reporting Standards („IFRS") adopted by the European Union. The Company has drafted the present consolidated financial statements to meet the requirements of Norm 39/2015 for the approval of Accounting Regulations compliant with the International Financial Reporting Standards, applicable to certified entities in the Financial Instruments and Investments field (F.S.A.).

## 2. Drafting grounds (continued)

### (a) Statement of Compliance (continued)

According to Norm 39/2015, the International Financial Reporting Standards, hereinafter referred to as IFRS, represent the standards adopted according to the provisions foresee in (CE) Regulation no.1606/2002 of the European Parliament and Council on 19th July 2002 regarding the application of international accounting standards, with its later amendments and additions.

The accounting records of the Company's subsidiaries are kept in lei, according to Romanian Accounting Regulations („RAS"). These accounts are re-approached in order to reflect the differences present between the accounts as per RAS and those as per International Financial Reporting Standards adopted by the European Union („IFRS" ). The accounts as per RAS are properly adjusted to harmonize the consolidated financial statements with IFRS, in all significant aspects.

The most important modifications of the drafted financial statements as per RAS in order to align them to the requirements of the International Financial reporting standards adopted by the European Union („IFRS") are:

- grouping several elements into more comprehensive categories;
- adjustments of the real estate investments in order to evaluate them at fair value, im compliance with IAS 40 „Real estate investments" (according to RAS, real estate investments are not separately recognized, this being tangible assets according to IAS 16„ Tangible assets"" )
- adjustments of the tangible assets in order to evaluate them according to the accounting policies of the Group and in compliance with IAS 16 „Tangible Assets";
- adjustments for the recognition of receivables and liabilities regarding deferred profit tax, in compliance with IAS 12 „Profit tax" (in compliance with RAS, deferred tax is not recognized); and
- presentation requirements according to the International Financial Reporting Standards adopted by the European Union ("IFRS ").

### (b) Financial Statements Presentation

**The consolidated financial statements are presented in compliance with the requirements of IAS 1 "The presentation of financial statements". The Group has adopted a liquidity-based presentation within its financial position statement and a presentation of the revenues and expenses depending on their nature within the global result statement, thinking that these presentation methods offer information that is credible and more relevant than those presented based on other methods allowed by IAS 1.**

### (c) Functional and Presentation Currency

**The Group's management thinks that the functional currency, as defined by IAS 21 „Effects of currency exchange rate variation", is the Romanian leu (lei). The consolidated financial statements are presented in lei, rounded to the closest leu, a currency that the management of the Group has selected as presentation currency.**

### (d) Evaluation Grounds

The consolidated financial statements are drawn up based on the fair value for derived financial instruments convention and financial liabilities at fair value through the profit and loss account, and financial assets available for sale, with the exception of those for which fair value cannot be credibly ascertained.

Other assets and financial liabilities, as well as non-financial assets and liabilities are presented under amortized cost, re-evaluated value or historic cost.

## 2. Drafting grounds (continued)

### (e) Use of Estimates and Judgments

The drafting of financial statements according to IFRS suggests the managements' using some financial estimates, judgments and hypothesis that affect the application of accounting policies as well as the reported value of assets, liabilities, revenue and expenses. The judgments and hypotheses associated to these estimates are based on historic experience as well as other factors considered to be reasonable within the context of these estimates. The results of these estimates lay at the base of the judgments regarding the accounting values of assets and liabilities that cannot be obtained from other information sources. The results obtained may vary from the values of the estimates.

The judgments and hypothesis that lay at their base are periodically revised. The revisions of accounting estimates are recognized in the period the estimates are revised, if the revision only affects that particular period, or in the period the estimate is revised and future periods, if the revision affects both the current and future period.

## 3. Consolidation Grounds

### (a) Subsidiaries

Subsidiaries are entities under the Group's control. Control exists when the Group is exposed or has the right to variable earnings from its involvement in the entities it has invested on and has the ability to affects these earnings through its power over the entity it invested in. At the moment control is evaluation, the potential or convertible voting rights which can be exercises at that time must also be taken into consideration.

The subsidiaries' financial statements are included in the consolidated financial statements at the moment control begins to be exercises and until it ceases. The accounting policies of the Group's subsidiaries have been modified in order to align them with those of the Group.

The list of consolidated subsidiaries on 30th June 2018 is the following:

| | *Field of activity* | *30th June 2018* | *30th June 2017* |
|---|---|---|---|
| Casa | business and management consultancy | 99.32% | 99.02% |
| Mecanica Ceahlău | manufacture of agricultural machinery and forest exploitation | 73.30% | 63.30% |
| Regal | public food services- restaurants, production of pastry and sweets and sale of these products as well as rental of own real-estate property | 93.02% | 93.02% |
| Ţesătoriile Reunite | real-estate development | 99.99% | 99.99% |
| Asset Invest | business and management consultancy | 99.99% | 99.99% |
| Real Estate Asset | business and management consultancy | 0.00% | 99.99% |
| Agroland Capital | purchase and sale of own real-estate property | 99.99% | 99.99% |
| Agrointens | business and management consultancy | 99.99% | 99.99% |
| Hotel Sport | hotel activity and other similar accommodation facilities | 99.99% | 99.99% |

### (b) Associated Entities

Associated entities are those companies in which the Group can exercises a significant influence, but not the control over financial and operational policies.

The consolidated financial statements include the share of the Group in the results of the associated entities based on the equivalence method, on the date the Group has started to exercise significant influence, until the date this influence ceases. In case the Group's share in the losses of the associated entities exceeds the accounting value of the investments, the accounting value is reduced to zero and the later losses are not recognized, with the exception of the case when the Group has legal or constructive obligations to make payments on behalf of the associated entity.

The holdings in which the Group directly or indirectly holds between 20% and 50% of voting rights, but in which the group does not exercise significant influence are classified as financial assets at Fair Value through Other Comprehensive Income („FVOCI")

Associated entities are accounted through the method of equivalence and initially recognized under cost. The Group's investment includes the goodwill identified for purchases from which the losses for cumulated depreciations are deducted. The consolidated financial statements include the Group's share of the revenues and expenses and capital movements of associated entities, after the alignment adjustments for the accounting policies with those of the Group, on the date significant influence begins until this significant influence ceases.

When the Group's part in losses is larger than its interest in the entity accounted through the equivalence method, the book value of this interest (including any long-term investments) is reduced to zero and the recognition of future losses is interrupted with the exception of the case when the Group has an obligation or has made payments on behalf of the entity it has invested in.

Following the analysis of the quantitative and qualitative criteria of the entities in which the Company has holdings between 20% and 50% presented in IAS 28 "Investments in associated entities and joint ventures" (revised in 2011), the Group concluded that it holds no investments in associated entities on 30th June 2018 and 31st December 2017.

### (c) Transactions eliminated on consolidation

Disbursements and transactions within the Group, as well as unachieved profit resulted from transactions within the Group are fully eliminated from the consolidated financial statements. Non-achieved profits resulted from the transactions with associated entities or entities controlled jointly are limited within the limitations of the Group's participation percentage. Profits not achieved resulted following the transactions with an associated company are eliminated against the investment in the associated entity. Losses not achieved are eliminated identically with the profits not achieved, but only to the extent there is no value depreciation.

## 4. Significant Accounting Policies

Accounting policies have been consistently applied on all periods presented in the consolidated financial statements drafted by the Group.

The consolidated financial statements are drafted based on the hypothesis that the Group will continue its activity in the predictable future. For the evaluation of the applicability of this hypothesis the management analyses the forecasts regarding future cash entries.

## 4. Significant Accounting Policies (continued)
## (a) Foreign Currency Transactions

The operations expressed in foreign currency are entered in lei at the official exchange rate on the transaction date. The monetary assets and liabilities recorded in estimates on the date the accounting balance is drafted are converted into the functional currency at the exchange rate of that given day.

The revenue or losses from their offset and from the conversation using the exchange rate at the end of the accounting year and the denominate monetary liabilities in foreign currency are recognized in the global result, with the exception of those that have been recognized in equity following the registration in compliance with hedge accounting.

The exchange rate differences for the elements such as participations held at fair value through the profit or loss account are presented as fair value earnings or losses. The exchange rate differences for the elements such as financial instruments classified as available for sale are included in the reserve coming from the modification of the fair value of these financial instruments.

The exchange rates for the main foreign currency have been:

| Currency | 30th June 2018 | 31st December 2017 | Variation |
|---|---|---|---|
| Euro (EUR) | 1:LEU 4.6611 | 1:LEU 4.5539 | 0.03% |
| American dollar (USD) | 1:LEU 4.0033 | 1: LEU 3.8915 | 2.79% |

## (b) Hyper-accounting effect accounting

In compliance with IAS 29, the financial statements of an entity whose functional currency is the currency of a hyper inflationist economy must be presented in the measurement unit on the date the balance is closed (non-monetary elements are reproached using a general price index on the date the balance is concluded (non-monetary elements are reproached using a general price-index on the date the purchase or contribution is made).

According to IAS 29, an economy is considered to be hyper inflationist if, besides other factors the cumulated inflation rate for a period of three years exceeds 100%.

The continuous decrease of inflation rate and other factors connected to the characteristic of the economic environment in Romania indicate that the economy whose functional currency has been adopted by the Group has ceased to be hyper inflationist, with effect on the financial statements started on the January 1st 2004. Thus, the provisions of IAS 29 have been adopted in the drawing up of the consolidated financial statements up to 31st December 2003.

Thus, the values expressed in the current measurement unit on 31st December 2003 are treated as the base for the accounting values reported in the consolidated financial statements and they are not evaluated values, replacement costs, or any other measure of current value of assets or prices at which transactions could be carried out at present.

For the purpose of drafting the consolidated financial statements, the Group adjusts the following non-monetary elements to be expressed in the current measurement unit as of 31st December 2003:

- share capital;
- cost-evaluated financial assets available for sale.
- tangible assets (lands) and intangible assets.

## 4. Significant Accounting Policies (continued)
## (c) Cash and Cash Equivalents

Cash and cash equivalents include: actual cash, current accounts and deposits with banks (including blocked deposits and interest corresponding to the bank deposits

On drafting the statement of cash flows, the Group considers cash and cash equivalents to be: actual cash, bank current accounts, deposits with an initial maturity under 90 days and their corresponding interest (without blocked deposits).

## (d) Financial Assets and Liabilities
**Definition:**

An asset is a resource controlled by the entity, as a result of past events, from which the company estimates to gain future financial benefits.
A liability is a current obligation of the entity, resulted from past events, whose settlement is expected to cause an outflow of resources embodying economic benefits from the entity.

### *(i) Classification*
***According to IFRS 9, financial assets are classified under one of the following categories:***

***• Financial assets at Fair Value Through Profit or Loss („FVTPL"):***

*- equity instruments held for trading;*

*- equity instruments designated to the evaluated at fair value through profit or loss;*

*- Debt instruments.*

***• Financial assets evaluated at Fair Value through Other Comprehensive Income („FVOCI"):***

*- Equity instruments designated to be evaluated at fair value through other elements of comprehensive elements;*

*- Debt instruments.*

***• Financial assets evaluated at amortized cost:***

*- debt instruments.*

*- The companies are bound to classify equity instruments held for trading at fair value through profit or loss, and for the rest of the portfolio they have the option, per individual instrument, to decide the classification at fair value through other comprehensive income elements.*

The Company classifies its financial instruments held under the following categories:

### *Financial assets at Fair Value through Profit or Loss („FVTPL"):*

A financial asset must be evaluated at fair value through profit or loss, with the exception of the case when it is evaluated at amortized cost or fair value through other comprehensive income.
Nevertheless, an entity can make a irrevocable choice on initial recognition in case of certain investments in *equity instruments* that would otherwise be evaluated at fair value through profit or loss, to present the later modifications of fair value in other elements of overall result.
On the initial recognition, the company can irrevocable assign a financial assets as evaluated at fair value through profit or loss if by doing so it eliminates or significantly reduces an evaluation or recognition inconsistency (sometimes referred to as „accounting mismatch") that would result from the evaluation of assets or liabilities or recognition of revenue or loss on different grounds.

### *3. Significant Accounting Policies (continued)*

**(d) Financial Assets and Liabilities (continued)**
***(i) Classification (continued)***

An asset is held for trading if it meets the following conditions cumulatively:
- it is held for the purpose of selling and buy-back in the near future;
- On the initial recognition it is part of a portfolio of identified financial instruments, that are managed together and for which there is a recent follow-up pattern for the short-term profit.

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

*Investments held to maturity („HTM")*

Investments held to maturity represent those non-derived financial assets with fixed or determinable payments and fixed maturities that the Group strongly intends to and has the possibility to hold until maturity. Investments held up to maturity are measured at amortized cost through the method of actual interest less losses from impairment.

*Credits and debts*

Credits and debts are non-derived financial assets with fixed or determinable payments that are not quoted on an active market, other than those that the Group intends to sell immediately or in the near future. These are mainly comprised of bank deposits.

***Financial assets evaluated at Fair Value through Other Comprehensive Income („FVOCI"):***

A financial asset must be evaluated at fair value through other comprehensive income if both conditions below are met:
(a) the financial asset is held within a business model whose objective is met by both the collection of contractual cash flows and the sale or financial assets, and
(b) the contract terms of the financial assets generate, on certain dates, cash flows that are exclusive payments of the principle and other interest corresponding to the value of the owed principal.

A financial asset must be evaluated at amortized cost if both conditions below are met:
(a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows and
(b) the contractual terms of the financial asset generate cash flows on certain dates that are exclusive payments of the principal and the interest due for the value of the principal owed.

A profit or a loss corresponding to a financial asset evaluated at fair value through other comprehensive income must be recognized in other elements of overall result, with the exception of revenue or losses from impairment and profit and losses from the currency exchange rates up to the moment when the financial asset is de-recognized or reclassified.

When the financial asset is de-recognized, the cumulated profit or loss previously recognized in other elements of comprehensive income is reclassified from equity to profit or loss as an adjustment from reclassification (see IAS1).
***3. Significant Accounting Policies (continued)***

**(d) Financial Assets and Liabilities (continued)**
***(i) Classification (continued)***
If the financial asset is reclassified outside the evaluation category of fair value evaluation through other comprehensive income, the entity must account the cumulated profit or loss that has been previously recognized in other elements of comprehensive income.
The interest calculated using the actual interest rate is recognized in profit or loss.

***(ii)Recognition***

Assets and liabilities are recognized on the date the Group becomes contracting party for the conditions of that particular instrument. Financial assets and liabilities are measured at the time of their initial recognition at fair value plus directly assigned trading costs, with the exception of investments in shares whose fair value could not be credibly ascertained, that are initially recognized under cost.

***(iii) Compensations***

Financial assets and liabilities are compensated, and the net result is presented in the position status only when there is a legal compensation right and if there is the intention to have them discounted on a net base, or if the Group intends to achieve the asset and eliminate the debt simultaneously.

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

***(iv) Amortized Cost Evaluation***

The amortized cost of a financial asset or liability represents the value for which the financial asset or liability is measured for its initial recognition, minus the principal parts, to which cumulated amortization is added or deducted up to that given time, using the effective interest method, less reductions corresponding to impairment losses.

***(v) Fair-value evaluation***

Fair value is the price that would be received following the sale of an asset, or the price that would be paid to transfer a debt through a normal transaction between market participants on the evaluation date. (i.e. exit price.)

Ascertaining the fair value of financial assets and liabilities is based on the quotation of an active market. A financial instrument has an active market if for that instrument quoted prices are rapidly and regularly available, and these prices reflect the market transactions regularly made under objective market conditions.

Fair value evaluation for instruments traded on an active market is made by multiplying the number of shares held with the closing price of the last trading date for the corresponding reporting period.

In case a financial asset is quoted on more active markets, the Company uses the quotation from the most convenient market, taking all access associated barriers/costs on each market into consideration.

## (d) Financial Assets and Liabilities (continued)
## (*v*) Fair-value evaluation (continued)

All investments in equity instruments and in contracts corresponding to these instruments must be evaluated at fair value. Still, under certain circumstances, not may, cost can represent a proper evaluation of fair value. This situation is incurred if there are not enough recent information available to evaluate fair value, or if there is a large number of possible fair value evaluations and the cost is the best fair value estimation of those possibilities.

For all other financial instruments, fair value is determined using evaluation techniques. Evaluations techniques include techniques based on net updated value, updated cash flow method, comparison with similar instruments for which there is an observable market price and other evaluation methods.

The value resulted from the use of an evaluation model is adjusting depending on a number of factors, as evaluation techniques do not credibly reflect all factors taken into consideration by market participants when closing a transaction. Adjustments are registered so that they reflect the risk models, differences between selling and buying quotations, liquidity risks and other factors. The management of the Group considers that these adjustments are necessary to present an accurate value of financial instruments held at fair value, in the status of the financial position.

### *(vi) Value impairment identification and evaluation*

*Financial assets measured at amortized cost*

The Company analyses on every reporting date if there is an objective indication that a financial asset is impaired. A financial asset is impaired if and only if there are objective indications regarding the depreciation occurred following the result of one or more events that took place after the initial recognition of the asset ("loss generating event"), and the loss generating event(s) has(have) an impact on future cash flows of the financial asset, or the group of financial assets that can be credibly estimated.

If there are objective indications that a loss was suffered from the impairment of financial assets measured at amortized cost, then the loss is measured as the difference between the accounting value of the asset and the updated value of the future cash flows, using the actual interest rate of the financial asset at the initial moment.

If a financial asset measured at amortized cost has a variable interest rate, the update rate for the evaluation of each impairment loss is the current variable rate of the interest specified in the contract.

The accounting value of an asset is decreased through the use of a provision account.
Depreciation losses are acknowledged in the profit or loss account.

### *(vii) Derecognition*

If, following an event that took place after the recognition of impairment, there is a reduction of the impairment loss, the previously recognized impairment loss is rerun through the adjustment of the provision account. The reduction of the impairment loss is recognized in the profit or loss account.

**(d) Financial Assets and Liabilities (continued)**
***(vii) Derecognition (continued)***

The company derecognizes a financial asset when the rights to receive cash flows from that particular asset expire, or when the Company has transferred the rights to receive contractual cash flow from that particular asset in a transaction where it has significantly transferred all risks and benefits of the ownership right.

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

The Company derecognizes a financial liability when contractual obligations have ended or when contractual obligations are annulled or expire.

If an entity transfers a financial asset through a transfer meeting the DE recognitions conditions and keeps the right to manage the financial assets in exchange for a fee, then it must recognize either an asset from its management or a liability from its management for that management contract.

If the fee that is to be receives does not properly compensate the entity for the delivery of the management activity, then a management debt must be recognized under its fair value. If the fee that is to be received is more than a proper compensation for the delivery of the management service, than a management asset must be recognized for the management right, at a value set based on the assignment of an accounting value to the larger financial asset.

At the same time, if, following the transfer, a financial asset is fully derecognized, but following the transfer the entity receives a new financial asset or takes on a new financial liability or management liability, the entity must recognize the new financial asset, financial liability or management liability at fair value.

On derecognizing a financial asset in full, the difference between:
- its accounting value and
- the amount comprised of (i) the value of the amount received (including any new asset obtained, minus any new liability taken on) and (ii) any cumulated gain or loss that has been recognized in other elements of comprehensive income, must be recognized in profit or loss.

If the transferred asset is part of a larger financial asset (for example when the entity transfers the cash flows corresponding to the interest to a liability instrument) and the transferred part meets the conditions for full derecognition, the previous accounting value of the financial asset, must be divided between the part that continues to remain recognized and the part that is derecognized, based on the relative fair values of those parts on the transfer date. For this purpose, a managed asset must be treated as a part that remains recognized. The difference between:
- the accounting value assigned to the derecognized part, and
- the amount comprised of (i) the value of the amount received for the de-recognized part (including any new asset obtained, minus any new liability taken on) and (ii) any cumulated gain or loss that has been recognized in other elements of comprehensive income must be recognized in profit or loss. A cumulated loss that has been recognized in other elements of comprehensive income is assigned between the part that continues to be recognized and the part that is de-recognized, based on the relative fair value of that part.

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

***3. Significant Accounting Policies (continued)***

### (d) Financial Assets and Liabilities (continued)

### (f) Stocks

Stocks are assets held to be sold during the normal course of activity, assets undergoing production that are to be sold during the normal course of activity, or assets – raw materials, materials and other spare parts that are to be used in the manufacture process or in order to deliver services.

Stocks are evaluated are the lowest value between cost value and net achievable value. The stock cost includes all costs corresponding to the purchase and processing as well as other costs incurred to process the stocks from their current form and location. The net achievable value is the estimated selling price that could be obtained during the normal course of activity, less estimated costs for finishing the goods and estimated sale costs. The cost of stocks that are usually fungible and goods and services produced and destined for distinct orders is ascertained through the specific identification of individual costs.
For fungible stocks the cost is determined with the help of "first in, first out" formulas" (FIFO).

### (g) Real Estate Investments

Real estate investments are real estates (lands, buildings, or parts of buildings) held by the Group for renting purposes, or value increase or both, and not for the purpose of:

- being used in the production or supply of goods or services for administrative purposes; or
- being sold during the normal course of activity.

Certain properties include a part that is held for rental or for the purpose of increasing its value and another part that is held for the purpose of goods manufacture, service delivery or for administrative purposes.

If these parts can be sold separately (or rented separately based on a financial leasing contract) then they are accounted separately. If the parts cannot be sold separately, the property is treated as real investment only if the part used for the purpose of goods manufacture, service delivery or administrative purposes is insignificant.

#### *(i) Recognition*

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

- it is likely that a future economic benefit associated with the element will enter the Group;
- the cost of the asset can be credibly determined.

#### *(ii) Evaluation*

*Initial Evaluation*

A real investment is initially cost evaluated, included trading costs. The cost of a real investment purchased comprises the purchase price for it plus any other expenses directly connected to it (for example legal fees, property transfer taxes and other trading costs).

The value of the Group's real estate investments on 30th June 2018 and 31st December 2017 is presented in detail in explanatory note 19 page 56.

***3. Significant Accounting Policies (continued)***

**(g) Real Estate Investments (continued)**
***(ii) Evaluation (continued)***

*Ulterior Evaluation*

The Group's accounting policy regarding the ulterior evaluation of real estate investments is that based on the fair value model. This policy is uniformly applied to tall real estate investments.

The fair value evaluation of real estate investments is carried out by evaluators members of the National Association of Evaluators in Romania (ANEVAR). Fair value is based on market price quotations, adjusted, if need be, so that they reflect the differences connected to the nature, location or condition of that asset. These evaluations are periodically revised by the management of the Group.

The profits or losses resulted following the modification of real investment fair value are recognized in the profit or loss account of the period when these occur.

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

The latest evaluation of the Company's real estate investments' fair value was made on 31st December 2016 by Evaluări Consultanţă Management – ECM SRL Bacău, for Mecanica Ceahlău on 31st December 2016 the re-evaluation for the real estate investments was made by its own specialist committee and for Ţesătoriile Reunite the evaluation was made by IPIEV Consulting SRL on 31st December 2016.

***(iii) Transfers***

The transfers to or from real estate investments are made when, and only when there is a modification in the use of that given asset.
For the transfer of a real estate investment evaluated at fair value to corporal fixed assets, the implicit cost of the asset, for the purpose of its accounting at a later time, will be the net value on the date of use modification.

***(iv) Derecognition***

The accounting value of a real estate investment is derecognized on transfer or when the investment is finally taken out of use and no future economic benefits are expected from its transfer.

Profit or loss resulted from scrapping or sale of a real estate investment are recognized in the profit or loss account when it is scrapped or sold.

**(h) Tangible and Intangible Assets**
***(i) Recognition and evaluation***

Tangible assets recognized as assets are initially evaluated at cost by the Group. The cost of a tangible element is comprised of the purchase price, including non-recoverable taxes after the deduction of any price reductions of commercial nature and any costs that can be directly attributed to brining the asset to the location and in the condition required for it to be used for that purposes intended by management, such as: expenses with employees directly resulting from the construction or purchase of the asset, location preparation costs, initial delivery and handling costs, installation and assembly costs, experts' fees.

The value of the tangible and intangible assets of the Group on 30 June 2018 and 31 December 2017 is detailed under explanatory note 20 page 57.

## 3. Significant Accounting Policies (continued)
## (h) Tangible and Intangible Assets (continued)

### *(i) Recognition and evaluation (continued)*

Tangible assets are classified by the Group in the following assets classes of the same nature and with similar use:
- Lands;
- Buildings;
- Equipment, technical installation and machines;
- Transportation means;
- Other tangible assets.

Buildings are presented at re-evaluated value, this being the fair value on the re-evaluation date minus any later accumulated amortization and any accumulated losses through impairment.

Fair value is based on market price quotations, adjusted, if the case be, so that they reflect differences connected to the nature, location or condition of that given asset.

Re-evaluations are made by specialized evaluators, members of ANEVAR. The frequency of the evaluations is set according to the dynamics of the markets the buildings held by the Group belong to.

The other tangible assets categories are cost presented, less cumulated amortization and provision for value depreciation.

The expenses with the maintenance and repairs of tangible assets is registered by the Group in the overall result statement when they occur, and the significant improvements of the tangible assets that increase their value or life span, or significantly increase the ability to generate economic benefits, are capitalized.

### *(ii) Amortization*

Amortization is calculated using the linear method over the estimated life-span of assets, as follows:

| | |
|---|---|
| Buildings | 40 years |
| Equipment | 2-12 years |
| Transportation means | 4-8 years |
| Furniture and other tangible assets | 4-12 years |

Lands are not subjected to amortization.

Intangible assets that meet the recognition criteria of the International Financial Reporting Standards are cost registered less cumulated amortization. The amortization of intangible assets is entered in the profit or loss account based on the linear model for an estimated period of max. 3 years.

Amortization methods, estimated useful life span, as well as residual values are revised by the management of the Group, on each reporting date.

Tangible assets that are scrapped or sold are eliminated from the balance with the proper accumulated amortization. Any profit or loss resulted from such an operation is included in the current profit or loss account.

### *4. Significant Accounting Policies (continued)*

### (i) Impairment of assets other than the financial ones

The accounting value of the Group's assets which are not of financial nature, other than assets such as deferred taxes, are revised on every reporting date in order to identify depreciation clues. If such indications exist, the recoverable value of those assets is estimated.

An impairment loss is recognized when the accounting value of the assets or its cash generating unit exceeds the recoverable value of the asset of the cash-generating unit. A cash generating unit is the smallest identifiable group that generates cash, and that – independent from other assets or groups of assets, has the ability to generate cash flows. Impairment losses are recognized in the overall result statement.

The recoverable value of an asset or a cash-generating unit is the maximum between the use value and the fair value minus cost for the sale of that asset or unit.

In order to determine the use value, future cash flows are updated using an update rate before taxation, which reflects the current market conditions and the risks specific for that asset.

Losses from depreciation recognized in the previous periods are evaluated on each reporting date in order to ascertain if these are lower or if they no longer exist. Impairment loss is rerun if there was a change in the estimates used to determine its recovery value. Impairment loss is rerun only in case the accounting value of that asset does not exceed the accounting value that would have been calculated, net of amortization and depreciation, if the impairment loss would not have been recognized.

### (j) Share Capital

Ordinary shares are recognized in the share capital. Incremental costs directly assignable to an issue of ordinary shares are deducted from capital, net of taxation effects.

**(k) Interests that do not control** represent part of the profit or loss from net assets not held, directly or indirectly by the Group and are presented in the consolidated statement of profit or loss and other elements of overall result and within equity in the consolidated financial position statement, separately from the capital of the mother company's shareholders. The modifications of holdings in subsidiaries that do not result in loss of control are accounted as transactions between shareholders acting in their shareholders' capacity.

### (l) Dividends to distribute

Dividends are handled as a distribution of profit in the period when they have been declared and approved by the General Meeting of Shareholders.

Dividends declared before the reporting date are registered as obligations on the reporting date.

### (m) Provisions for Risks and Expenses

Provisions are recognized in the financial position statement when a liability is created for the Group connected to a past event and it is probable that in the future it will be necessary to spend some economic resources that extinguish this liability and a reasonable estimation of the liability value can be made.  In order to determine the provision future cash flows are updated using an update rate before taxation which reflects the current conditions on the market and the specific risks for that particular liability.

## *4. Significant Accounting Policies (continued)*

### (n) Revenue from goods and service provision

Revenue from the goods sale and service provision

Revenue from the sale of goods are recognized in the profit and loss account at the time the significant risks and advantages stemming from the ownership over the goods are transferred to the buyer, which most often happens on delivery.

Revenue from the provision of services is recognized in the profit and loss account, depending on their execution stage.

### (o) Revenue from Interest

The income and expenses with interest are recognized in the status of global result through the effective interest method. The effective interest rate represents that rate which accurately updates the payments and cash collections forecast for the expected life span of the financial asset or liability (or, where the case be, for a shorter period of time) to the accounting value of the financial asset or liability.

### (p) Revenue from Dividends

Revenue from dividends is recognized in the profit or loss account on the date the right of the Company to receive these incomes is set.

In the case of dividends received as shares as an alternative to cash payments, revenue from dividends are recognized on the level of the cash that has been received, in correspondence with the increase of the corresponding holding. The Group does not register revenue from the dividends corresponding to the shares received for free, when these are distributed proportionally to all shareholders.

The Group registers revenue from dividends at gross value including dividend tax, which is recognized as current expense with the profit tax. The actual calculation is made in compliance with the tax provisions applicable on the date the calculation is made.

### (q) Revenue from Rents

**Revenue from rents is generated by real-estate investments rented by the Group based on operational leasing contracts and are recognized in the profit and loss account in a linear manner, over the entire contract duration.**

### (r) Employees' Benefits

***(i) Short-term Benefits***

**Short-term benefits of the employees include wages, bonuses and social insurance contributions. Short-term benefits of the employees are recognized as expense when the services are delivered. A provision is recognized for the amounts that are expected to be paid as cash bonuses on the short term or profit participation schemes for the staff, as the Group currently has a legal or implicit obligation to pay these amounts, as a result of past services delivered by the employees and if that given obligation can be credibly estimated.**

***(ii) Set contribution plans***

The Group makes payments on behalf of its own employees to the Romanian state pension system, social insurance and unemployment fund, in the normal course of activity.

### *4. Significant Accounting Policies (continued)*

### (r) Employees' Benefits *(continued)*

#### *(ii) Set contribution plans (continued)*

All employees of the Group are members and at the same time they have the legal obligation to contribute (through social contributions) to the Romanian state's pension system (a determined contribution plan of the state). All such contributions are recognized in the profit or loss account of the period when they are made. The Group has no other additional obligations.
The Group is not running any independent pension scheme and accordingly it has no other obligations. The Company is not involved in any retirement benefits scheme. The Company has no obligation to deliver ulterior services to the former or current employees.

#### *(iii) Long-term Benefits of the Employees*

The net obligation of the Group regarding benefits corresponding to long-term services is represented by the value of future benefits that the employees have earned in exchange for the services delivered by them during the current and prior periods.
The Group does not have any obligation to award benefits to employees on retirement.

### (s) Revenue and loss from exchange rate differences

Currency transactions are entered in the functional currency (leu) through the conversion of the amount in currency to the official exchange rate notified by Romania's National Bank valid on the transaction date.

On the reporting date, the monetary elements expressed in currency are converted using the closing exchange rate.

Rate differences that occur on the offset of the monetary elements or conversion of monetary elements at rates different from those they were converted in at their initial recognition (over the period), or in the prior financial statements, are recognized as loss or income in the profit or loss account, in the period when they occur.

### (t) Profit Tax

The profit tax corresponding to the exercise includes current and deferred tax. Current profit tax includes the tax on dividend income recognized at gross value.

Profit tax is recognized in the global result status or in other elements of global result if the tax corresponds to capital elements.

Current tax is the tax paid for the profit of the current period, determined based on the percentages applied on the reporting date and all adjustments corresponding to previous periods.

For the period concluded on 30$^{th}$ June 2018, profit tax rate has been 16% (31$^{st}$ December 2017: 16%). The taxation rate corresponding to the income from taxable dividends has been of 5% (31$^{st}$ December 2017: 5%). Deferred tax is calculated using the balance method for those time differences that occur between the fiscal base for the tax calculation for assets and liabilities and their accounting value, used for reporting in the consolidated financial statements.

**4. Significant Accounting Policies (continued)**
**(t) Profit Tax (continued)**

Deferred tax is not recognized for the following time differences: initial recognition of commercial fund, initial recognition of assets and liabilities coming from transactions that are not combinations between enterprises and do not affect the accounting or fiscal profit and differences stemming from investment in branches, provided that these will not be rerun in the near future.

Deferred tax is calculated based on the taxation percentages that are expected to be applied to the time differences on their rerun, based on applicable law on the reporting date. Claims and debts with deferred tax are compensated only if there is the legal right to compensate current debts and liabilities with the tax and if these correspond to the tax collected by the same tax authority for the same entity undergoing taxation or for different tax authorities who want the deduction of current claims and liabilities with the tax using a net base or corresponding assets and debts are simultaneous.

The claim regarding deferred is recognized only to the extent the realization of future profit that might be used to cover fiscal loss is probable. The claim is revised at the conclusion of each financial year and is diminished as the corresponding fiscal benefit is unlikely to be achieved. Additional taxes that occur from the distribution of dividends are recognized on the same date with the dividend payment obligation.

**(u) Result per Share**

The Group presents the result per basic share and diluted for ordinary shares. The result per basic share is determined by dividing the profit or loss assignable to the ordinary shareholders of the Group to the average weighted number of ordinary shares corresponding to the reporting period. Diluted result per share is ascertained through the adjustment of the profit or loss assignable to ordinary shareholders and the average, weighted number of ordinary shares with dilution effects generated by potential ordinary shares.
**Dividends are treated as profit distribution in the period when they have been declared and approved by the General Meeting of Shareholders. The profit available for assignment is the profit of the year registered in the financial statements drafted in compliance with the International Standards for Financial Reporting.**

**(v) Reporting on Segments**

A segment is a distinct component of the Group involved in revenue and expense generating operational activities (including revenue and expenses generated by the interaction with the other Group's components) whose operational results are periodically revised by the individual in charge with the making of decisions within the entity, regarding the resources that will be assigned to the segment and with the evaluation of its performance, who has access to financial information.
The basic criteria based on which the Group determines its activity sectors, in compliance with IFRS 8 „*Activity Segments"* are:

- Reported revenue of the activity segment, including sale to external clients or transfers between segments represent 10% or more of the combine revenue, internal and external of all activity segments;
    - Absolute profit or loss value of the reported activity segment is 10% or more of the higher value, in absolute value, between (i) combined reported profit for all

activity segments that have not reported any loss and (ii) combined loss reported from all activity sectors reporting a loss;

- The assets of the activity segment represent 10% or more from the combined assets of all activity segments.

**4. Significant Accounting Policies (continued)**
**(v) Reporting on Segments (continued)**

- If management considered that an activity segment identified as reportable in the immediate prior period maintains its importance, the information about this segment will be reported separately in the current period, irrespective whether or not it still meets the reporting criteria.

**The Group carries out its activity mainly in the following fields: consultancy for business and management, rental and sale of own real property, manufacture of agricultural machines and equipment, manufacture and sale of food stuff, weaving, cultivation of fruit, forestry exports and hotel activities.**

**(x) New Standards and Interpretations**

Within the following section we present: the list of new standards, amendments and standard interpretations already existent that were applicable on 30 June 2017, list of new standards, amendments and standard interpretations adopted by the International Accounting Standards Board (IASB) and European Union (UE) but not into force for the financial year concluded on 30 June 2018 and the list of new standards, amendments and standard interpretation adopted by the International Accounting Standards Board, but not adopted by the European Union for the financial year concluded on 30 June 2018

***(i) Initial application of the new amendments to applicable existent standards for the current reporting period***

On the date the present financial statements were approved, the following new standards and amendments to the standards issued by IASB and adopted by the UE are in force:

- **IFRS 9 „Financial instruments”** - adopted by EU on 22nd November 2016 (applicable for annual periods starting on or after 1st January 2018),

- **IFRS 15 „ Revenue from contracts with clients”** with its later amendments” and amendments to IFRS 15 “Effective date for IFRS 15” – adopted by the EU on 22nd September 2016 (applicable for annual periods, starting on or after 1st January 2018

- **Amendments to IFRS 2 „Share-based payment”** – Classification and evaluation of share-based payment transactions (applicable for annual periods starting on or after 1st January 2018).

- **Amendments to IFRS 4 „Insurance Contracts”** – application of IFRS 9 „Financial Instruments” with IFRS 4 „Insurance Contracts” (applicable for annual periods starting on or after the 1st January 2018, or with the first application of IFRS 9 “Financial Instruments”).

- **Amendments to IFRS 10 „Consolidated Financial Statements” and IAS 28 „Investments in associated entities and joint ventures”-** Sale or distribution of assets between an investor and associated entities, or its joint ventures and later amendments (the date of its coming into force was deferred indeterminately until the completion of the research project regarding the equivalence method).

- **Amendments to IAS 7 „Cash flow statements"** – Initiative regarding the presentation requirement (applicable for annual periods starting on or after 1st January 2017)

**4. Significant Accounting Policies (continued)**
**(x) New Standards and Interpretations (continued)**

***(i) Initial application of the new amendments to applicable existent standards for the current reporting* period (continued)**

- **Amendments to IAS 12 „Profit Tax"** – Recognition of assets with deferred profit tax for losses not incurred (applicable for annual periods starting on or after 1st January 2017),

- **Amendments to IAS 40 „Real Estate Investments"** – Transfers of real-estate investments (applicable for annual periods, starting on and after 1st January 2018),

- **Amendments to various standards "IFRS Improvements (2014-2016 cycle)"** resulting from the annual IFRS improvement program (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating inconsistencies and clarifying certain wordings (the amendments to IFRS 12 will be applied for annual periods starting on or after 1st January 2017 and amendments to IFRS1 and IAS 28 will be applied for annual periods starting on or after January 1st 2017 and the amendments to IFRS1 and IAS 28 will be applied for annual periods starting on or after 1st January 2018).

- **IFRIC 22 „ Foreign Currency Transactions and Advance"** (applicable for annual periods starting on or following 1st January 2018).

***(ii) New standards and amendments to existent issued standards that have not yet been adopted***

On the date of the approval of these financial statements, the following new standards, amendments to existent standards and new interpretations were issued but are not yet in force:

- **IFRS 16 „Leasing"** (applicable for annual periods, starting on or after 1st January 2019),

SIF Moldova anticipates that the adoption of these standards, revisions and interpretations will not have a significant impact on its annual financial statements in the year when they will first be applied.

Adoption of IFRS 9 "Financial Instruments" IFRS 9 replaces the provisions in IAS 39 "Financial instruments: recognition and evaluation" and includes new principles regarding the classification and measurement of financial instruments, a new model regarding credit risk for the calculation of financial asserts impairment, and new general requirements for hedge-accounting. At the same time, it keeps principles similar to IAS 39 regarding the recognition and derecognition of financial instruments.

SIF Moldova adopted IFRS 9 starting on 1st January 2018.

**IFRS 9 "Financial instruments"** presents provisions for the recognition and evaluation of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial elements. This standard replaces the provisions in IAS 39 "Financial instruments: recognition and evaluation" and includes new principles regarding the classification and measurement of financial instruments, a new model regarding credit risk for the calculation of financial asserts impairment, and new general requirements for hedge-accounting. At the same time, it keeps principles similar to IAS 39 regarding the recognition and derecognition of financial instruments.

**4. Significant Accounting Policies (continued)**
**(x) New Standards and Interpretations (continued)**

***(ii) New standards and amendments to existent issued standards that have not yet been adopted (continued)***

Our company holds the following financial instrument types that fall under the incidence of IFRS9: equity instruments, debt instruments (fund units, bounds, cash and current accounts, bank deposits), other financial assets and liabilities.

Following the analysis made SIF "Moldova" has decided to classify most (84% of the IFRS value of financial assets available on 31st December 2017) of its financial assets at fair value through other comprehensive income elements, starting with the date of the initial application of IFRS9.

No fair value modifications were needed when adopting IFRS9.

### 5. Management of Significant Risks

The management of the Group thinks that risk management should be carried out in a consistent methodological environment and that their management is an important component of the strategy for yield maximization, obtaining the targeted level of profit while maintaining an acceptable level of risk exposure and abiding by legal provisions. The formalization of risk management procedures, decided by the management of the Group is an integral part of the Group's strategic objectives.

The investment activity leads to the exposure of the Group to a variety of risks associated with financial instruments held and the financial markets on which it operates. The main risks the Group is exposed to are:

- market risk (interest rate risk, currency risk and price risk):
- liquidity risk;
- credit risk;
- taxation risk;
- economic environment risk;
- operational risk.

The general risk management strategy aims to maximize the profit of the Company reported to the risk level that it is exposed to and minimize the potential adverse variations on the Group's financial performance. The Group has implemented procedures and policies for the management and evaluation of the risks it is exposed to. These policies and procedures are presented under the sections dedicated for each individual risk group.

#### (a) Market Risk

Market risk is defined as the risk to register a loss or fail to achieve the expected profit, as a result of price fluctuation, fluctuation of interest rates and currency exchange rates.

**5. Management of Significant Risks (continued)**

**(a) Market Risk (continued)**

For an efficient management of market risk, we use technical and fundamental analysis methods, forecasts regarding the evolution of economic branches and financial markets, taking into consideration:

- profitability evaluations corresponding to the share portfolio;
- setting the concentration limitations for assets on the same market, geographical position or economic sector;
- setting the presence limitations on new markets;
- setting the bearable risk limits;
- tolerance to risk concentrations;
- strategic assignment of long-term investments, based on the principle according to which the market will correctly determine the fundamental value;
- tactical, short-term assignment which involves the use of the short-term market variations to obtain profit.

The selection of investment opportunities is made through:

- technical analysis;
- fundamental analysis – determination of the issuer's ability to generate profit;
- comparative analysis – determining the relative value of an issuer in connection to the market or similar companies;
- statistical analysis – setting trends and colorations using price history and traded volumes.

The Group is exposed to the following market risk categories:

*(i) Price Risk*

The Group is exposed to price risk as there is the possibility that financial instruments fluctuate as a results of market price change.
The Group is exposed to the risk associated with the price variation of financial assets at fair value through the profits or loss account and the financial assets available for sale. 81% of total shares with active market, held by the Group on 30 June 2018 (31 December 2017: 75%) represented investments in companies that were part of BET index of Bucharest Stock Exchange, index weighted with market capitalization and created in order to reflect the general trend of prices for the 10 most liquid shares traded on Bucharest Stock Exchange.

A positive variation of 10% of financial assets at fair value through the profit and loss account would lead to an increase of profit before taxation, by 21.366.604 lei (31st December 2017: 17.541.797 lei), a negative variation of 10% having an equal negative net impact.

A positive variation of 10% of the prices of financial assets available for sale would lead to an increase of equity, net of profit tax, by 120.9926964 lei (31st December 2017: by 122.024.961 lei), a negative variation of 10% having an equal negative net impact.

The Group holds shares in companies operating in different fields of activity, such as:

## 5. Management of Significant Risks (continued)
## (a) Market Risk (continued)

*(i) Price Risk (continued)*

| *In LEI* | 30th June 2018 | % | 30th June 2017 | |
|---|---|---|---|---|
| Financial, banking and insurance activities | 816,260,641 | 54% | 843,843,823 | 60% |
| Transport, storage communications | 206,441,098 | 14% | 189,339,478 | 14% |
| Chemical and petrol industry | 157,162,583 | 10% | 130,450,170 | 9% |
| Real-estate development (promotion) | 94,438,388 | 6% | - | 0% |
| Textile industry | 22,420,696 | 1% | 10,314,850 | 1% |
| Pharmaceutical industry | 47,281,769 | 3% | 40,546,559 | 3% |
| Manufacture of machines, tools and equipment | 18,111,647 | 1% | 33,011,532 | 2% |
| Wholesale, retail, tourism and restaurants | 15,570,347 | 1% | 27,784,241 | 2% |
| Manufacture of transportation means | 112,307,446 | 7% | 78,465,565 | 6% |
| Energy industry | - | 0% | 30,305,988 | 2% |
| Real-estate transactions, rental, other services. | - | 0% | - | 0% |
| Constructions materials industry | 1,287 | 0% | 8,042,463 | 1% |
| Food industry | 6,658,576 | 0% | - | 0% |
| Other | 4,060,995 | 0% | 7,261,009 | 1% |
| **TOTAL** | **1,500,715,471** | **100%** | **1,399,365,678** | **100%** |

As it can be seen in the table above, on 30 June 2018 the Group mainly held shares in companies acting in the financial, bank and insurance field, with a weight of 54% of total portfolio registering an increase in comparison to the holding on 30th June 2017.

*(ii) Interest Rate Risk*

The Group is subjected to the interest rate risk because of its exposure to unfavorable interest rate fluctuations. The change of interest rate on the market directly influences the income and expenses corresponding to the assets and financial liabilities bearing variable interest, as well as the market value of those bearing fixed interest.

On 30th June 2018 and 31st December 2017, most of the Group's assets and liabilities are not bearing interest. Therefore, the Group is not significantly affected by the risk of interest fluctuations. Cash access or that of assimilated money availabilities is invested in short-time investment titles with a maturity of 1- 6 months.

The Group does not use derived financial instruments to protect itself from interest rate fluctuations.

The following tables present the Group's exposure to interest rate risk on 30th June 2018 and 31st December 2017.

## 5. Management of Significant Risks (continued)

## (a) Market Risk (continued)

*(ii) Interest Rate Risk (continued)*

| *In LEI* | **Net value on 30th June 2018** | **< 1 month** | **1-3 months** | **3-12 months** | **>1 year** | **no interest rate risk** |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 11,519,434 | - | - | - | - | 11,519,434 |
| Bank deposits | 95,742,768 | 93,545,429 | 160,870 | 1,984,550 | - | 51,918 |
| Financial assets at fair value through profit or loss | 254,364,333 | - | - | - | - | 254,364,333 |
| Financial assets available for sale | 1,440,389,243 | - | - | - | - | 1,440,389,243 |
| Investments held to maturity | 7,315,597 | | 211,732 | 8,819 | 7,095,045 | |
| Other financial assets | 82,469,081 | - | - | - | - | 82,469,081 |
| **Total financial assets** | **1,891,800,456** | **93,545,429** | **372,602** | **1,993,369** | **7,095,045** | **1,788,794,010** |
| **Financial liabilities** | | | | | | |
| Dividends to pay | 72,150,952 | - | - | - | - | 72,150,952 |
| Other financial liabilities | 6,158,183 | - | - | - | - | 6,158,183 |
| Loans | 31,345,941 | | | 610,318 | 30,735,623 | - |
| **Total financial liabilities** | **109,655,077** | - | - | **610,318** | **30,735,623** | **78,309,135** |

| *In LEI* | **Net value on 31st December 2017** | **< 1 month** | **1-3 months** | **3-12 months** | **>1 year** | **no interest rate risk** |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 12,420,186 | - | - | - | - | 12,420,186 |
| Bank deposits | 44,977,823 | 40,847,307 | 2,702,358 | 1,130,000 | | 298,158 |
| Financial assets at fair value through profit or loss | 208,830,917 | - | - | - | - | 208,830,917 |
| Financial assets available for sale | 1,452,654,846 | - | - | - | - | 1,452,654,846 |
| Investments held to maturity | 7,324,894 | | 215,149 | 8,820 | 7,100,925 | |
| Other financial assets | 31,683,936 | - | - | - | - | 31,683,936 |
| **Total financial assets** | **1,757,892,602** | **40,847,307** | **2,917,507** | **1,138,820** | **7,100,925** | **1,705,888,042** |
| **Financial liabilities** | | | | | | |
| Dividends to pay | 33,176,908 | - | - | - | - | 33,176,908 |
| Other financial liabilities | 17,842,847 | - | - | - | - | 17,842,847 |
| Loans | 16,886,065 | | - | 1,403,807 | 15,482,257.00 | - |
| **Total financial liabilities** | **67,905,820** | - | - | **1,403,807** | **15,482,257** | **51,019,755** |

The impact on the Group's net profit of a modification of ± 100 bp of the interest rate corresponding to variable interest bearing assets and liabilities, and expressed in other currency, corroborated with a modification of ± 500 bp of the interest rate corresponding to variable interest bearing assets and liabilities in lei is 5.115.909 lei (31st December 2017: ± 2.580.002 lei).

## 5. Management of Significant Risks (continued)

## (a) Market Risk (continued)

*(iii) Currency Risk*

The Currency risk is the risk of registering losses or failing to achieve estimated profit following the adverse fluctuations of the exchange rate. The Group is exposed to currency rate fluctuation but does not have a formalized policy to cover currency risk.

Most financial assets and liabilities of the Group are expressed in national currency and therefore exchange rate fluctuations do not significantly influence the activity of the Group. The exposure to the exchange rate fluctuations is mainly due to deposits and shares in foreign currency.

Assets expressed in lei and other foreign currencies on 30 June 2018 and 31 December 2017 are presented in the following tables:

| *In LEI* | **RON** | **EUR** | **USD** | **Other currency** |
|---|---|---|---|---|
| **30th June 2018** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 11,101,887 | 405,131 | 12,416 | - |
| Bank deposits | 94,817,536 | 925,232 | - | - |
| Financial assets at fair value through profit or loss | 254,364,333 | - | - | - |
| Financial assets available for sale | 1,440,389,243 | - | - | - |
| Investments held to maturity | 100,440 | 7,215,157 | - | - |
| Other financial assets | 82,469,081 | - | - | - |
| **Total financial assets** | **1,883,242,519** | **8,545,520** | **12,416** | **-** |
| **Financial liabilities** | | | | |
| Dividends to pay | 1,891,800,456 | - | - | - |
| Other financial liabilities | 6,158,183 | - | - | - |
| Loans | 29,689,086 | 1,656,855 | | |
| **Total financial liabilities** | **1,927,647,726** | **1,656,855** | **-** | **-** |

## 5. Management of Significant Risks (continued)

## (a) Market Risk (continued)

*(iii) Currency Risk (continued)*

| *In LEI* | **RON** | **EUR** | **USD** | **Other currency** |
|---|---|---|---|---|
| **31st December 2017** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 11,912,626 | 492,880 | 14,679 | - |
| Bank deposits | 44,099,470 | 878,353 | - | - |
| Financial assets at fair value through profit or loss | 208,830,917 | - | - | - |
| Financial assets available for sale | 1,452,654,846 | - | - | - |
| Investments held to maturity | 106,130 | 7,218,764 | - | - |
| Other financial assets | 31,683,936 | - | - | - |
| **Total financial assets** | **1,749,287,924** | **8,589,997** | **14,679** | **-** |
| **Financial liabilities** | | | | |
| Dividends to pay | 33,176,908 | - | - | - |
| Other financial liabilities | 17,842,847 | - | - | - |
| Loans | 16,886,065 | | | |
| **Total financial liabilities** | **67,905,820** | **-** | **-** | **-** |

The net impact on the Company's profit of a modification of ± 15% of the RON/EUR currency exchange rate, corroborated with a modification of ± 15% of RON/USD, RON/GBP, RON/CZK. RON/PLN namely RON/CAD on 30 June 2018, all other variables remaining constant is 1.283.690lei (31st December 2017± 1.290.701 lei).

### Credit Risk

The Group is exposed to the credit risk corresponding to financial instruments, stemming from the possible failure of a third party to meet its payment obligations towards the Group. The Group is exposed to credit risk following the investment made in bank deposits and bonds issued by municipalities or companies, current accounts and other claims.

On 30th June 2018 and 31st December 2017 G the Group did not hold any real estate guarantees as insurance and no improvements of credit rating. Om 30th June 2018 and 31st December 2017 the Group did not register any outstanding financial assets that are not impaired

The maximum credit risk exposure of the Group is of 196.975.070 lei on 30th June 2018 and 96.512.546 on 31st December 2017 and can be analyzed as follows:

## 5. Management of Significant Risks (continued)

### *Exposures from current accounts and bank deposits*

| *In LEI* | 30th June 2018 | 31st December 2017 |
|---|---|---|
| Banca Transilvania | 94,091,548 | 42,817,321 |
| BRD - Group Societe Generale | 5,174,603 | 4,996,034 |
| Raiffeisen Bank | 3,906,580 | |
| BCR | 1,660,748 | 6,481,712 |
| Other commercial banks | 2,356,913 | 2,984,441 |
| **Total** | **107,190,392** | **57,279,508** |

The average annual interest for the exposures from current accounts and banks is 0.63%.

### *Exposure from investments held to maturity:*

| *In LEI* | 30 iunie 2018 | 31 decembrie 2017 |
|---|---|---|
| Bacău municipal bonds | 100,440 | 106,130 |
| Banca Transilvania bonds | 7,215,157 | 7,218,764 |
| **Total** | **7,315,597** | **7,324,894** |

Bacău municipal bonds have their maturity on 31st October 2026 and the interest rate is the average of 6M ROBID and 6M ROBOR reference rates, plus 0,85% margin. GDF Suez Energy Romania bonds have their maturity on 30th October 2017 and 7,4% interest rate. Banca Transilvania bonds have their maturity on 22nd May 2020 and the interest rate is 6M EURIBOR reference rate, plus 6,25% margin.

### *Various debtors and commercial liabilities*

| *In LEI* | 30 June 2018 | 31 December 2017 |
|---|---|---|
| AAAS Bucuresti | 54,782,882 | 54,726,859 |
| Depozitarul Central | 650,536 | 987,563 |
| BRD Depozitar | 30,432,378 | - |
| Ministry of Finance - litigious rights | 2,415,314 | 2,415,315 |
| Other various debtors and commercial claims | 52,315,185 | 33,850,216 |
| Impairment adjustments | (58,127,214) | (60,296,017) |
| | **82,469,081** | **31,683,936** |

Impairment adjustments cover all amounts for the commercial claims against AAAS Bucharest.

## 5. Management of Significant Risks (continued)

### (b) Liquidity Risk

Liquidity risk represents the risk of registering a loss or failure to reach estimated profits, resulting from the impossibility to at any time fulfill short-term payment obligations, without this payment involving excessive costs or losses that cannot be borne by the Group. The Group's financial instruments can also include investments in shares that are not traded on an organized market and can consequently have reduced liquidity. Therefore, the Group might have difficulty in the rapid liquidation of investments in these instruments at a value close to that ascertained based on the calculation method for net assets for financial investment companies foreseen by Regulation no. 9/2014 issued by FSA to meet own liquidity requirements.

The structure of the Group's assets and liabilities has been analyzed based on the period remaining from the balance date up to the contractual maturity date, both for the financial period concluded on 30th June 2018 and that concluded on 31st December 2017, as follows:

| *In LEI* | **Accounting value** | **Under 3 months** | **Between 3 and 12 months** | **Over 1 year** | **no pre-set maturity** |
|---|---|---|---|---|---|
| **31st December 2017** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 11,519,434 | 11,519,434 | - | - | - |
| Bank deposits | 95,742,768 | 93,706,300 | 1,984,550 | - | 51,918 |
| Financial assets at fair value through the profit or loss account | 254,364,333 | - | - | - | 254,364,333 |
| Financial assets available for sale | 1,440,389,243 | - | - | - | 1,440,389,243 |
| Investments held to maturity | 7,315,597 | 211,732 | 8,819 | 7,095,045 | - |
| Other financial assets | 82,469,081 | - | - | - | 82,469,081 |
| **Total financial assets** | **1,891,800,456** | **105,437,466** | **1,993,369** | **7,095,045** | **1,777,274,576** |
| **Financial liabilities** | | | | | |
| Dividends to pay | 72,150,952 | - | - | - | 72,150,952 |
| Other financial liabilities | 6,158,183 | - | - | - | 6,158,183 |
| Loans | 31,345,941 | | 610,318 | 30,735,623 | - |
| **Total financial liabilities** | **109,655,077** | **-** | **610,318** | **30,735,623** | **78,309,135** |

## 5. Management of Significant Risks (continued)

## (b) Liquidity Risk (continued)

| *In LEI* | Accounting value | Under 3 months | Between 3 and 12 months | Over 1 year | No pre-set maturity |
|---|---|---|---|---|---|
| **31st December 2017** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 12,420,186 | 12,420,186 | - | - | - |
| Bank deposits | 44,977,823 | 43,549,665 | 1,130,000 | - | 298,158 |
| Financial assets at fair value through the profit or loss account | 208,830,917 | - | - | - | 208,830,917 |
| Financial assets available for sale | 1,452,654,846 | - | - | - | 1,452,654,846 |
| Investments held to maturity | 7,324,894 | 215,149 | 8,820 | 7,100,925 | - |
| Other financial assets | 31,683,936 | - | - | - | 31,683,936 |
| **Total financial assets** | **1,757,892,602** | **56,184,999** | **1,138,820** | **7,100,925** | **1,693,467,857** |
| **Financial liabilities** | | | | | |
| Dividends to pay | 33,176,908 | - | - | - | 33,176,908 |
| Other financial liabilities | 17,842,847 | - | - | - | 17,842,847 |
| Loans | 16,886,065 | | 1,403,808 | 15,482,257 | - |
| **Total financial liabilities** | **67,905,820** | **-** | **1,403,808** | **15,482,257** | **51,019,755** |

## (c) Taxation Risk

The tax system in Romania is subjected to various interpretations and permanent changes that can be retroactive. In certain circumstances, tax authorities might adopt different positions than those of the Group and might calculated tax interest and penalties. Although the tax corresponding to a transaction can be minimal, the penalties can be large, depending on the interpretation of tax authorities.

Moreover, Romania's Government has under its supervision a series of agencies that are authorized to control both the Romanian and foreign entities carrying out activities in Romania. These verifications are largely similar to those carried out in many countries but might also extend over some legal or regulating areas in which the Romanian authorities might be interested.

The statements regarding taxes and levies might be subjected to control and revisions over a period of five years and in general after the date of their submission. According to legal provisions applicable in Romania, the already controlled periods can be subjected to other additional verifications in the future.

The management of the Group considers that it has registered correct values in the tax accounts, taxes and other debts to the state, nevertheless there is a risk that the authorities might have a different position than that of the Group.

Starting on 1 January 2007, following Romania's entering the European Union, the Group had to subject itself to tax regulations of the European Union and implement the changes brought by the European legislation. The way in which the Group has implemented these changes remains open for tax audit for a period of five years.

The last verification of the Ministry of Public Finance the Group was subjected to cover the period up to 1st January 2010. Therefore, the debts of the Group from this date on could be the object of a later verification.

## 5. Management of Significant Risks (continued)

### (d) Economic Environment Risk

The Romanian economy continues to exhibit the characteristics that are specific for an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social development in the future. The Management of the Group is concerned with estimating the nature of the changes that will take place in the Romanian economic environment and their effect of the financial statement and operational and treasury result of the Group. Among the characteristics of Romanian economy we have the presence of a currency that is not fully convertible outside the borders and a low liquidity degree of the capital market.
The management of the Group cannot predict all effects of the crisis that will have an impact on the financial sector of Romania, nor their potential impact on the present financial statements. The management of the Group considers that it has adopted all necessary measures for the sustainability and development of the Group under current market conditions.

### (e) Operational Risk

Operational risk is defined as the risk of registering a loss or failure to reach estimated profits due to internal factors such as improper running of internal activities, the existence of improper staff or systems or because of external factors such as economic conditions, capital market changes, and technological progresses. Operational risk is inherent for all activities of the Group.

The policies defined in order to manage operational risks have taken into consideration each type of event that could generate significant risks and their method of manifestation, in order to eliminate or lower the financial or reputational risks.

### (f) Capital Adequacy

The management's policy concerning capital adequacy is focused on maintaining a solid capital base, for the purpose of supporting the continuous development of the Group and reaching investments objectives.

The Group's equity includes the share capital, various types of reserves and reported result. Equity amounted to 1,833,024,294 lei on 30th June 2017 (31st December 2016: 1,734,212,827 lei).

The Group or Company is not subject to legal requirements regarding capital adequacy.

## 6. Sale and Purchase of Subsidiaries

### (a) Purchase of Subsidiaries

In 2018 the Company participated to the capital increase of branches, as follows:
- Agrointens S.A. Bucuresti – total cash contribution 3,290,000 lei;
- Casa S.A. Bacau – total cash contribution 3,524,450 lei, capital increase through the conversion of the claim of SIF Moldova from Casa SA.

### (b) Sale of Subsidiaries

In 2018 the Group did not lose control in any of its subsidiaries.

# Explanatory notes to the consolidated financial statements

***for the accounting period concluded on 30th June 2018***

## 7. Financial Assets and Liabilities

## Accounting classifications and fair values

The table below summarizes accounting values and fair values of the financial assets and liabilities of the Group 30th June 2018:

| *In LEI* | **Financial assets at fair value through the profit and loss account, on initial recognition** | **Financial assets at fair value through other elements of overall result** | **Amortized cost** | **Total accounting value** | **Fair value** |
|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | 11,519,434 | 11,519,434 | 11,519,434 |
| Bank deposits | - | - | 95,742,768 | 95,742,768 | 95,742,768 |
| Financial assets at fair value through profit and loss | 254,364,333 | - | - | 254,364,333 | 254,364,333 |
| Financial assets available for sale | - | 1,440,389,243 | - | 1,440,389,243 | 1,440,389,243 |
| Investments held to maturity | - | - | 7,315,597 | 7,315,597 | 7,315,597 |
| Other financial assets | - | - | 82,469,081 | 82,469,081 | 82,469,081 |
| Dividends to pay | **254,364,333** | **1,440,389,243** | **197,046,879** | **1,891,800,455** | **1,891,800,455** |
| | - | - | 72,150,952 | 72,150,952 | 72,150,952 |
| Loans | - | - | 31,345,941 | 31,345,941 | 31,345,941 |
| Other financial liabilities | - | - | 6,158,183 | 6,158,183 | 6,158,183 |
| **Total financial liabilities** | **-** | **-** | **109,655,077** | **109,655,077** | **109,655,077** |

## 7. Financial Assets and Liabilities (continued)

## Accounting classifications and fair values (continued)

The table below summarizes accounting values and fair values of the financial assets and liabilities of the Group on 31st December 2017:

| *In LEI* | **Financial assets at fair value through the profit or loss account, on initial recognition** | **Available for sale** | **Amortized cost** | **Total accounting value** | **Fair value** |
|---|---|---|---|---|---|
| Cash and cash equivalents | - | - | 12,420,186 | 12,420,186 | 12,420,186 |
| Bank deposits | - | - | 44,977,823 | 44,977,823 | 44,977,823 |
| Financial assets at fair value through profit and loss | 208,830,917 | - | - | 208,830,917 | 208,830,917 |
| Financial assets available for sale | - | 1,452,654,846 | - | 1,452,654,846 | 1,452,654,846 |
| Investments held to maturity | - | - | 7,324,894 | 7,324,894 | 7,324,894 |
| Other financial assets | - | - | 31,683,936 | 31,683,936 | 31,683,936 |
| Dividends to pay | **208,830,917** | **1,452,654,846** | **96,406,838** | **1,757,892,601** | **1,757,892,601** |
| | - | - | 33,176,908 | 33,176,908 | 33,176,908 |
| Loans | - | - | 16,886,065 | 16,886,065 | 16,886,065 |
| Other financial liabilities | - | - | 17,842,847 | 17,842,847 | 17,842,847 |
| **Total financial liabilities** | **-** | **-** | **67,905,820** | **67,905,820** | **67,905,820** |

## 8. Revenues from dividends

Revenue from dividends is registered at gross value. The taxation rates for dividends corresponding to the financial period concluded on 30th June 2018 have been 5% and zero (2017: 5%). The details of the revenue from dividends on main counterparties are presented in the table below:

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Banca Transilvania | 42,777,002 | - |
| SNTGN Transgaz | 12,458,943 | 12,719,763 |
| OMV Petrom | 9,807,338 | 7,355,503 |
| Aerostar | - | 79,614 |
| Transelectrica | - | 2.500.937 |
| SIF Oltenia | - | 3,738,805 |
| SIF Muntenia | - | - |
| Other | 954,437 | 2,152,738 |
| **Total** | **65,997,720** | **26,046,423** |

## 9. Revenue from interests

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Revenue from interest corresponding to the bank deposits and current accounts | 469,044 | 270,965 |
| Revenue from interests corresponding to investments held to maturity | 226,878 | 304,451 |
| **Total** | **695,922** | **575,416** |

## 10. Other revenue from operations

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Revenue from the sale of production | 13,833,285 | 15,813,258 |
| Revenue from service provision | 256,300 | 306,584 |
| Revenue from rents | 2,021,876 | 1,893,402 |
| Revenue from the sale of goods | 5,426,413 | 4,584,495 |
| Stock variation | 1,723,824 | 3,716,870 |
| Revenue from recovered receivables | 494,673 | 220,056 |
| Other revenue from operations | 8,522,519 | 1,311,016 |
| **Total** | **32,278,892** | **27,845,682** |

## 11. Net revenue from assets sale

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Net profit from the sale of financial assets available for sale | 9,154 | 52,667,603 |
| Net loss from the sale of financial assets at fair value through the profit or loss account | 1,332,258 | - |
| **Total** | **1,341,412** | **52,667,603** |

## 12. Net loss (net revenue) from the re-evaluation of assets at fair value through the profit or loss account

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Net loss/ (net gain) from the re-evaluation of financial assets held for trading | (4,592,437) | 11,070,953 |

| | | |
|---|---|---|
| **Total** | **(4,592,437)** | **11,070,953** |

The revenue/loss represents the difference from the re-evaluation at fair value of shares and fund units evaluated at fair value through the profit and loss account.

### 13. Losses (impairment rerun) from assets impairment

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Losses (impairment re-run) from the impairment of financial assets available for sale | 474,649 | 894,510 |
| Losses (impairment re-runs) from impairment of other assets | (71,436) | - |
| **Total** | **403,213** | **894,510** |

### 14. Other operational expenses

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Expenses with wages and other staff related expenses | 8,724,744 | 8,266,655 |
| Expenses with outsourced services | 11,295,788 | 10,286,527 |
| Expenses with commissions | 2,590,987 | 4,105,633 |
| Expenses with protocol, advertising and publicity | 150,348 | 268,666 |
| Other operational expenses | 15,378,400 | 14,363,001 |
| **Total** | **38,140,266** | **37,290,483** |

Other operational expenses include expenses with intangible assets amortization, transport and telecommunication expenses, expenses with maintenance and repairs, etc. The average number of employees for the financial period concluded on 30 June 2018 was 241 (30th June 2017: 241).

## 15. Profit Tax

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| **Current profit tax** | | |
| Current profit tax (16%) | 3,419,456 | 9,776,752 |
| Dividend tax (16%) | 3,299,462 | 1,278,515 |
| | **6,718,918** | **11,055,267** |
| **Deferred profit tax** | | |
| Financial assets available for sale | (987,086) | (367,034) |
| Real-estate investments | - | - |
| Financial assets at fair value through profit or loss | - | - |
| Provision for management benefits | 1,615,512 | (803,432) |
| Provisions for risks and expenses | 20,405 | (142,462) |
| | **648,831** | **(578,860)** |
| **Total** | **7,367,749** | **11,634,127** |

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

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| **Profit before taxation** | 56,743,454 | 81,334,615 |
| **Tax in compliance with the statutory tax rate of 16% (2015: 16%)** | 9,078,952.64 | 13,013,538 |
| **The effect on the profit tax of:** | | |
| Non-deductible expenses | 48,848,119 | 9,225,783 |
| Non-taxable revenues | (99,336,150) | (40,198,308) |
| Recording and resuming time differences | 48,776,826 | 29,593,114 |
| **Profit tax** | **7,367,749** | **11,634,127** |

The effective profit tax rate for year 2018 is 13 % (for 2017 - 14%).

## 16. Cash and Cash Equivalents

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---|---|
| Cash | 71,810 | 118,500 |
| Current accounts | 11,447,624 | 12,299,159 |
| Attached receivables | - | 2,526 |
| **Cash and cash equivalents** | **11,519,434** | **12,420,186** |

Current accounts opened with banks are permanently at the Group’s disposal, they are not restricted.

## 17. Bank Deposits

**Bank deposits**

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---:|---:|
| Fixed-term deposits | 95,640,349 | 44,959,945 |
| Attached receivables | 50,501 | 17,878 |
| Blocked deposits | 51,918 | - |
| **Total bank deposits** | **95,742,768** | **44,977,823** |

The bank deposits are permanently available for the Group and are not restricted.

## 18. Financial assets

### *a) Financial assets at fair value through the profit and loss account*

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---:|---:|
| Fund units | 194,038,105 | 29,862,637 |
| Shares | 60,326,228 | 178,968,280 |
| **Total** | **254,364,333** | **208,830,917** |

On 30th June 2018 and 31 December 2017, the fair value evaluated shares mainly includes the value of the shares held in Banca Transilvania, and OMV Petrom, Aerostar, Romgaz SNTGN Transgaz.

The evaluation of shares at fair value was made by multiplying the number of shares held on the balance date with the closing price on the last trading day of the reporting period.

## 18. Financial Assets (continued)

### *b) Financial assets available for sale*

The movement of financial assets available for sale in financial years concluded 30th June 2018 and 31st December 2017 is presented in the following table

| *In RON* | **Shares measured at fair value** | **Shares measured at estimated fair value** | **Fond units** | **Total** |
|---|---|---|---|---|
| **December 31, 2016** | **1,218,635,508** | **6,593,197** | **73,857,217** | **1,299,085,922** |
| Net change during the period | (53,833,244) | (446,411) | 46,629,571 | (7,650,083) |
| Transfer between categories | - | - | - | - |
| Impairment losses | (20,609) | (93,609) | - | (114,218) |
| Change in fair value | 136,182,502 | - | 25,150,722 | 161,333,224 |
| **December 31, 2017** | **1,300,964,158** | **6,053,177** | **145,637,510** | **1,452,654,846** |
| Sales during the period | (131,833,638) | (1,383,866) | - | (133,217,504) |
| Acquisitions during the period | 39,605,268 | - | - | 39,605,268 |
| Transfer between categories | (1,719,086) | 1,719,086 | - | - |
| Outputs by transfer outside the category (FVTPL) | (52,628,873) | (351,506) | (145,637,510) | (198,617,889) |
| Inputs by transfer outside the category (FVTPL) | 178,961,930 | - | - | 178,961,930 |
| Change in AFS fair value classified FVTOCI | 111,521,805 | 4,540,282 | - | 116,062,087 |
| Change in HFT fair value classified FVTOCI | (15,059,494) | - | - | (15,059,494) |
| **June 30, 2018** | **1,429,812,068** | **10,577,173** | **0** | **1,440,389,244** |

The information regarding transfer between categories represents the net value of shares that have migrated towards the category of fair value/ cost measured shares due to the disappearing/appearance of an active market for those instruments.

## 18. Financial Assets (continued)

### *c) Investments held to maturity*

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---|---|
| Corporate bonds | 7,215,157 | 7,218,764 |
| Municipal bonds | 100,440 | 106,130 |
| **Total** | **7,315,597** | **7,324,894** |

### *d) Fair value hierarchy*

The table below analyses the financial instruments registered at fair value, depending on the method of evaluation. The fair value levels based on the entries data in the evaluation model have been defined as follows:

Level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities

Level 2: entries, other than quoted prices included in Level 1 that are observable for assets or liabilities: either directly (e.g. prices) or indirectly (e.g. price derivatives).

Level 3: entries for assets or liabilities that are not based on market observable data (non-observable entries).

## 18. Financial Assets (continued)

### *d) Fair Value Hierarchy* (continued)

**30th June 2018**

| *In LEI* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 252,885,537 | - | 1,478,796 | 254,364,333 |
| Financial assets available for sale | 1,287,113,771 | | 153,275,471 | 1,440,389,242 |
| **Total** | **1,539,999,309** | **-** | **154,754,267** | **1,694,753,575** |

**31st December 2017**

| *In LEI* | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 208,830,917 | - | - | 208,830,917 |
| Financial assets available for sale | 1,332,854,975 | | 119,799,870 | 1,452,654,846 |
| **Total** | **1,541,685,892** | **-** | **119,799,870** | **1,661,485,762** |

## 18. Financial Assets (continued)

## *d) Fair Value Hierarchy* (continued)

### Modification of Level 3 Fair value

| *In LEI* | **30 June 2018** | **30 June 2017** |
|---|---|---|
| **On 1st January** | **119,799,870** | **70,558,569** |
| Total loss recognized in the profit or loss account | 1,050,951 | - |
| Total revenue recognized in other elements of overall result | 4,224,762 | (15,751,817) |
| Purchased during the period | 38,857,947 | 59,560 |
| Sales during the period | (9,179,261) | (2,529,640) |
| Transfers in Level 3 of fair value hierarchy | - | 67,463,198 |
| **On 30 June 2018** | **154,754,267** | **119,799,870** |

In 2018 company ranked in Level 1 evaluation value titles measured based on closing prices on BVB, TSX markets on the last trading day. In this level fund units are included, measured based on unitary value of net assets certified by the fund depository as well as shares without active market evaluated at the last quoted price.

Holdings classified under level 3 have been evaluated by independent evaluators, based on financial information supplied by the departments with monitoring function, using evaluation techniques that maximize the use of relevant observable entry data and minimize the use of non-observable entry data, under the management's supervision making sure that all data at the base of the evaluation reports are correct and adequate. Holdings that have not been subjected to evaluation are entered under level 3 their amount being insignificant.

## 18. Financial Assets (continued)

### *d) Fair value hierarchy (continued)*

| Financial assets | Fair value on 30th June 2018 | Evaluation technique | Non-observable entry data. Value intervals | Relationship between non-observable entry data and fair value |
|---|---|---|---|---|
| Listed minority holdings, no active market | 11,732,677 | Market approach – comparable companies method (based on Price /Sales multiple | Multiple Enterprise value /Net sales: 1,7 | The lower the Ev/Sales value, the lower the fair value. |
| | | | Lack of control discount: 7,7% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount: 16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| Listed minority holdings, no active market | 58,651,988 | Revenue approach – updated cash flow method | Weighted average capital cost: 9%÷11,3% | The lower the weighted average capital cost, the higher the fair value. |
| | | | Lack of control discount: 7,1% ÷ 10,5% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount: 10% ÷16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| | | | Long-term revenue increase rate: 1,4% ÷ 2% | The higher the long-term revenue increase rate, the higher the fair value. |
| Listed minority holdings, no active market | 19,931,100 | Assets approach – sum up method or adjusted net asset method | Equity market value reported to their accounting value: 0.5 | In the balance the accounting value is identified through equity. In the sectors characterized by higher investments in property assets P/BV is usually lower. The lower the resulted P/BV, the lower the fair value. |
| | | | Lack of control discount: 7.7% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount: 16.8% | The lower the lack of liquidity discount, the higher the fair value. |
| Unlisted minority holdings | 56,552,365 | Revenue approach – updated cash flows method | Weighted average capital cost: 9.2% ÷ 11,1% | The lower the weighted average capital cost, the higher the fair value. |
| | | | Lack of control discount with values between: 8,4% ÷ 20,8% | The lower the lack of control value, the higher the fair value. |
| | | | Lack of liquidity discount with values between: 9.6% ÷ 16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| | | | Long-term revenue increase rate: 1% ÷ 3% | The higher the long-term revenue increase rate, the higher the fair value. |
| Unlisted minority holdings | 5,097,803 | Revenue approach – assets with reference to balance equity method | The market value of equity reported to their accounting value: 1 | In the balance the accounting value if identified as equity. The lower the price/accounting value resulted, the lower the fair value. |
| TOTAL | **151,965,934** | | | |

**18. Financial Assets (continued)**

**d) Fair value hierarchy (continued)**

| **Fair value** | **Fair value on 31st December 2017** | **Evaluation technique** | **Non-observable entry data. Value intervals** | **Relationship between non-observable entry data and fair value** |
|---|---|---|---|---|
| Listed minority holdings with no active market | 11,731,567 | Market approach – comparable companies method (based on Price /Sales multiple | Price/Sales multiple: 1,7 | The lower the Price/Sales multiple, the lower the fair value. |
| | | | Lack of control discount: 7,7% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount: 16.8% | The lower the lack of liquidity discount, the higher the fair value. |
| Listed minority holdings, without active market that intend the liquidation of a significant percentage of property assets | 19,931,100 | Assets approach – sum up method or adjusted net asset method | Equity market value reported to their accounting value: 0,5 | In the balance the accounting value is identified through equity. In the sectors characterized by higher investments in property assets P/BV is usually lower. The lower the resulted P/BV, the lower the fair value. |
| | | | Lack of control discount: 7,7% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount: 16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| Listed minority holdings without active market | 58,651,988 | Revenue approach – updated cash flows method | weighted average capital cost with values between 9% and 11,3% | The lower the weighted average capital cost, the higher the fair value. |
| | | | Lack of control discount with value between 7.1% - 10,5% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount with values between 10% -16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| | | | Long-term revenue increase rate: between 1,4% and 2% | The higher the long-term revenue increase rate, the higher the fair value. |
| Unlisted minority holdings | 21,717,770 | Revenue approach – update cash flows method | Weighted average capital cost with values between 10% and 11,1% | The lower the weighted average capital cost, the higher the fair value. |
| | | | Lack of control discount with values between 7,71% - 20,5% | The lower the lack of control discount, the higher the fair value. |
| | | | Lack of liquidity discount with values between 10% -16,8% | The lower the lack of liquidity discount, the higher the fair value. |
| | | | Long-term revenue increase rate: between 1% and 3% | The higher the long-term revenue interest rate, the higher the fair value. |
| **Total** | **112,442,893** | | | |

## 18. Financial Assets (continued)

The applied evaluation method unitary determines a single impairment model applicable to all financial instruments.

EBITDA multiple: is the most relevant multiple used in the evaluation of a holding and it is calculated using the information available for comparable listed companies (with the same geographic location, extent of industrial sector, target markets as well as other factors that the evaluators consider relevant).

Trading multiples for comparable companies are determined by dividing the company value to the corresponding EBITDA indicator and by applying the discounts for lack of liquidity and other differences between the analyzed and evaluated company.

Lack of liquidity discount: represents the discount applied to comparable market multipliers, in order to reflect liquidity differences between the company in the portfolio subjected to evaluation and the comparable companies considered. The evaluators estimate the discount for lack of liquidity based on their professional judgment, taking into consideration the market conditions regarding liquidity and factors that are specific for the evaluated company.

Lack of control discount: represents the discount applied to reflect the absence of control and is used in the updated cash flow method, in order to determine the value of the minority holding in the capital of the evaluated company.

Average weighted capital cost: represents the cost of company capital in nominal terms (including inflation), based on the “Capital Asset Pricing Model”. All capital sources – shares, bonds and other long-term liabilities – are included in the calculation of the weighted average capital cost.

Net price/profit (P/E): P/E ratio is a prospective market indicator that calculates the value of an investment in relation with the profits it generates, by reporting the share price to the net profit per share. This indicator shows how much the market is willing to pay for a company based on its current generated profits. Investors often use this indicator to evaluation what the market value of an investment should be based on the forecast of future profits per share.

Equity accounting price/book (P/BV): P/BV ratio evaluates the market price of a company in relation with its equity (net assets). This indicator reflects the ratio that investors are willing to pay for the net asset per share value. P/BV ratio significantly varies, depending on the field of activity. A company that required more assets (for example a manufacture company with manufacture area and equipment) will need a significantly lower accounting Price /value of equity, than one whose revenue comes from service delivery (for example a consultancy company).

### 18 e) Reserve from the re-evaluation at fair value of financial assets available for sale, net of deferred tax

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---|---|
| **On 1st January** | **596,129,534** | **545,110,922** |
| Net gain from the re-evaluation of financial assets available for sale /FVTOCI | 91,706,698 | 149,615,991 |
| Net gain/ net loss corresponding to the transfer into the profit or loss account/ reported result, following the sale of financial assets available for sale | (18,188,547) | (98,617,988) |
| Effect of loss in profit or loss on the impairment of available-for-sale financial assets | | 20,609 |
| ***Reserve transfer from reported result following the adoption of IFRS9 (FSA classified FVTPL)*** | (44,800,666) | - |
| ***Transfer of reported result to reserves following the adoption of IFRS9 (HFT classified FVTOCI)*** | 10,558,981 | - |
| ***Transfer of reported result to reserves following the adoption of IFRS 9 (reruns from impairment/provisions)*** | (43,854,166) | - |
| **On 30th June** | **591,551,834** | **596,129,534** |

### 19. Real-estate investments

| *În LEI* | **30 iunie 2018** | **31 decembrie 2017** |
|---|---|---|
| **Sold la 1 ianuarie** | **11,462,193** | **11,329,891** |
| Modificări ale valorii juste | - | - |
| Cresteri (Reduceri) | 11,982,317 | 132,302 |
| **Sold la 31 decembrie** | **23,444,510** | **11,462,193** |

The fair value evaluation of real estate investments is made by external evaluators independent members of the National Association of Assessors in Romania (ANEVAR).
Fair value is based on market price quotations adjusted, if the case be, so that they reflect the differences connected to the nature, location or conditions of that particular asset. These evaluations are periodically revised by the management of the Company.
The latest fair value evaluation of the Company's real property was made on 31.12.2016 by Evaluări Consultanţă Management ECM SRL Bacău
Real estate investments held on 30th June 2018 are classified on Level 3 of fair value hierarchy.

# Explanatory notes to the consolidated financial statements

*for the accounting period concluded on 30th June 2018*

## 20. Tangible and Intangible Assets

| Gross accounting value | 1st January 2018 | Increases | Decreases | 30th June 2018 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| Intangible assets | 11,477,668 | 39,555 | - | 11,517,224 |
| Current intangible assets | 712,606 | | - | 712,606 |
| **Total** | **12,190,274** | **39,555** | **0** | **12,229,830** |
| **Tangible assets** | | | | |
| Lands | 30,312,774 | 901,199 | 8,482,379 | 22,731,595 |
| Buildings | 28,333,315 | 2,667,977 | 1,128,446 | 29,872,847 |
| Equipment | 22,697,736 | 140,701 | 1,405,609 | 21,432,829 |
| Transportation means | 10,909,771 | 161,529 | 5,618 | 11,065,682 |
| Other fixed means | 646,574 | 12,143 | 10,274 | 648,444 |
| Current tangible assets | 7,407,480 | 707,818 | 9,349 | 8,105,948 |
| **Total** | **100,307,651** | **4,591,367** | **11,041,674** | **93,857,344** |

| Cumulated amortization | 1st January 2018 | Increases | Decreases | 30th June 2018 |
|---|---|---|---|---|
| **Intangible assets** | | | | |
| Intangible assets | 3,576,810 | 18,024 | 44,866 | 3,649,968 |
| **Total** | **3,576,810** | **118,024** | **44,866** | **3,649,968** |
| **Tangible assets** | | | | |
| Lands | - | - | - | - |
| Constructions | 5,351,478 | 539,014 | 50,780 | 5,839,712 |
| Equipment | 12,268,232 | 605,585 | 1,413,827 | 11,459,990 |
| Transportation means | 2,366,076 | 245,836 | 441,096 | 2,170,816 |
| Other transportation means | 748,230 | 34,205 | 15,587 | 766,846 |
| **Total** | **20,734,015** | **1,424,640** | **1,921,290** | **20,237,365** |

| Net accounting value | 1st January 2018 |
|---|---|
| Intangible assets | 8,579,862 |
| Tangible assets | 73,619,980 |

## 21. Other assets

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---|---|
| Various debtors | 128,533,286 | 91,979,846 |
| Dividends to collect | 12,063,010 | 107 |
| Other assets | 76,233,438 | 52,980,160 |
| Minus adjustments for depreciation of various debtors | (58,127,214) | (60,296,017) |
| **Total** | **158,702,520** | **84,664,096** |

Various debtors mainly include amounts coming from final sentences worth 58.127.214 lei. For the value for which collection is uncertain, the Group has calculated impairment adjustments.

The provision for various debtors' impairment can be analyzed as follows:

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---|---|
| **On 1st January** | **(60,296,016)** | **(58,331,538)** |
| Setup | (1,696,303) | (2,299,918) |
| Re-run | 3,865,105 | 335,439 |
| **On 31st December** | **(58,127,214)** | **(60,296,016)** |

## 22. Loans

On 30th June 2018, the Group had a loan of 31,345,941 lei.

Hotel Sport Cluj signed with Banca Transilvania a loan agreement in December 2015, the value of the mortgaged tangible assets being 20,900,000 lei. The loan was contracted for a period of 10 years with an annual variable interest rate of 4.42%. On 30.06.2018 the owed amount was of 8 million lei.

Tesatoriile Reunite has two long-term financing contracts entered with Raiffeisen Bank for Baba Novac Residence project, the amount used by 30.06.2018 is 14.3 million lei.

Agrointens has three long-term credit contracts entered with Banca Transilvania total amount 7,302,024 lei with Robor interest 1M + 2.5%. On 30.06.2018 the sum of the loans was 7,3 million lei.
Mecanica Ceahlau has an investment credit of 355.464 Euro with interest: 2,5%+EURIBOR 3 MONTHS. On 30.06.2018 the loan sum was 1,8 million lei.

## 23. Dividends to pay

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---:|---:|
| Dividends to pay for 2012 | 642 | 642 |
| Dividends to pay for 2013 | 986 | 6,188 |
| Dividends to pay for 2014 | 165,434 | 10,704,950 |
| Dividends to pay for 2015 | 10,832,537 | 10,990,699 |
| Dividends to pay for 2016 | 11,132,757 | 11,474,428 |
| Dividends to pay for 2017 | 50,018,596 | |
| **Total dividends to pay** | **72,150,952** | **33,176,908** |

**Dividends to be paid not collected within 3 years from their statement date are prescribed according to the law.**

## 24. Provisions for Risks and Expenses

| *In RON* | **30 June 2018** | **31 December 2017** |
|---|---:|---:|
| Provisions for litigation | 4,116,699 | 4,153,896 |
| **Total** | **4,116,699** | **4,153,896** |

For the amounts collected by the Group through enforcement agents, AAAS has opened litigations to challenge the enforced amounts. The litigations provisions represent the amounts collected by the Group through enforcement agents between 2011-2016 later challenged by AAAS.

The provision for litigations can be analyzed as follows:

| *In LEI* | **30th June 2018** | **31st December 2017** |
|---|---:|---:|
| **on 1st January** | **4,153,896** | **5,020,583** |
| setup | 1,602,851 | 3,195,024 |
| Re-run | (1,640,049) | (4,061,710) |
| **On 31st December** | **4,116,699** | **4,153,896** |

## 25. Liabilities regarding deferred profit tax

Liabilities regarding deferred tax on 30 June 2018 are generated by the elements listed in the following table:

| *In LEI* | **Assets** | **Liabilities** | **Net** |
|---|---|---|---|
| Intangible assets | - | - | - |
| Tangible assets | 4,874,766 | - | 4,874,766 |
| Financial assets at fair value through profit or loss | - | - | - |
| Financial assets available for sale | 546,081,266 | - | 546,081,266 |
| Real-estate investments | 8,171,998 | - | 8,171,998 |
| Provisions for management benefits | - | (6,027,087) | (6,027,087) |
| Provisions for litigations and other provisions | - | (8,864,387) | (8,864,387) |
| Other assets | (13,662,771) | - | (13,662,771) |
| **Total** | **545,465,259** | **(14,891,474)** | **530,573,785** |
| Net temporal assets- 16% rate | | | 530,573,785 |
| **Liabilities regarding deferred profit tax** | | | **84,891,806** |

The liabilities regarding deferred tax on 31st December 2017 are generated by the elements detailed in the following table:

| *In LEI* | **Assets** | **Liabilities** | **Net** |
|---|---|---|---|
| Intangible assets | | - | - |
| Tangible assets | 6,816,325 | - | 6,816,325 |
| Financial assets at fair value through profit or loss | (2,510,280) | - | (2,510,280) |
| Financial assets available for sale | 505,270,969 | - | 505,270,969 |
| Real-estate investments | 3,290,656 | - | 3,290,656 |
| Provisions for management benefits | - | (16,251,572) | (16,251,572) |
| Provisions for litigations and other provisions | - | (7,668,899) | (7,668,899) |
| Other assets | (18,836,949) | - | (18,836,949) |
| **Total** | **494,030,721** | **(23,920,471)** | **470,110,250** |
| Net temporal assets - 16% rate | | | 470,110,250 |
| **Liabilities regarding deferred profit tax** | | | **75,217,640** |

## 25. Liabilities regarding deferred profit tax (continued)

The movement of the liability balance regarding deferred tax for years 2018 and 2017 is the following:

| | 30th June 2018 | 31st December 2017 |
|---|---|---|
| **Balance on 1st January** | **75,217,640** | **66,139,361** |
| Variation through profit or loss account | 648,831 | (1,874,792) |
| Variation for other elements of overall result | 9,025,335 | 10,953,071 |
| **Balance on 31st December** | **84,891,806** | **75,217,640** |

## 26. Other liabilities

| *In LEI* | 30th June 2018 | 31st December 2017 |
|---|---|---|
| Suppliers - invoices not arrived | 1,465,669 | 3,127,553 |
| Liabilities with current profit tax | 1,806,856 | 5,384,665 |
| Taxes | 131,096 | 1,591,275 |
| Liabilities regarding participation to profit | 6,027,087 | 16,251,572 |
| Other liabilities | 40,368,888 | 22,206,627 |
| **Total** | **49,799,596** | **48,561,693** |

Liabilities regarding profit participation represent the amounts that are to be distributed from the net profit of the year to the employees, in compliance with the Collective employment contract and the managers according to the Administration Contracts. The liabilities for the current profit tax have been paid by the Group on time.

In „Other liabilities” the weight is held by Tesatoriile Reunite with the amount of 18.5 million represented advanced received based on the real estate selling contracts concluded within Baba Novac Project, by SIF Moldova with the amount of 9,3 million lei representing the equity underwriting for company Staulesti Lac Alfa S.A and by Mecanica Ceahlau with the amount of 6.9 million lei representing short-term commercial liabilities.

## 27. Capital and Reserves

### *(a) Share capital*

The Group's shareholding structure on 30th June 2018 and 31st December 2017 is the following:

| 30th June 2018 | No. of shareholders | No. of shares | Amount (RON) | (%) |
|---|---|---|---|---|
| Individuals | 5,758,647 | 383,981,388 | 38,398,139 | 38% |
| Legal entities | 199 | 629,197,788 | 62,919,779 | 62% |
| **Total** | **5,758,846** | **1,013,179,176** | **101,317,918** | **100%** |

| 31st December 2017 | No. of shareholders | No. shares | Amount (RON) | (%) |
|---|---|---|---|---|
| Natural individuals | 5,761,922 | 389,597,287 | 38,959,729 | 38% |
| Companies | 212 | 648,581,889 | 64,858,189 | 62% |
| **Total** | **5,762,134** | **1,038,179,176** | **103,817,918** | **100%** |

All shares are ordinary. They have been subscribed and fully paid on 31st March 2017. All shares have the same voting right and a nominal value of 0.1 lei/share. The number of shares authorized to be issued is equal to the issued ones. In 2018 and 2017 there have been no modifications of the number of issued shares.

In January 2018 we ran the operation regarding the reduction of the Group's share capital from 103,817,917.60 RON to 101,317,917.60 RON the source being the annulment of 25,000,000 own shares with nominal value 0.10 RON/share, purchased by the Company according to EGMS no. 2 of 04.04.2017 and according to art. 207, line (1) letter c) of Law no. 31/1990 regarding companies, updated.

For the buy-back of the 25.000.000 shares we used the distributable profit included in the individual financial statements of the company on 31st December 2016 drafted in compliance with International Financial Reporting Standards adopted by the European Union („IFRS") and the Rule of the Financial Supervision Authority („ASF") no. 39/28th December 2015 for the approval of the accounting regulation compliant with the International Financial Reporting Standards applicable to entities authorized, regulated and supervised by FSA in the field of Financial Instruments and Investments (hereinafter referred to as "FSA Rule no. 39/2015"), in compliance with art. 103 index 1 of Law no. 31/1990 regarding companies, updated.

Thus, the share capital on the 30th June 2018 is 103,817,918 (31st December 2017: 103,817,918).

The shareholding right limited to 1% of share capital has been modified by Law 11 of 6th January 2012 (which came into force on 13th January 2012), to 5% of the share capital, that is 51,908,959 shares.

## 27. Capital and Reserves (continued)

### *(b) Reserves from the reevaluation of financial assets available for sale*

This reserve includes the net cumulated modifications of the fair value of financial assets available for sale on the date of their classification in this category and until the date these have been derecognized or impaired.

The reserves from the re-evaluation of financial assets available for sale are recorded at net value of corresponding deferred tax. The value of deferred tax, directly recognized through the decrease of equity is foreseen under explanatory note 25 (page 61).

### *(c) Legal Reserves*

Abiding by legal requirements, the company sets up legal reserves worth 5% of registered profit as per IFRS up to 20% of share capital. The value of legal reserve on 30 June 2018 is 31,465,541 lei (31st December 2017: 31,358,424 lei).

Legal reserves cannot be distributed to shareholders.

### *(d) Dividends*

In 2018 the Group declared dividends of 49,858,959 lei corresponding to year 2018 (2017: 43,875,969 lei corresponding to 2016), that is 0.05 lei/ share (2017: 0.44 lei / share).

In 2018 the Group prescribed dividends of 10,406,544 lei corresponding to 2014 (2016: 6,791,916 lei corresponding to 2013).

### *(e) Other Equity Elements – Own Shares*

The total number of own shares held by the Group on 30.06.2018 was 11,065,237 shares representing 1.09% of share capital (on 31.12.2017 it was 41,000,000 shares representing 3.95%) of the total value of 8,212,330 lei (on 31.12.2017 – of 38,283,387 lei).

From the number of shares held by the Group on 31st December 2017, the employees and managers were assigned a number of 4,934,763 shares (0.4871% of share capital), total value 4,243,896 lei, representing SOP 2016.

A number of 25,000,000 shares were annulled during the reporting period for an average price of 0.9048 lei, representing 2.65% of share capital.

## 8. Minority Interest

Interests that do not control are part of the profit or loss and of net assets held directly or indirectly by the Group and are presented in the consolidated statement of profit or loss and other overall result elements and within equity in the consolidated statement of financial position, separate from the capital of the mother-company's shareholders. The modifications of holdings in subsidiaries that do not result in loss of control are accounted as transactions between shareholders in their shareholder's capacity.

## 28. Minority Interest (continued)

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| **On 1st January** | 14,702,105 | (20,717,042) |
| Profit assignable to minority interest | 439,466 | (4,951,649) |
| Modification in the Group's structure | 14,499 | 6,296,108 |
| **Result per basic share** | **15,156,070** | **(19,372,583)** |

## 29. Result per share

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

| *In LEI* | **30th June 2018** | **30th June 2017** |
|---|---|---|
| Profit assignable to ordinary shareholders | 53,659,801 | 72,222,054 |
| Average weighted number of ordinary shares | 1,013,179,176 | 1,038,179,176 |
| **Result per basic share** | **0.053** | **0.070** |

The diluted result per share is equal to the basic share result, as the Company did not register potential ordinary shares.

## 30. Contingent Engagements and Liabilities

### (a) Trials

On 30th June 2018, SIF Moldova was involved in a number of 60 trials as defendant and 136 trials as plaintiff.
The trials where SIF Moldova acts as defendant/plaintiff whose object influence the company's patrimony are entered in the accounting records.

Of the 136 trials pending where SIF Moldova is plaintiff, 70 files are litigations against AAAS. For the amounts claimed by the Company and won through final and irrevocable sentences, AAAS claims have been entered in the accounting- for most of them the enforcement procedure being initiated.

Of the 60 trials where SIF Moldova as respondent, 14 files are initiated by AAAS following enforcements of SIF" Moldova".

Litigations started with AAAS with object challenge of enforcements of SIF Moldova amount to a total of 20.108.530 lei
Of the total contingent assets registered on 30th June 2018 of 6.805.152 lei, the amount of 985.555 lei represents the value of the agreement to take over litigious rights Textila Oltul-SIF Moldova, 3.644.554 lei representing share value plus interest owed by Vastex following SIF Moldova's withdrawal from shareholding and 634.672 lei represent amounts requested by SIF Moldova in the litigations against AAAS with object the recovery of legal expenses and damages corresponding to the amounts won in court.
The amounts representing contingent assets will be entered in the balance at the time final and irrevocable sentences are pronounced/ their collection.

## 30. Contingent Engagements and Liabilities

### (a) Court Proceedings

On 30th June 2018, Mecanica subsidiary in involved in the following court proceedings:

- 65 trials where it is plaintiff for uncollected claims, for which adjustments for commercial claims impairment of 100% were made;
- 120 trials where it is the respondent, with object: labor litigations, for the issue of certificates to certify work hours in the 2nd labor group required for pensions. The management estimates that the result of these trials will not have an impact on the Company's financial position.
- Other 16 litigations where it is the respondent, for labor group certification.

### (a) Contingent related to the environment

The regulations regarding the environment are developed in Romania, and the company has not recorded any obligations on 30 June 2018 and 31st December for any type of anticipatory costs, including legal and consultancy fees, location surveys, design and implementation of remedy plans, regarding the environment.
The management of the Company does not consider the expenses associated with possible environmental issues to be of significance.

### (b) Transfer Price

Romanian tax law contains regulations regarding transfer prices between affiliated entities since 2000. The legislative framework currently defines the principle of "market value" for the transactions between affiliated entities and methods to set transfer prices. Therefore, it is to be expected that tax authorities initiate detailed verifications of transfer prices in order to make sure that the fiscal result and/or customs value of imported goods are not distorted by the effects of the prices practiced in the relationship with affiliated individuals. The Company cannot quantify the result of such verification.

## 31. Transactions and balances with parties in special relationships

### *Group's associated entities*

The balances and transactions between Group members have been eliminated from the consolidation process and are not presented in this note.

The Group does not hold associated entities on 30th June 2018 and 31st December 2017

### *Key Management Staff*

### *30th June 2018*

The members of SIF Moldova S.A.'s Board of Directors: Ceocea Costel (Board of Directors' President), Octavian Claudiu Radu (Vice-president of the Board of Directors) Doros Claudiu (CEO), Catalin Jianu Dan Iancu (Deputy CEO), Horia Ciorcila.

## 31. Transactions and balances with parties in special relationships (continued)
## Key management Staff (continued)

***30th June 2017***

*The members of SIF Moldova S.A.'s Board of Directors: Ceocea Costel (President CEO), Doros Claudiu (Vice-president, deputy CEO), Catalin Jianu Dan Iancu (Manager of the Management Committee) Horia Ciorcila, Radu Hanga, Octavian Claudiu Radu and Gheorghe Albu.*

The wages and indemnities paid or to be paid for key management staff between 01st January 2018- 30th June 2018 were 7,220,595 lei (30th June 2017: 4,672,886 lei).

The total SIF Moldova shareholding of the Board of Directors on 30.06.2018 was 9.532.011 shares representing 0.94% of share capital (31.12.2017 it was 12,849,506 shares representing 1.24% of share capital).

## 32. Events following the balance date

In July 2018 we completed the public offer for the purchase of own shares, approved by FSA resolution no. 726/13.06.2018, with the following main characteristics:

- the number of shares that are object of the offer: 11,000,000 (1.08569% of share capital);
- purchase price: 1.818 lei/share;
- program period: 20.06.2018 – 10.07.2018;
- subscription locations: according to the offer document displayed on www.sifm.ro

The purpose of the program is the reduction of the share capital through the annulment of shares bought back according to the Resolution of the General Extraordinary Meeting of Shareholders of SIF Moldova no.2/27.04.2018 (published in the Official Gazette part IV no. 1952/22.05.2018).


# H1 2018 Consolidated Board of Directors' Report

URS is a member of Registrar of Standards (Holdings) Ltd.

Contents:

***NOTE 1:*** The report structure abides by the provisions of:

- ✓ Law 24/2017, 3rd title – Issuers whose securities are allowed for trading on a regulated market, Chapter 3- Regular Reporting. For the comparability of information, SIF Moldova maintains the same structure of the consolidated annual and half-year reports.
- ✓ FSA regulation no. 39/2015 regarding the approval of Accounting Regulations compliant with the International Financial Reporting Standards (IFRS), applicable to entities authorized, regulated and supervised by FSA.

***NOTE 2:*** all amounts are presented in RON, if not otherwise specified.

## 1. Presentation of the development and performance of SIF Moldova Group's activities and position

SIF Moldova SA is classified as Alternative Investment Funds Manager (AIFM) certified by the Financial Supervision Authority under no. **20/23.01.2018** and functions abiding by the provisions of Law no. 24/2017 regarding the issuers of financial instruments and market operations, Law no. 297 regarding capital market, Law 31/1990 regarding companies and FSA regualtions issued in the application of primary legislation.

**Purpose –** increasing the value of managed assets.

**The main field of activity** of the company is financial investments.

**Its activity object** consists in:
a) administration and management of financial instruments, derived financial instruments and other instrument qualified as such through the regulations of the competent authorities;
b) administration and management of shares/bonds and other rights stemming from these in unlisted or closed companies;
c) risk management;
d) other auxiliary and adjacent activities for collective management.

**SIF Moldova's identification data:**

Headquarters: **Str. Pictor Aman nr.94 C, Bacau**
Tel./fax/e-mail: **0234576740 / 0234570062 / sifm@sifm.ro**
Fiscal code: **2816642**
Trade Registry no.: **J04/2400/92**
LEI: **254900Y1O0025N04US14**
Subscribed and paid-up capital**: 101.317.917,6 lei**
Number of issued shares: **1.013.179.176**
Nominal value: **0,1 lei/share**
Shareholding structure: **100% private**
Free float: **100%**
FSA register no.: **PJR07[1]AFIAA**/040002 - *FSA approval no. 20/23.01.2018)*
Regulated market on which issued securities are traded: **Bucharest Stock Exchange, Premium category**
International identifiers:
Bucharest Stock Exchange**: SIF2**
ISIN: **ROSIFBACNOR0**
Bloomberg**: BBGID BG000BMN5F5**
Reuters**: SIF2.BX**

The company is self-managed in unitary system.

The record of shares and shareholders is kept according to the law by S.C. Depozitarul Central S.A. Bucharest.

Assets storage services are provided by - Société Générale S.A. – a company authorized by the Financial Supervision Authority.

## *1.1. Consolidation area*

The consolidated financial statements for the financial year concluded on December 31st, 2016 comprise the Company and its subsidiaries (hereinafter referred to as "Group") as well as the interests of the Group in its associated entities.

**Subsidiaries** are entities under the Group's control. Control represents the power to lead the financial and operational policies of an entity in order to obtain benefits from activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the time control begins to be exercised up to the time control ceases. The accounting policies of the Group have been modified for the purpose of aligning them to those of the Group.

**Associated entities** are those companies in which the Group can exercise a significant influence but not control over financial and operational policies.

The consolidated financial statements include the quota of the Group from the results of the associated entities, based on the equivalence method, from the date the Group has started to exercise significant influence, up to the date when this influence ceases

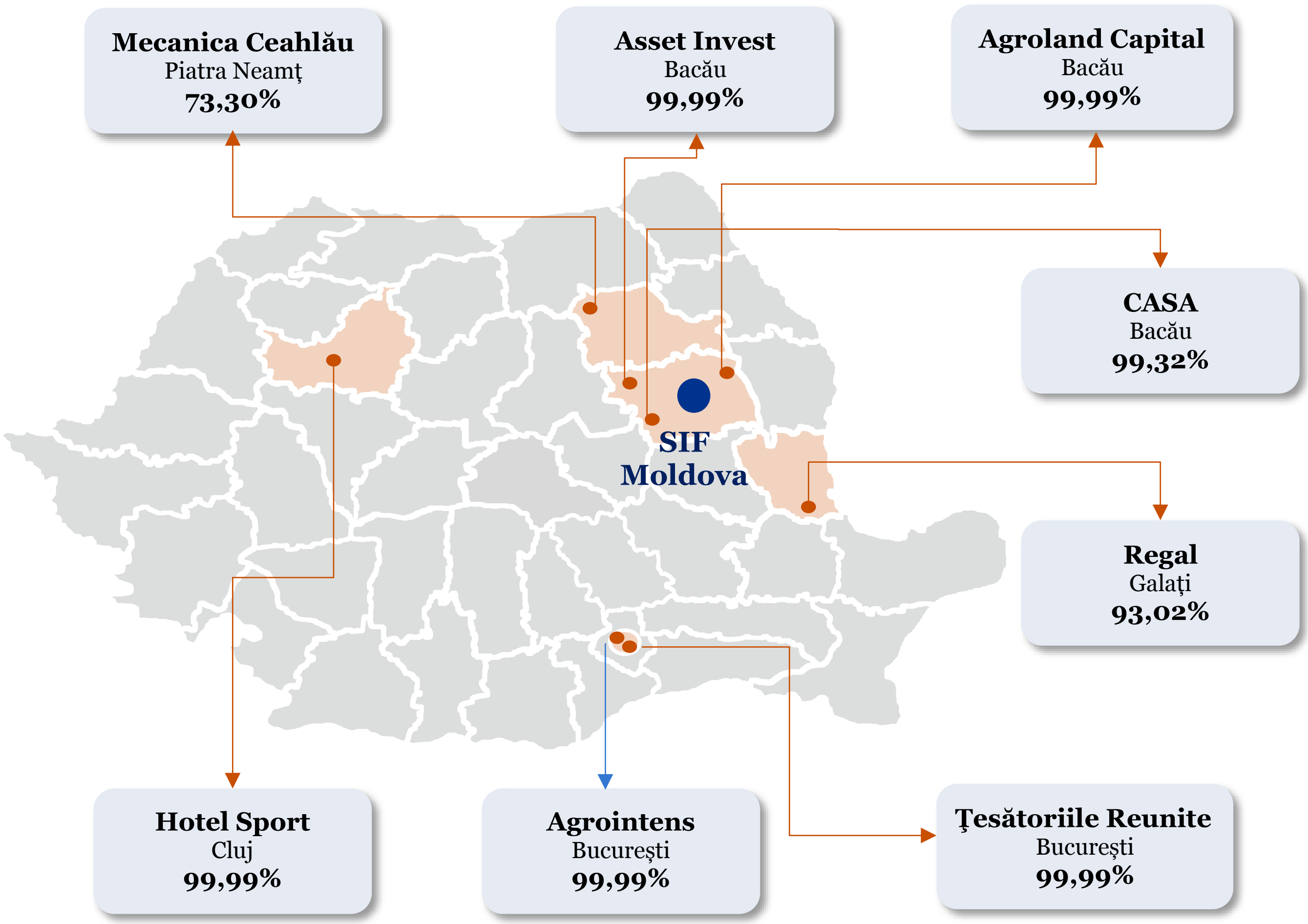
SIF Moldova Group does not have associates on December 31st 2017.

The Group's policies regarding consolidation bases can be found in the notes of the Group's *consolidated financial statements*.

SIF Moldova Group's members have been FSA certified *(certificate no. 27/18.11.2015, certificate update no. 2/23.01.2018)* and includes 8 subsidiaries on the reporting date:

| No. | Subsidiary name | SIF Moldova – mother company Direct holding of SIF Moldova | Company type (closed/listed) |
|---|---|---|---|
| 1 | AGROINTENS SA | 99,99 | unlisted |
| 2 | AGROLAND CAPITAL SA | 99,99 | unlisted |
| 3 | ASSET INVEST SA | 99,99 | unlisted |
| 4 | CASA SA | 99,32 | unlisted |
| 5 | HOTEL SPORT CLUJ SA | 99,99 | unlisted |
| 6 | MECANICA CEAHLAU SA | 73,302 | BVB–REGS (MECF) |
| 7 | REGAL SA | 93,02 | BVB–ATS (REGL) |
| 8 | TESATORIILE REUNITE SA | 99,99 | unlisted |

## Consolidation area




## Status of reciprocal holdings of entities included in the consolidation area

| Subsidiary name | Shareholders | No. shares | % holding | Nominal value (lei) |
|---|---|---|---|---|
| Agrointens SA | SIF Moldova SA | 1.883.661 | 99,99 | 10 |
| | CASA SA | 1 | 0,001 | |
| | *TOTAL* | *1.883.662* | *100* | |
| Agroland Capital SA | SIF Moldova SA | 12.000 | 99,992 | 10 |
| | Asset Invest SA | 1 | 0,008 | |
| | *TOTAL* | *12.001* | *100* | |
| Hotel Sport Cluj SA | SIF Moldova SA | 19.329.398 | 99,999 | 1 |
| | CASA SA | 1.936 | 0,001 | |
| | *TOTAL* | *19.331.334* | *100* | |
| Asset Invest SA | SIF Moldova SA | 38.330.420 | 99,997 | 0,1 |
| | CASA SA | 1.000 | 0,003 | |
| | *TOTAL* | *38.331.420* | *100* | |
| Casa SA | SIF Moldova SA | 4.658.462 | 99,319 | 2,5 |
| | other shareholders | 31.946 | 0,681 | |
| | *TOTAL* | *4.690.408* | *100* | |
| Tesatoriile Reunite SA | SIF Moldova SA | 10.269.277 | 99,999 | 2,5 |
| | CASA SA | 1 | 0,001 | |
| | *TOTAL* | *10.269.278* | *100* | |
| Regal SA | SIF Moldova SA | 1.116.258 | 93,021 | 0,1 |
| | A.A.A.S. BUCURESTI | 29.035 | 2,42 | |
| | Other shareholders | 54.707 | 4,559 | |
| | *TOTAL* | *1.200.000* | *100* | |
| Mecanica Ceahlau SA | SIF Moldova SA | 175.857.653 | 73,30 | 0,1 |
| | Romanian Investment. Fund | 48.477.938 | 20,21 | |
| | Other shareholders | 15.572.869 | 6,49 | |
| | *TOTAL* | *239.908.460* | *100* | |

Note: *The presented percentages represent SIF Moldova's holding share in the share capital of the entities, presented on 30st June 2018.*

## 1.2. Abstract regarding subsidiaries (object of activity, main financial results)

The Group's basic activities are the financial investments carried out by the Company, as well as the activities carried out by the subsidiaries, consisting mainly in the following activities:

- Manufacture of agricultural machines and equipment;
- Food manufacture and sale;
- Fabric manufacture;
- Fruit growing;
- Wood exports;
- Hotel activities.

### Mecanica Ceahlău S.A.

The activity of the Company is the manufacture of agricultural machines and logging.
Setup in 1921, S.C. Mecanica Ceahlău S.A. Piatra – Neamţ is today one of the most well-known manufacturers of agricultural machines both in Romania and abroad.
The machines and equipment manufactured by „Mecanica Ceahlău" cover all agricultural works, from solid preparation from seeding to harvesting.

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H1 2018/H1 2017 Evolution |
|---|---|---|---|---|---|
| Total assets | 58.321.538 | 63.435.846 | 63.698.071 | 64.482.765 | 102 |
| Turnover | 39.146.703 | 20.683.447 | 46.721.141 | 19.156.136 | 93 |
| Profit (loss) | 2.105.150 | 1.800.447 | 111.583 | 1.569.919 | 87 |
| ROE % | 5,18 | 3,42 | 1,66 | 3,73 | 0,31pp |
| ROA % | 3,61 | 2,82 | 0,18 | 2.43 | -0,39pp |

### Ţesătoriile Reunite S.A.

The main object of activity is real estate development. The company Tesatoriile Reunite has been setup in 1933. At present it comprises a production unit for waving – textile finishing and a unit operating in the field of industrial real estate renting and development

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H12018/H12017 Evolution |
|---|---|---|---|---|---|
| Total assets | 23.704.647 | 39.492.490 | 50.772.850 | 75.238.096 | 191 |
| Turnover | 5.590.813 | 3.582.250 | 1.981.649 | 810.642 | 23 |
| Profit (loss) | (491.960) | (2.028.821) | 92.972 | (3.109.604) | 153 |
| ROE % | n/a | n/a | 0,23 | n/a | n/a |
| ROA % | n/a | n/a | 0,18 | n/a | n/a |

### Regal S.A.

The main objects of activity of the company are public food provision – restaurants, production of pastry and confectionary products and selling these products, as well as the rental of own real estate.
S.C. Regal S.A. was set up in 1990 through the resolution of Galati district prefecture, as a joint stock company, based on Law no. 15/1991 and Law no. 31/1990.
The company has its own confectionary – pastry laboratory providing the clients with a large variety of high-quality products.

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H12018/H12017 evolution |
|---|---|---|---|---|---|
| **Total assets** | 3.477.000 | 3.452.569 | 5.596.911 | 2.935.944 | 85 |
| **Turnover** | 1.086.098 | 566.172 | 3.658.550 | 680.257 | 120 |
| **Profit (Loss)** | 85.689 | 39.626 | 1.627.479 | 262.874 | 663 |
| **ROE %** | 2,59 | 1,88 | 40,58 | 11,03 | 9,15pp |
| **ROA %** | 2,46 | 1,17 | 29,08 | 8,95 | 7,78pp |

## Casa S.A.

Setup in 1999 as a joint stock company, based on Law no. 31/1990, the main object of activity of the Company consists in rental and sub-rental of own or rented real estate.

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H12018/H12017 Evolution |
|---|---|---|---|---|---|
| **Total assets** | 9.941.365 | 9.916.432 | 12.987.985 | 13.168.684 | 133 |
| **Turnover** | 1.259.384 | 612.597 | 1.250.164 | 1.743.712 | 285 |
| **Profit (Loss)** | 172.379 | 44.627 | (400.092) | 209.363 | 469 |
| **ROE %** | 1,75 | 0,48 | n/a | 1,63 | 1,15pp |
| **ROA %** | 1,73 | 0,48 | n/a | 1,59 | 1,11pp |

## Asset Invest S.A.

Asset Invest S.A. company functions as an independent company, with own legal entity, based on the Memorandum of Association from 2013. The main object of activity is business and management consultancy.

*Main Financial results (IFRS)*

| | **2016** | **H1 2017** | **2017** | **H1 2018** | **H1 2018/H1 2017 Evolution** |
|---|---|---|---|---|---|
| **Total assets** | 3.922.987 | 3.925.823 | 4.040.597 | 4.136.346 | 105 |
| **Turnover** | 633.339 | 333.620 | 961.770 | 453.016 | 136 |
| **Profit (loss)** | 66.504 | 45.355 | 63.306 | 169.666 | 374 |
| **ROE %** | 1,76 | 1,43 | 2,13 | 4,40 | 2,97pp |
| **ROA %** | 1,70 | 1,19 | 1,57 | 4,10 | 2,91pp |

## Agrointens S.A.

Setup in 2014 as a joint stock company based on Law no. 31/1990, the main activity object of the company is consultancy for business and management.

*Main financial results (IFRS):*

| | **2016** | H1 2017 | **2017** | **H1 2018** | **H1 2018/H1 2017 Evolution** |
|---|---|---|---|---|---|
| **Total assets** | 13.504.552 | 15.495.920 | 24.863.806 | 27.620.553 | 178 |
| **Turnover** | 3.841.627 | 68.522 | 6.261.376 | 2.874.530 | 4195 |
| **Profit (Loss)** | 200.573 | (868.000) | (1.392.066) | (608.096) | 70 |
| **ROE %** | 3,09 | n/a | n/a | n/a | n/a |
| **ROA %** | 1,49 | n/a | n/a | n/a | n/a |

## Hotel Sport S.A.

Setup in 2015, the company Hotel Sport S.A. operated as a closed-type joint stock company and carries out its activity based on Law no. 31/1990.

According to NACE classification (code 5510) the main object of activity of the company is hotel activity and other similar accommodation services.

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H1 2018/H1 2017 Evolution |
|---|---|---|---|---|---|
| Total assets | 26.136.809 | 25.542.328 | 25.346.069 | 24.493.877 | 96 |
| Turnover | 1.807.876 | 99.202 | 246.045 | 133.589 | 135 |
| Profit (Loss) | (1.350.217) | (484.907) | (922.421) | (478.508) | 99 |
| ROE % | n/a | n/a | n/a | n/a | n/a |
| ROA % | n/a | n/a | n/a | n/a | n/a |

## Agroland Capital S.A.

Setup in 2014 as joint stock company based on Law no. 31/1990. The company was setup with the purpose of capitalizing on investment opportunities in the agribusiness-real estate field. The company did not carry out any activities in H1 2018.

*Main financial results (IFRS):*

| | 2016 | H1 2017 | 2017 | H1 2018 | H1 2018/H1 2017 Evolution |
|---|---|---|---|---|---|
| Total assets | 87.398 | 71.748 | 64.118 | 50.389 | 70 |
| Turnover | 271 | 6 | 213 | 793 | 13218 |
| Profit (Loss) | (23.667) | (14.472) | (26.334) | (10.384) | 72 |
| ROE % | n/a | n/a | n/a | n/a | n/a |
| ROA % | n/a | n/a | n/a | n/a | n/a |

## 1.3. Influences resulted following consolidation operations

### 1.3.1. Comparative assets status

The table below presents the comparative status of assets based on the figures in the individual and consolidated financial statements drafted in compliance with IFRS.

| Balance position | Company | Group | Differences |
|---|---|---|---|
| Cash and cash equivalents | 576.266 | 11.519.434 | 10.943.168 |
| Bank deposits | 88.766.810 | 95.742.768 | 6.975.958 |
| Financial assets at fair value through the profit or loss account | 320.666.346 | 254.364.333 | (66.302.013) |
| Financial assets available for sale | 1.537.885.722 | 1.440.389.243 | (97.496.479) |
| Investments held to maturity | 7.315.597 | 7.315.597 | 0 |
| Real-estate investments | 3.505.273 | 23.444.510 | 19.939.237 |
| Intangible assets | 14.569 | 8.579.862 | 8.565.293 |
| Tangible assets | 8.412.494 | 73.619.980 | 65.207.486 |
| Other assets | 56.719.810 | 160.353.560 | 103.633.750 |
| **Total assets** | **2.023.862.885** | **2.075.329.287** | **51.466.402** |

### 1.3.2. Comparative status of liabilities and equity

The table below presents the comparative statements of liabilities and equity based on the figures in the individual and consolidated financial statements, drafted in compliance with IFRS.

| Balance position | Company | Group | Differences |
|---|---|---|---|
| Loans | - | 31.345.941 | 31.345.941 |
| Dividends to pay | 71.991.316 | 72.150.952 | 159.636 |
| Provisions for risks and expenses | 2.565.455 | 4.116.699 | 1.551.244 |
| Liabilities regarding deferred profit tax | 86.883.965 | 84.891.806 | (1.992.159) |
| Liabilities regarding current profit tax | 1.774.390 | 1.806.856 | 32.466 |
| Other liabilities | 17.375.097 | 47.992.740 | 30.617.643 |
| **Total liabilities** | **180.590.223** | **242.304.994** | **61.714.771** |
| Share capital | 537.220.149 | 537.220.149 | 0 |
| Reported result | 685.633.856 | 689.097.646 | 3.463.790 |
| Reserves from the reevaluation of tangible assets | 8.826.314 | 8.210.924 | (615.390) |
| Reserves from the reevaluation of financial assets available for sale | 619.804.674 | 591.551.834 | (28.252.840) |
| Other equity elements | (8.212.330) | (8.212.330) | 0 |
| **Total equity assignable to company shareholders** | **1.843.272.663** | **1.817.868.223** | **(25.404.440)** |
| **Minority interest** | **-** | **15.156.070** | **15.156.070** |
| **Total equity** | **2.023.862.885** | **2.075.329.287** | **51.466.402** |

### 1.3.3. Comparative analysis of overall result

| Status of overall result position | Company | Group | Differences |
|---|---|---|---|
| Revenues | | | |
| Revenues from dividends | 68.122.799 | 65.997.720 | (2.125.079) |
| Revenues from interest | 676.586 | 695.922 | 19.336 |
| Other operational revenues | 2.316.677 | 32.278.892 | 29.962.215 |
| Other revenues | 2.863.175 | | (2.863.175) |
| Net revenues from assets sale | 1.510.519 | 1.341.412 | (169.107) |
| (Net loss)/Net gain from the re-evaluation of financial assets at fair value through profit or loss | (4.592.437) | (4.592.437) | 0 |
| Losses from assets impairment | (90.563) | (403.213) | (312.650) |
| Expenses with the setup of provisions for risks and expenses | - | 95.923 | 95.923 |
| Other operational expenses | (12.089.996) | (38.140.266) | (26.050.270) |
| **Operational profit** | **58.716.761** | **57.273.953** | **(1.442.808)** |
| Financing expenses | - | (530.499) | (530.499 |
| **Profit before taxation** | **58.716.761** | **56.743.454** | **(1.973.307)** |
| Profit tax | (5.056.960) | (7.367.749) | (2.310.789) |
| **Net profit of the financial year** | **53.659.801** | **49.375.705** | **(4.284.096)** |
| Other overall result elements | | | |
| Reserve increase/ (decrease) from the re-evaluation of tangible assets, net of deferred tax | 28.756 | (1.095.763) | (1.124.519) |
| Gain / (Loss) related to the financial assets measured at fair value through other elements of the overall result that were sold / financial assets available for sale | 18.188.547 | 18.188.547 | 0 |
| Net gain on the revaluation of the financial assets measured at the fair value through other elements of the overall result following the changeover to IFRS 9 net of tax | (38.082.929) | (4.577.700) | 33.505.229 |
| Transfer of the reserve in the reported result as a result of the changeover to IFRS9 net of tax | 103.082.151 | 69.129.507 | (33.952.644) |
| **Other overall result elements** | **83.216.524** | **81.644.590** | **(1.571.934)** |
| **Total overall result of the period** | **136.876.325** | **131.020.295** | **(5.856.030)** |

### 1.3.4. Reclassification of financial assets according to IFRS 9

**On January 1st, 2018 IAS 39 standard has been replaced by IFRS 9**, from that date, SIF Moldova's assets have been reclassified.

With the mention that up to 31st December 2017 most of the shares in SIF Moldova have been classified as "financial assets available for sale" (FSA), we mention that IFRS 9 standard has eliminated this category, setting just two classification categories "Fair value evaluated shares through the profit and loss account" and "Fair value evaluated shares through other overall result elements".

In the business model of SIF Moldova's portfolio, investment opportunities are selected depending on: (a) average- long term growth potential of assets value and activity field, or (b) opportunity to gain control and implement strategic decisions in a company. Therefore:

- ✓ *Majority Holdings Portfolio* - is created for the purpose of increasing the value of managed assets on the average and long term. We aim to obtain financial flows from dividends/ holdings sale.
- ✓ *CORE Portfolio* – includes strategic holdings that offer liquidity to SIF Moldova's assets, representing the main generator of income and investment sources through constant flows from dividends, strategic recalibrations.
- ✓ *SELL Portfolio* – includes historic holdings in closed companies, or companies with low liquidity that have lost their increase potential and are intended to be sold, with the purpose of obtaining more liquidities for the investment program.

Based on these arguments, for most shares in the CORE Portfolio that represent a large part of strategic assets (for example: TLV, SNP, SNG, TGN, SIFs) and all holdings in the SELL Portfolio, we consider it is proper that starting on January 1st 2018, fair value differences should be recognized in Other Elements of Overall Results ("FVTOCI"), in compliance with the definition in IFRS 9 international financial reporting standard.

In case of the CORE and Majority Holdings portfolio there are several holdings that await capitalization when market conditions are favorable, which is why fair value differences will be registered through the "Profit of Loss Account" ("FVTPL").

Given the provisions of IFRS 9 regarding the definition of a debt instrument, fund units holdings have been classified as assets evaluated at fair value presented in the Profit and Loss Account FVTPL").

The new classification of SIF Moldova's assets will influence the way in which transactions revenue or loss are reflected starting on 1st January 2018. Following this reclassification, the earnings and losses resulted from the transactions with these issuers will no longer be found in the Profit or Loss Account, but they will be recognized in "Other Overall Results Elements" (id est: reserves – FVOCI).

Still, IFRS 9 standard foresees that the revenue from dividends generated following FVOCI Classified assets will be recognized in the Profit or Loss Account.

The performance and management and managed assets will be reflected in two accounts, namely "Profit or Loss" and "Reported Result".

**We stress the fact that this different method of reflecting transactions results, through which fair value modifications resulted from the trading of share packages of some issuers will no longer be reflected in the "Profit or Loss "account, but in "Reported result", will not affect SIF Moldova's dividend policy, which continues to remain predictable, since dividends will be distributed both from the current and from the previous years' results.**

## 1.4. Predictable development of SIF Moldova Group

### *1.4.1. Group's objectives and strategies for 2018*

**Key elements of 2018 Activity Program**

The key elements of SIF Moldova's Investment Strategy and Policy is based on a resource assignment that will insure the sustainable development of SIF Moldova's activity and the satisfaction of shareholders' interests both on the short and on the long term:

The solid/ sustained **investment policy** is the base of the long-term increase of the managed assets value, a basic elements for the consolidation of investors' trust.

The predictable **dividend policy,** which remunerates invested capital at a higher yield than those offered by monetary placements, is meant to satisfy the short-term interests of the shareholders. At the same time, the presence of low yields on the monetary market favors investments, which serves the average and long-term interests of the shareholders.

**Capital operations** through the running of a share buy-back program for the purpose of reducing the share capital.

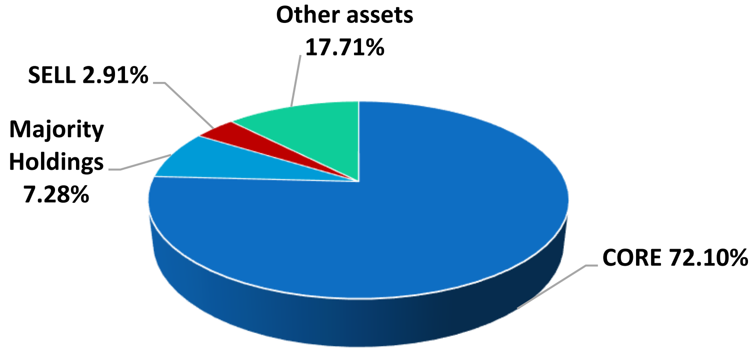
The previous buy-back program approved by the Extraordinary General Meeting of Shareholders on 04.04.2017 has been a **success from the point of view of the interest shown by investors**, run through public offer through which a number of 25.000.000 own shares were bought back for a price of 1 leu/share, being over underwritten.

The management of the company considers that the advance of SIF2 quotation stems from the positive perception of investors regarding the efficient management method applied to SIF Moldova's assets, and the successful implementation of corporate operations run, all the more so, since the rest of the issuers from the sector and on the market have registered modest performances.
The success of the previous Buy-back program has convinced the Board of Directors to present for approval a new Buy-back program before the Extraordinary General Meeting of Shareholders, with the purpose of reducing the share capital.

Defined strategies for the assets portfolios:

- Increase for the Majority Holdings portfolio – "private equity" type approach within existent majority holdings (real estate, agriculture, other sectors)
- Recalibration for the CORE portfolio – listed portfolio which offers liquidity for SIF Moldova assets, representing the main income and source generator for new investments.
- Restructure for the SELL portfolio – continuation of the restructure/ sale of the "historic" portfolio.

**Portfolios weight in total assets value H1 2018:**



## *1.4.2. "Majority Holdings" Portfolio. SIF Moldova Group.*

On 30th June 2018, the Majority Holdings portfolio (DM) was of 146,9 mil lei, representing 7,28% of total SIF Moldova assets.

**Rules applied as per AIFM regulation**

- ✓ The private-equity type investments through which control is obtained over unlisted companies is in line with the multiannual strategy and the legal and prudential risk limits of SIF Moldova without representing the main investment policy
- ✓ SIF Moldova is a shareholder with a holding of over 99% in all unlisted companies. In the selection and monitoring of investment in unlisted companies, SIF Moldova applies a high level of diligence, the staff holding the proper specialized knowledge for investment field specific activities: financial analysis, legal, commercial and technical, conclusion of agreements and contracts.
- ✓ These assets are evaluated in compliance with the evaluation policies and procedures, their value being reported monthly.

According to the Strategy and Investment Policy, SIF Moldova has an investment strategy for the development of Majority Holdings portfolio, characterized by:

a) project implementation in various activity sectors and business development for the companies in SIF Moldova's historic portfolio.
b) Investments in this portfolio represent a "private equity" type approach that involves **the development of existent majority holdings (real estate, agricultural machines, agribusiness), as well as new investments (real estate, agribusiness)** and offers average or long-term increase opportunities.

The private equity type approach involves an active involvement in entrepreneurial projects that leads to the increase of profitability of managed assets and offers the possibility to compensate the risk of possible involution of SIF Moldova's holdings in listed companies.

Part of the investments presented in the paragraphs below are in the increase/development period, others are in the maturity stage of a business' life-cycle.

### 1.4.2.1. Agrointens SA – "BLUEBERRY FARM" PROJECT

**Premises:** The project was based on the development of a business in the agro-business field and involved the purchase of two blueberry farms with a cultivated area of about 18 hectares by Agrointens SA. The company has considered and still considers the extension of the cultivated area, both through the setup of new farms and through the purchase of existent ones. The company is considering expanding the cultivated areas to 84 ha by the end of 2019, both by setting up new farms and by acquiring some existing one.

**Current stage:**

- ✓ *Vistea – Farm extension:* an adjacent land of about 6.5 ha has been planted; the works regarding the electric energy supply network and the upgrade/automation of the fertilization and irrigation installation have been carried out. The total area of the Vistea plantation has reached about 24 hectares, of which 18 ha are bearing fruit
- ✓ *Mandra* (farm being currently setup): we have completed the works to prepare the planting beds (jugs) on the entire area of plantation, that is about 35 hectares; the main access road, the basin and drills for the water supply ; surrounding gate; plantation on about 28 hectares the difference is to be concluded in the 4th quarter of 2018; the works for the secondary works, automated installation for the fertilization and irrigation system
- ✓ *Popesti* – Arges - cultivated area of 8 hectares and in preparation of about 17 ha.

**Exit possibilities:** Investment recovery will be from dividends, capital reimbursement and the sell of the investment estimated to take place in about 10 years.

### 1.4.2.2. Agroland Capital SA

The company has been setup with the purpose of capitalizing from investment opportunities in the agribusiness- real estate area, to create added value for the shareholders. The company did not carry out any activity in the second quarter of 2018, investment projects are to be carried out through it.

### 1.4.2.3. Asset Invest SA

The company has the following action directions:
- ✓ the management of companies in its own portfolio, with the main objective of liquidizing these participations. On 30.06.2018 the company managed a portfolio of 37 companies, of which 2 functional, 2 in administrative liquidation, 5 in insolvency and 28 in judicial liquidation.
- ✓ Representation in GMS/BD of the companies in its own portfolio or from SIF Moldova's portfolio.
- ✓ Monitoring the information and events of the companies in SIF Moldova's portfolio based on service agreements.

In compliance with the mandate framework contract concluded with SIF Moldova, Asset Invest has continued sale negotiations for the share packages held by SIF Moldova, by analyzing some exit possibilities: sale of SIF holding, sale of holding with the majority holder, division of assets on structure, etc.

### 1.4.2.4. CASA SA

The company manages own real-estate assets and those of SIF Moldova. Its own real-estate property includes on 30.06.2018 a number of 11 buildings located in various municipalities (Suceava, Botosani, Piatra Neamt, Bacau, Iasi, Galati, Braila, Tulcea), with a useful area of about 5.375 square meters of which about 2.800 square meters are rented. Additionally, the company manages real estate assets belonging to SIF Moldova, with an area of about 2.900 square meters, the rented area being of about 2.250 square meters.
In February 2018, the 2$^{nd}$ and 3$^{rd}$ floor of Luceafărul store, located in Bacău, with a total useful area of 2787 square meters was purchased based on the datio in solutum contract certified under no. 248/28.02.2018, the value of the transaction being 3.5 mil lei.
This transaction extinguished the claim on Luceafărul SA, claim purchased by Casa SA from SIF Moldova based on the Assignment of receivables contract no. 5200/03.10.2017.
In April 2018 we have completed the sale of a store in Bacau city, with an area of about 300 square meters, for about 0,25 million euro.

### 1.4.2.5. Hotel Sport Cluj SA

**Project description:** The project was based on the development through variation of the Majority Holdings investment portfolio. Therefore, the hotel located in an area with high development potential was purchased. *(Current report on 04$^{th}$ December 2015)*
The project is structured in stages: pre-development, concept definition, planning, certification, development, execution, follow-up, equipment, reception, opening.
Between 2015 – 2018 the management of the company has initiated all procedures required to obtain the authorization needed for the implementation of the project on the above-mentioned stages.

**Status:** Up to the reporting date one can notice important delays due to the trials between Cluj Napoca Town Hall and Cluj prefecture, regarding the general urban plan modification concerning the classification of certain land plots. The company has no control over this situation that is unpredictable in nature, which affects the initially estimated yield of the investment, so that it is currently looking for an exit possibility. For this purpose, an announcement was posted on SIF Moldova's website, stating the intention to sell the 99.99% share package held in Hotel Sport Cluj SA, sale made according to the current report of September 21, 2018 (see chapter 4).
The exit decision is part of the investment waiver plan for the hotel sector, as also foreseen in the 2018 Activity Agenda, approved by the GMS on April 27, 2018.

### 1.4.2.6. Mecanica Ceahlau SA

The company manufactures agricultural equipment for land processing and distributes (i) Steyr tractors, (ii) Project herbicidization equipment (iii) Stoll front loaders.

The turnover was achieved mainly through the sale of own products (75%) the difference being the distribution of machines and equipment (23%) and the delivery of other services (2%).
**Corporate event** – *EGMS on 22.01.2018:* The sale of the asset located in Piatra Neamt, str. Aurel Vlaicu no. 34, that is a land of 23.235 square meters has been approved and the procedure is currently being run.

#### 1.4.2.7. Regal SA

The company manages its own commercial areas (actual useful area of 4.500 square meters) and sells the areas without rental or development potential.
**Corporate event:**
*EGMS on 24.04.2018:* The sale of some assets through public auction was approved for: "Restaurant Olt 3", "Bar Brates Port", "Bar Dunareana", "Restaurant Pescarul" and "Restaurant Locomotiva" located in Galati. By the date of the report, the assets "Bar Brates Port" and "Bar Dunareana" were sold.
*OGMS on 24.04.2018:* For financial year 2017 the distribution of cumulated dividends of 2,28 mil. lei has been approved (amount coming from (i) net profit of 2017, (ii) reduction of setup reserves from the net profits of the previous years and distribution of uncollected dividends from previous years), representing a gross dividend of 1,9037 lei/share.

#### 1.4.2.8. Tesatoriile Reunite SA –"BABA NOVAC RESIDENCE" Residential real-estate project *(www.babanovac-residence.ro)*

**Project description:** use of the company's land through the building of a residential complex.
"Baba Novac Residence" Real estate project is developed by Tesatoriile Reunite SA.

The following are involved in the carrying out of the project: Octagon Constructing & Engineering – general contractor, Vitalis Consulting – project manager, both partners being renowned professionals on the Romanian market. For the sale of the apartments, in order to maximize project profitability, the services of Coldwell Banker – sales agent, were contracted.

**SIF MOLDOVA Investment:** For the investment project, SIF Moldova has participated through the increase of the share capital of Tesatoriile Reunite SA (TERU) with the amount of 5,3 mil. euro. The project co-financing was insured by Tesatoriile Reunite SA contracting an investment bank credit of around 18 mil. euro from Raiffeisen Bank România S.A.

**Project characteristics**: 6 blocks with 363 apartments, 436 parking lots of which 298 underground and 138 above the ground. The completion of the project has been estimated at 22 months, the first apartments are to be finished and delivered until the end of in 2018.

The value of the investment project, when sold, is about 34 mil euro.

In the reporting period the construction works abided by the set schedule along with the constructor. The sale pace is that initially forecast, so that on 30.06.2018, 70% of the total number of apartments have been contracted or have signed promissory agreements.

**Exit possibilities:** Investment recovery will be made through the sale of the built apartments.

TERU has initiated the first stages (studies regarding urban planning solutions) for a new residential project located on Spataru Preda street.

### *1.4.3 Status of the implementation of 2018 Investment Program*

SIF Moldova has analyzed and implemented investments *compliant with the directions and principles presented in 2018 Activity Program approved by the shareholders* (OGMS on 27$^{th}$ April 2018).

| (mil. lei) | 2018 Activity Program | Achieved in Q1 2018 | % achievement |
|---|---|---|---|
| **Total investment program, of which:** | **120** | **102,9** | **86** |
| • **Majority holdings** | | 8,2 | |
| • **CORE** | | 39,7 | |
| • **Fund units** | | 55,0 | |

## 1.5. *Reporting on the legal documents concluded by SIF Moldova with its subsidiaries*

(according to art. 82 Law no. 24/2017):

- ✓ Addendum no. 16/28.03.2018 to Contract no. 7542 of 17.12.2015, modified by addendum no. 12/20.09.2017- concluded with Asset Invest SA, with object: modification of art. V. The price of the mandate framework agreement and annex – Companies List (*current report on 29.03.2018);*
- ✓ Addendum no. 17/28.03.2018 to Contract no. 7542 of 17.12.2015, modified through addendum no.12/20.09.2017- concluded with Asset Invest SA, with object: mandate for the sale of certain shares in SIF Moldova's portfolio– UPSS SA Botosani *(current report on 29.03.2018);*
- ✓ Addendum no. 3/10.04.2018 to contract no.1978 of 04.01.2016 - concluded with Asset Invest SA, with object: cease of contract on 01.04.2018 *(current report on 10.04.2018):*
- ✓ Contract no. 1722 of 05.04.2018 entered with Asset Invest SA, with object: sublease of SIF Moldova vehicle *(current report on 10.04.2018);*
- ✓ Addendum no.18/31.05.2018 to contract no. 7542 of 17.12.2015, modified through addendum no. 12 /20.09.2017 – concluded with Asset Invest SA, with object: mandate for the sale of certain shares in SIF Moldova's portfolio *(current report on 06.06.2018);*
- ✓ Addendum no. 8/26.06.2018 to Rental Agreement no. 6518 of 11.11.2014 – concluded with Casa SA, with object: take-over of 2 rental agreement for real-estate areas – additionally to contract no. 6518/11.11.2014 *(current report on 26.06.2018);*
- ✓ Addendum no. 2/26.06.2018 to Rental Agreement no. 7393 of 19.12.2014 – concluded with Asset Invest SA, with object: Cease of rental no. 7393/19.12.2014 starting on 01.07.2018 *(current report on 26.06.2018).*

According to art. 144 of FSA regulation no. 5/2018, SIF Moldova submitted the Independent limited Assurance Agreement Report on the information included in the current reports drafted by SIF Moldova, in compliance with the provisions of art. 82 Law 24/2017, Regulation 5/2018 drafted by financial auditor Deloitte (*current report on 30.07.2018*).

# 2. Analysis of IFRS results for SIF Moldova Group

## 2.1.Key Financial indicators (comparative presentation)

### *2.1.1. Liquidity indicators*

**The liquidity term indicates the ability of an asset to be turned into money with minimal value loss.**

**Current liquidity indicator** measures the Company's ability to honor its short-term debts. Current liquidity indicator is calculated as a ratio between the Company's current assets and its short-term liabilities. The higher the value of the current liquidity indicator, the higher the ability of the Company to honor its short-term debts without resorting to long-term financing resources. Otherwise, when the value obtained is below one unit, the company will have to resort to external financing resources.

Irrespective of the activity sector the company operates in, the value that is considered optimal for the current liquidity indicators is of about 2. For an accurate interpretation of the level of current liquidity rate, it must be compared with the average level per branch or that registered by competitors.

**Quick liquidity indicator** shows the Company's ability to honor its short-term debts through the most liquid current assets of the Company.

| Indicator name | 2016 | 2017 | H1 2018 |
|---|---|---|---|
| Current liquidity indicator | 7,41 | 4,99 | 4,34 |
| Quick liquidity indicator | 6,77 | 4,35 | 3,38 |

### *2.1.2. Activity indicators*

**Activity indicators reveal the efficiency a company has in using its assets.**

**Fixed assets turnover** is calculated as a ratio between the revenue from current activity and fixed assets. The turnover speed of fixed-assets evaluates the efficiency of fixed-assets management through the analysis of the turnover obtained by a certain quantity of fixed-assets.
**Total assets turnover indicator** is calculated as a ratio between turnover and total assets.
Total assets turnover speed analysis the turnover obtained by a certain quantity of total assets

| Indicator name | 2016 | 2017 | H1 2018 |
|---|---|---|---|
| Fixed-assets turnover speed | 0,19 | 0,19 | 0,09 |
| Total assets turnover speed | 0,18 | 0,16 | 0,07 |

### *2.1.3. Profitability indicators*

**Profitability indicators reflect the efficiency of activities carried out by a company, regarding its ability to generate profit from available resources.**

**Return on capital employed (ROCE)** is calculated as a ratio between profit before the payment of interest and profit tax expenses and equity.

The return on capital employed represents one of the most important indicators used in measuring the performance of a Company. The main objective of every business ist o maximize the investments made by its shareholders. Therefore a high ROCE indicator value indicates that the investment made by the shareholders has been turned into high profit by the company's management.

**Return on Assets (ROA)** is calculated as a ratio between net profit and total assets of the company and measures the efficiency with which assets are used from the point of view of the profit obtained, indicating how many lei are obtained for each leu invested in company's assets.
Return on assets is, along with return on equity, one of the most important return indicators of a company.

**Result per basic share** is ascertained as a ratio between net profit or loss of a company during a financial year, and the number of ordinary shares present over that period.
Result per basic share represents, from financial point of view, an important indicator when the results of a company over a period of time are compared, or when the results obtained are compared to the results of other companies in the same sector of activity.
For a proper interpretation of this indicator, its evolution over a period of several years should be taken into consideration.

| Indicator name | 2016 | 2017 | H1 2017 |
|---|---|---|---|
| ROCE | 0,08 | 0,11 | 0,03 |
| ROA | 0,08 | 0,09 | 0,02 |
| Result per basic share (lei/share) | 0,12 | 0,16 | 0,05 |
| Dividend per share | 0,04 | 0,04 | n/a |

### *2.1.4. Other indicators*

| Other indicators | 2016 | 2017 | H1 2018 |
|---|---|---|---|
| Debt recovery period | 22,12 | 39,21 | 182,43 |
| Debt payment period | 169,72 | 214,74 | 627.85 |
| Level of debt | 8,26 | 9,14 | 11,68 |
| Return on capital employed | 8,44 | 10,81 | 3,12 |

## 3. Description of the main risks and uncertainties SIF Moldova Group is facing

### *3.1.Risk Management objectives and policies, including policies for their coverage*

The management of the Group thinks that risk management should be carried out in a consistent methodological framework and that their management is an important part of the strategy regarding return maximization, obtaining the targeted level of profit while maintaining an acceptable risk exposure and abidance by legal regulations. The risk management structure set by the management of the Group is an integral part of the Group's strategic objectives.
The investment activity exposes the Group to a series of risks associated to the financial instruments held and the financial markets it operates on. The main risks the Group is exposed to are:

- Market risk (interest rate risk, currency risk and price risk)
- Liquidity risk;
- Credit risk;
- Taxation risk;
- Risk corresponding to the economic environment;
- Operational risk.

The general risk management policy aims to maximize the Group's profit reported to the risk level it is exposed to and lower potential adverse variations on the Group's financial performance. The Group has implemented policies and procedures for the management and evaluation of the risks it is exposed to. These policies and procedures are presented within the section dedicated to each risk type.

### *3.1.1. Market Risk*

The market risk is defined as the risk to register a loss, or not to obtain the expected profit, as a result of price, interest rate and currency exchange rate fluctuations. For an efficient market risk management, we use methods of technical and fundamental analysis, forecasts regarding the evolution of economic branches and financial markets, taking the following into consideration: :

- return evaluations corresponding to the share portfolio
- setting the concentration limits for assets in the same market, geographic position or economic sector
- setting the presence limits on new markets
- setting bearable risk limits
- tolerance to risk concentrations
- strategic assignment of long term investments based on the principle according to which the market will correctly determine the fundamental value
- tactical, short-term assignment which involves the use of the market's short-term variations in order to obtain profit.

The selection of investment opportunities is carried out through:

- technical analysis;
- Fundamental analysis – ascertaining the issuer's ability to generate profit;
- Comparative analysis – ascertaining the relative value of an issuer, in relation to the market or other similar companies
- Statistical analysis – ascertaining tendencies and correlations using price history and traded volumes.

**The Group is exposed to the following market risk categories:**
*(i) Price risk*
The Group is exposed to price risk as there is the possibility that the value of financial instrument fluctuate following the change of market prices.

*(ii) Interest rate risk*

The Group is confronted with interest rate risk due to its exposure to the negative interest rate fluctuations. The change of the interest rate on the market directly influences the income and expenses corresponding to the financial assets and debts bearing variable interest, as well as the market value of those bearing fixed interest.

The Group does not use derived financial instruments in order to protect itself from interest rate fluctuations.

*(iii) Currency Risk*

Currency risk is the risk of registering losses or failing to achieve the estimated profit following the negative fluctuations of the currency rate. The Group is exposed to currency rate fluctuations, but it does not have a formalized policy to cover currency risk. Most of the Group's financial assets and liabilities are expressed in national currency; the other currencies used for operations are EUR, USD, GBP, CZK, PLN and CAD.

Most financial assets and liabilities of the Group are expressed in national currency and therefore currency rate fluctuations do not significantly affect the Group's activity. The exposure to currency rate fluctuations is mainly due to deposits and shares in currency.

### 3.1.2. *Credit Risk*

The Group is exposed to the credit risk corresponding to the financial instruments stemming from the possible failure to fulfill the payment obligations that a third party has towards the Group. The Group is exposed to credit risk following investment made in bank deposits and bonds issued by municipalities or companies, current accounts and other claims.

### 3.1.3. *Liquidity Risk*

Liquidity risk represents the risk of registering loss or failing to reach estimated profits, resulted from the impossibility to at any time honor short-term payment obligations, without these involving excessive costs or losses that cannot be borne by the Group.

The Group's financial instruments may include investments in shares that are not traded on an organized market and that consequently may have low liquidity. Therefore the Group may have difficulties in the quick liquidation of investments in these instruments at a value close to the one set in the company's net asset calculation model for financial investment companies, as foreseen by Regulation no..15/2004 issued by CNVM in order to fulfill its own liquidity requirements.

### 3.1.4. *Taxation Risk*

The Romania tax system is subject to various interpretation and constant changes that might be retroactive. In certain situations, tax authorities might adopt a position that is different to that of the Group and may calculated interest and tax penalties. Although the tax corresponding to a transaction may be minimal, penalties may be large, depending on the interpretation of the tax authority.

Moreover, Romanian Government has under its subordination a number of agencies authorized to control Romanian and foreign companies carrying out their activities in Romania. These verifications are largely similar to those carried out in many other countries, but they may also extend on legal or regulation areas the Romanian authorities might be interested in.

Statements regarding taxes and levies may be subjected to control and revision over a period of five years, usually after their submittal date. In compliance with legal provisions applicable in Romania, the controls may be subjected to additional verifications in the future.

The management of the Group thinks that it has registered accurate values int eh tax accounts, and other debts to the state, but there is a chance that the authorities will have a position that is different from that of the Group.

Starting with January 1st 2007, following Romania's adherence to the European Union, the Group had to be subjected to the tax regulations of the European Union, and implement the changes brought on by European law. The way in which the Group has implemented these changes remains open for tax audit for a period of 5 years.

The last control of the Ministry of Public Finance the Group was subjected to covered the period up to January 1st 2010. Therefore the Group's liabilities at this date may be the object of future verifications.

### *3.1.5. Risk corresponding to the economic environment*

Romanian economy continues to show the specific traits of an emerging economy and there is a high uncertainty risk regarding the development of the politic, economic and social environment in the future.

The management of the Group is interested to estimate the nature of the changes that will take place in the economic environment of Romania and what their effect will be on the financial, operational and treasury status of the Group.

Among the characteristics of Romanian economy we have the presence of a currency that is not fully convertible outside borders and a low liquidity degree of the capital market.

The management of the Group cannot foresee the effects of the crisis that will impact the financial sector in Romania nor their potential impact of the current financial statements.
The management of the Group considers that it has taken the necessary measures for the sustainability and development of the Group under current market conditions.

### *3.1.6. Operational Risk*

Operational risk is defined as the risk of registering loss or failure to reach estimated profit due to some internal factors, such as improper running of some internal activities, the presence of improper staff or systems or due to external factors such as economic conditions, changes on the capital market, technological progress. Operational risk is inherent to all Group activities.

The policies defined for the management of operational risk have taken into consideration all event types that might generate significant risks and methods of their manifestation, in order to eliminate or lower financial or reputational losses.

## 3.2. Exposure to market risk, credit risk, liquidity risk and cash flow risk

### *3.2.1. Exposure to Market Risk*

#### Exposure to Market Risk

The Group is exposed to market risk, as there is the possibility that financial instruments' value fluctuate following the change of market prices.

The Group is exposed to the risk associated to the price variation of financial assets at fair value through profit or loss and financial assets available for sale, since 82% of the total number of shares with active market held by the Group on 30th June 2018 (30th June 2017: 75%) represented investments in companies that were part of BET index of Bucharest Stock Exchange, index weighted with market capitalization and created to reflect the general tendency of the prices of the 10 most liquid shares traded on Bucharest Stock Exchange.

A positive variation of 10% of the price of financial assets at fair value through profit or loss would lead to an increase of profit before taxation of about 21.366.604 lei (30th June 2017: 17.541.797 lei), a negative variation of 10% having an equal net impact, of negative value.

A positive variation of 10% of the price of financial assets available for sale would lead to an increase of equity, net of profit tax, of 120.992.696 lei (30th June 2017: of 122.024.961 lei), a negative variation of 10% having an equal net impact, of negative value.
The Group holds shares in companies operating in various sectors of activity, as follows:

| | 30th June 2018 | % | 30th June 2017 | % |
|---|---|---|---|---|
| Financial activities, banks and insurance | 816.260.641 | 54 | 843.843.823 | 60 |
| Transport, storage, communication | 206.441.098 | 14 | 189.339.478 | 14 |
| Chemical and petrol industry | 157.162.583 | 10 | 130.450.170 | 9 |
| Real estate development (promotion) | 94.438.388 | 6 | - | - |
| Textile industry | 22.420.696 | 1 | 10.314.850 | 1 |
| Pharmaceutical industry | 47.281.769 | 3 | 40.546.559 | 3 |
| Manufacture of machines, tools, equipment | 18.111.647 | 1 | 33.011.532 | 2 |
| Wholesale, retail, tourism and restaurants | 15.570.347 | 1 | 27.784.241 | 2 |
| Manufacture of transportation means | 112.307.446 | 7 | 78.465.565 | 6 |
| Energy industry | - | - | 30.305.988 | 2 |
| Real-estate transactions, rental, other services | - | - | 8.042.463 | 1 |
| Construction materials industry | 1.287 | 0 | - | - |
| Food industry | 6.658.576 | 0 | - | - |
| Other | 4.060.995 | 0 | 7.261.009 | 1 |
| **TOTAL** | **1.500.715.474** | **100** | **1.399.365.678** | **100** |

As it can be observed from the table above, on the 30th June 2018 the Group mainly held shares in companies acting in the financial- bank and insurance field, with a 54% ratio of total portfolio, a decrease from the weight held on the 30th June 2017.

#### Exposure to interest rate risk

On 30th June 2018 and 30st December 2017, most of the assets and liabilities of the Group are not interest-bearing. Therefore, the Group is not significantly affected by interest rate fluctuation risk. The cash excess or other similar money availabilities are invested in short-term investment titles with a maturity of 1 to 6 months.

The following tables present the Group's Exposure to interest rate risk:

| | Net value on 30th June 2018 | < 1 month | 1-3 months | 3-12 months | >1 year | No interest rate risk |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and cash equivalents | 11.519.434 | - | - | - | - | 11.519.434 |
| Bank deposits | 95.742.768 | 93.545.429 | 160.870 | 1.984.550 | | 51.918 |
| Financial assets at fair value through profit or loss | 254.364.333 | - | - | - | - | 254.364.333 |
| Financial assets available for sale | 1.440.389.243 | - | - | - | - | 1.440.389.243 |
| Investments held to maturity | 7.315.597 | - | 211.732 | 8.819 | 7.095.045 | - |
| Other financial assets | 82.469.081 | - | - | - | - | 82.469.081 |
| **Total financial assets** | **1.891.800.456** | **93.545.429** | **372.602** | **1.993.369** | **7.095.045** | **1.788.794.010** |
| Financial liabilities | | | | | | |
| Dividends to pay | 72.150.952 | - | - | - | - | 72.150.952 |
| Other financial liabilities | 6.158.183 | - | - | - | - | 6.158.183 |
| Loans | 31.345.941 | - | - | 610.318 | 30.735.623 | - |
| **Total financial liabilities** | **109.655.077** | **-** | **-** | **610.318** | **30.735.623** | **78.309.135** |

| | Net value on 31st December 2017 | < 1 month | 1-3 months | 3-12 months | >1 year | No interest rate risk |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Cash and cash equivalents | 12.420.186 | - | - | - | - | 12.420.186 |
| Bank deposits | 44.977.823 | 40.847.307 | 2.702.358 | 1.130.000 | - | 298.158 |
| Financial assets at fair value through the profit or loss account | 208.830.917 | - | - | - | - | 208.830.917 |
| Financial assets available for sale | 1.452.654.846 | - | - | - | - | 1.452.654.846 |
| Investments held to maturity | 7.324.894 | - | 215.149 | 8.820 | 7.100.925 | - |
| Other financial assets | 31.683.936 | - | - | - | - | 31.683.936 |
| **Total financial assets** | **1,757,892,602** | **40.847.307** | **2.917.507** | **1.138.820** | **7.100.925** | **1.705.888.042** |
| Financial liabilities | | | | | | |
| Dividends to pay | 33.176.908 | - | - | - | - | 33.176.908 |
| Other financial liabilities | 17.842.847 | - | - | - | - | 17.842.847 |
| Loans | 16.886.065 | - | - | 1.403.807 | 15.482.257 | - |
| **Total financial liabilities** | **67.905.820** | **-** | **-** | **1.403.807** | **15.482.257** | **51.019.755** |

The impact on the Group's net profit of a modification of ± 100 bp of the interest rate corresponding to variable interest-bearing assets and liabilities, expressed in other currency, corroborated with a modification of ± 500 bp of the interest rate corresponding to assets and liabilities bearing variable interest expressed in lei is 5.115.909 (31st December 2017 ± 2.580.002 lei).

## Exposure to currency risk

The assets expressed in lei and in other currencies on the 30th June 2018 and 31st December 2017 are presented in the tables below:

| 30TH June 2018 | RON | EUR | USD | Other currency |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | 11.101.887 | 405.131 | 12.416 | - |
| Bank deposits | 94.817.536 | 925.232 | - | - |
| Financial assets at fair value through profit or loss account | 254.364.333 | - | - | - |
| Financial assets available for sale | 1.440.389.243 | - | - | - |
| Investments held to maturity | 100.440 | 7.215.157 | - | - |
| Other financial assets | 82.469.081 | - | - | - |
| **Total financial assets** | **1.883.242.519** | **8.545.520** | **12.416** | |
| Financial liabilities | | - | - | - |
| Dividends to pay | 1.891.800.456 | - | - | - |
| Other financial liabilities | 6.158.183 | - | - | - |
| Loans | 29.689.086 | 1.656.855 | - | - |
| **Total financial liabilities** | **1.927.647.726** | **1.656.855** | **-** | **-** |

| 31st December 2017 | RON | EUR | USD | Other currencies |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | 11,912,626 | 492.880 | 14.679 | - |
| Bank deposits | 44.099.470 | 878.353 | - | - |
| Financial assets at fair value through profit or loss account | 208.830.917 | - | - | - |
| Financial assets available for sale | 1.452.654.846 | - | - | - |
| Investments held to maturity | 106.130 | 7.218.764 | - | - |
| Other financial assets | 31.683.936 | - | - | - |
| **Total financial assets** | **1.749.287.924** | **8.589.997** | **14.679** | **-** |
| Financial liabilities | | | | |
| Dividends to pay | 33.176.908 | - | - | - |
| Other financial liabilities | 17.842.847 | - | - | - |
| Loans | 16.886.065 | - | - | - |
| **Total financial liabilities** | **67.905.820** | **-** | **-** | **-** |

The net impact on the Group's profit of a ± 15% modification of the RON/EUR exchange rate, corroborated with a modification of ± 15% a of the RON/USD, exchange rate on 30th June 2018, all other variables remaining constant is 1.283.690 lei (31st December 2017 ± 1.290.701 lei).

### *3.2.2. Exposure to Credit Risk*

On 30th June 2018 and 31st December 2017 the Group did not hold any collateral with insurance right, nor other enhancements of credit rating. On the 30th June 2018 and 31st December 2017, the Group did not register any outstanding financial assets that are not impaired. The Group's maximum exposure to credit risk is 196.575.070 lei on 30th June 2018 and 96.512.546 on 31st December 2017 and can be analyzed as follows:

**Exposures from current-account deposits**

| | 30th June 2018 | 31st December 2017 |
|---|---|---|
| Banca Transilvania | 94.091.548 | 42.817.321 |
| BRD - Group Societe Generale | 5.174.603 | 4.996.034 |
| Raiffeisen Bank | 3.906.580 | - |
| BCR | 1.660.748 | 6.481.712 |
| Other commercial banks | 2.356.913 | 2.984.441 |
| **Total** | **107.190.392** | **57.279.508** |

**Exposures from investments held to maturity**

| | 30th June 2018 | 31st December 2017 |
|---|---|---|
| **- Bacău municipal bonds** | 100.440 | 106.130 |
| **- Banca Transilvania bonds** | 7.215.157 | 7.218.764 |
| Total | **7.315.597** | **7.324.894** |

**Various debtors and trade receivables**

| | 30th June 2018 | 31st December 2017 |
|---|---|---|
| AAS Bucuresti | 54.782.882 | 54.726.859 |
| Central depositary | 650.536 | 987.563 |
| BRD Depositary | 30.432.378 | - |
| Ministry of Finance –litigious rights | 2.415.314 | 2.415.315 |
| Other various debtors and trade receivables | 52.315.185 | 33.850.216 |
| Impairment adjustments | (58.127.214) | (60.296.017) |
| **Total** | **82.469.081** | **31.683.936** |

Impairment adjustments cover all amounts corresponding to the trade receivables towards AAAS Bucuresti.

### *3.2.3. Liquidity Risk*

The structure of the Group's assets or liabilities has been analyzed based on the period of time remaining from the balance until the contractual maturity date, both for the reporting period concluded on the 30th June 2018 and for that concluded on 30th June 2017, as follows:

| 30th June 2018 | Accounting value | < 3 months | 3 - 12 months | > 1 year | No pre-set maturity |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Cash and cash equivalents | 11.519.434 | 11.519.434 | - | - | - |
| Bank deposits | 95.742.768 | 93.706.300 | 1.984.550 | | 51.918 |
| Financial assets at fair value through profit or loss account | 254.364.333 | | - | - | 254.364.333 |
| Financial assets available for sale | 1.440.389.243 | - | - | - | 1.440.389.243 |
| Investments held to maturity | 7.315.597 | 211.732 | 8.819 | 7.095.045 | |
| Other financial assets | 82.469.081 | | | | 82.469.081 |
| **Total financial assets** | **1.891.800.456** | **105.437.466** | **1.993.369** | **7.095.045** | **1.777.274.576** |
| Financial liabilities | | | | | |
| Dividends to pay | 72.150.952 | - | - | - | 72.150.952 |
| Other financial liabilities | 6.158.183 | - | - | - | 6.158.183 |
| Loans | 31.345.941 | - | 610.318 | 30.735.623 | - |
| **Total financial liabilities** | **109.655.077** | - | **610.318** | **30.735.623** | **78.309.135** |

| 31st December 2017 | Accounting value | < 3 months | 3 - 12 months | > 1 year | No pre-set maturity |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Cash and cash equivalents | 12.420.186 | 12.420.186 | - | - | - |
| Bank deposits | 44.977.823 | 43.549.665 | 1.130.000 | - | 298.158 |
| Financial assets at fair value through profit or loss account | 208.830.917 | - | - | - | 208.830.917 |
| Financial assets available for sale | 1.452.654.846 | - | - | - | 1.452.654.846 |
| Investments held to maturity | 7.324.894 | 215.149 | 8.820 | 7.100.925 | - |
| Other financial assets | 31.683.936 | - | - | - | 31.683.936 |
| **Total financial assets** | **1.757.892.602** | **56.184.986** | **1.138.820** | **7.100.925** | **1.693.467.857** |
| Financial liabilities | | | | | |
| Dividends to pay | 33.176.908 | - | - | - | 33.176.908 |
| Other financial liabilities | 17.842.847 | - | - | - | 17.842.847 |
| Loans | 16.886.065 | - | 1.403.808 | 15.482.257 | - |
| **Total financial liabilities** | **67.905.820** | - | **1.403.808** | **15.482.257** | **51.019.755** |

### *3.2.4. Exposure to cash flow risk*

| | 30th June 2018 | 30th June 2017 |
|---|---|---|
| **Net cash resulted from exploitation activities** | **34.313.665** | **28.253.723** |
| **Net cash used in investment activities** | **960.713** | **3.890.435** |
| **Net cash used in financing activities** | **13.981.506** | **(25.779.767)** |
| Net increase of cash and cash equivalents | 49.255.883 | 6.364.393 |
| Cash and cash equivalents on 1st January | 55.969.850 | 135.733.629 |
| **Cash and cash equivalents on 30th June** | **105.225.734** | **142.098.022** |

Cash and cash equivalents include the elements presented in the table below:

| | 30th June 2018 | 30th June 2017 |
|---|---|---|
| Cash in the cash register | 11.447.624 | 177.643 |
| Bank current accounts | 71.810 | 31.427.224 |
| Bank deposits with a maturity under 3 months | 93.655.799 | 110.460.297 |
| Attached claims | 50.501 | 32.859 |
| **Cash and cash equivalents** | **105.225.734** | **142.098.022** |
| Bank deposits with a maturity over 3 months | 2.036.468 | 550.746 |
| Blocked deposits | | - |
| **Total** | **2.036.468** | **550.746** |

In the table below you find the reconciliation of cash and cash equivalents with the accounting balance:

| | 30th June 2018 | 30th June 2017 |
|---|---|---|
| Cash and cash equivalents | 11.519.434 | 31.604.867 |
| Bank deposits | 95.742.768 | 111.043.902 |
| Less deposits with maturity over 3 months and blocked deposits | (2.036.468) | (550.746) |
| **Cash and cash equivalents in the cash flow statement** | **105.225.734** | **142.098.022** |

# 4. Important events occurred following the completion of the financial year

## 4.1. SIF Moldova SA

**The assurance report of financial auditor Deloitte** regarding the abidance by the legal framwork for contracts entered by the company between 01.01.2018 - 30.06.2018, with subsidiaries: Asset Invest SA and CASA SA, in compliance with the provisions of art 82 Law 24/2018.
*(Current report on 30.07. 2018).*

## 4.2. Mecanica Ceahlau SA - N/A

## 4.3. Regal SA – N/A

## 4.4. Agrointens SA

**Corporate event: EGMS on 10.08.2018:** The following were approved (i) Update of financial forecasts and indicators of the project "Expansion of BLUEBERRY Farm" and (ii) Share capital increase with the amount of 3,995 mil. lei to continue the financing of project "Extension of BLUEBERRY Farm" stage "Purchase of Farm and land in Popesti and construction of refrigerating room in Vistea".

## 4.5. Agroland Capital SA – N/A

## 4.6. Asset Invest SA – N/A

## 4.7. Hotel Sport Cluj SA

**Current report of September 21, 2018, in accordance with Article 82 of the Law 24/2017 –** *Reporting on the legal document concluded with the directors (...) and with the individuals with whom they act concertedly.*

| Contract parties | Contract date and type | Contract subject | Contract total value | Mutual debt arising from the contract | Granted guarantees Stipulated penalties | Terms and payment methods |
|---|---|---|---|---|---|---|
| - SIF MOLDOVA SA: seller<br>- WINNERS PARK INVEST SRL: buyer - a company held indirectly by Mr. Horia Ciorcila, a director of SIF Moldova | Contract for the sale of shares no. 4919 of September 19, 2018 | Sale of 19,329,398 shares of Hotel Sport SA (99.99% of the share capital) | 3,649,635 € | Not applicable | Compensation in the amount of minimum 150,000 € | Payment within 24 hours from the date of meeting the suspension condition*, made in lei at the exchange rate of the day. |

* The suspension clause provides that the completion of the transaction, i.e. the payment of the sale price and the transfer of the ownership right over the sale shares, is conditioned by obtaining a favorable opinion from the financial auditor of the seller in the exercise of the legal obligation to verify the transaction according to article 144 of ASF Regulation no. 5/2018 corroborated with article 82 of Law no. 24/2017, consisting in issuing a report in which the auditor will specify whether the price, corroborated with the rights and obligations assumed by the parties under the contract, is fair in relation to the other offers available on the market.

The report of the financial auditor Deloitte Audit (current report of September 21, 2018) concludes:
*Based on the procedures performed and evidence obtained nothing has come to our attention that causes us to believe that the transaction contained In Appendix A,* (current report content presented above) *has not been prepared in all material respects in accordance with the Regulation no. 5/2018 art. 144.8 point (4).*

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Hotel Sport Company has been a subsidiary of SIF Moldova since 2015. During this period, in SIF Moldova individual and consolidated periodical activity reports, there was presented information regarding the hotel's modernization project and the necessary investments, as well as the long delays caused by the court cases between Cluj-Napoca City Hall and Cluj Prefecture regarding the procedure amendment of the General Urban Plan concerning the reframing of some land lots. These delays, independent of SIF Moldova's control, have led to a change in the initial estimated return on the investment and, consequently, to the adoption and communication of the decision to explore the exit possibilities.

## 4.8. Tesatoriile Reunite SA – N/A

## 4.9. Casa SA – N/A

## 5. Information regarding the purchase of own shares by SIF Moldova Group

**The running of SIF2 share Public Purchase Offer**

According to SIF Moldova's EGMS resolution no. 2/27.04.2018 and FSA approval no. 726/13.06.2018, we have run the Public Purchase Offer (PPO) for SIF2 shares, initiated by SIF Moldova, between 20.06.2018 – 10.07.2018, for a number of 11.000.000 shares, for the price of 1,818 lei/share. The assignment index was of 0,0845347586.

The objectives of PPO are the lowering of discount between net asset and trading price, the increase of unitary assets, with the effect of increase profit per share.

The purpose of the PPO is to reduce the share capital by annulling the shares bought-back.

## 6. Corporate Governance

Detailed information on:

1. „SIF Moldova Corporate Governance Code",
2. The structure and operation of the governing bodies, the management bodies, the supervisory bodies and the committees,
3. Protecting the interests / assets of SIF Moldova by judicial procedures,
4. The main features of SIF Moldova Group's compliance and risk management systems,

can be found on www.sifm.ro, accessing the "Consolidated Activity Report of the Board of Directors for 2017" (www.sifm.ro/shareholders/GMS/GMS of April 27, 2018) and the "Corporate Governance Code of SIF Moldova" ( www.sifm.ro / about us / Corporate Governance Code).

***

**The H1 2018 Consolidated Board of Directors' report is approved in SIF Moldova Board of Directors' meeting on September 27, 2018.**

**President of the Board**
**Costel Ceocea**

**CEO**
**Claudiu Doros**

**CFO**
**Decebal Dumitrescu**

**Compliance Officer**
**Michaela Puscas**