

**SIF MOLDOVA SA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AS AT DECEMBER 31, 2018**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION (“IFRS”)  
AND APPLYING FINANCIAL SUPERVISORY AUTHORITY NORM NO. 39/2015,  
REGARDING THE APPROVAL OF THE ACCOUNTING REGULATIONS IN  
ACCORDANCE WITH IFRS, APPLICABLE TO THE ENTITIES AUTHORIZED,  
REGULATED AND SUPERVISED BY THE FSA – FINANCIAL INVESTMENTS  
AND INSTRUMENTS SECTOR, AS AMENDED**

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**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**AS AT DECEMBER 31, 2018**  
(all amounts are expressed in RON, unless specified otherwise)

<i>In RON</i>	<i>Note</i>	<b>2018</b>	<b>2017</b>
<b>Income</b>			
Dividend income	9	93,475,595	72,508,367
Interest income	10	2,517,115	1,176,835
Other operating revenue	11	45,142,079	61,047,932
<b>Investment income</b>			
Net profit from sale of assets	12	4,178,728	100,495,117
Net (loss)/net gain from revaluation of financial assets at fair value through profit or loss	13	(20,883,049)	40,549,001
Net gains from revaluation of investment property	13	3,566,333	-
<b>Expenses</b>			
Impairment loss	14	(791,549)	1,125,544
Expense with provisions for risk and charges		198,054	136,267
Other operating expenses	15	(73,977,926)	(92,063,281)
<b>Operating profit</b>		<b>53,425,380</b>	<b>184,975,782</b>
Financing expenses		(1,729,909)	(525,337)
<b>Profit before tax</b>		<b>51,695,471</b>	<b>184,450,445</b>
Income tax	16	(8,184,461)	(19,853,044)
<b>Net profit for the year</b>		<b>43,511,010</b>	<b>164,597,401</b>
<b>Other comprehensive income</b>			
<i>Gain on the disposal of financial assets at fair value through other comprehensive income, net of tax, recycled to retained earnings</i>		<b>45,511,854</b>	-
Increases/(Decreases) of revaluation reserve on property, plant and equipment, net of deferred tax		(536,327)	(102,096)
Net gain on the revaluation of financial assets at fair value through other comprehensive income	19 e)	19,241,085	-
Net gains on the revaluation of available-for-sale financial assets	19 e)	-	149,566,253
Transfer of reserve to retained earnings further to the sale of FVTOCI, net of tax	19 e)	(45,511,854)	-
Transfer of reserve to profit or loss further to the sale of AF, net of tax	19 e)	-	(98,547,641)
<b>Other comprehensive income</b>		<b>18,704,758</b>	<b>50,916,516</b>
<b>Total comprehensive income for the period</b>		<b>62,215,768</b>	<b>215,513,917</b>

Notes attached are an integral part of these consolidated financial statements.  
This is a free translation from the original Romanian version.

**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**AS AT DECEMBER 31, 2018**  
(all amounts are expressed in RON, unless specified otherwise)

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<i>In RON</i>		<b>2018</b>	<b>2017</b>
Net profit attributable to the Company's shareholders		42,449,131	164,887,752
Non-controlling interest	29	1,061,879	(290,352)
Gains attributable to ordinary shareholders		45,511,854	-
		<b>89,022,864</b>	<b>164,597,400</b>
 <i>Comprehensive income attributable to</i>			
Company's shareholders		60,515,613	221,645,051
Non-controlling interest		1,700,155	(6,131,134)
		<b>62,215,768</b>	<b>215,513,917</b>

The consolidated financial statements were approved by the Board of Directors on March 13, 2019 and were signed on its behalf by:

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**Claudiu Doros,**  
CEO

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**Decebal Dumitrescu,**  
CFO

**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(all amounts are expressed in RON, unless specified otherwise)

<i>In Ron</i>	<i>Note</i>	<b>Group December 31, 2018</b>	<b>Group December 31, 2017</b>
<b>Assets</b>			
Cash and cash equivalents	17	10,627,278	12,420,186
Deposits at banks	18	86,242,497	44,977,823
Financial assets at fair value through profit or loss	19 a	267,187,022	208,830,917
Financial assets at fair value through other comprehensive income	19 b	1,286,637,921	-
Available-for-sale financial assets	19 b	-	1,452,654,846
Equity securities	19 f	38,082,609	-
Bonds at depreciation cost	19 c	7,821,978	7,324,894
Investment property	20	37,138,193	11,462,193
Intangible assets	21	8,584,195	8,613,463
Tangible assets	21	74,202,969	79,573,635
Non-current assets held for sale	19 g	12,015,414	-
Inventories	22 b	102,191,707	44,714,963
Biological assets		2,378,185	1,686,975
Other financial assets at depreciation cost	22 a	32,579,913	31,740,866
Other assets	22 c	7,765,472	8,208,267
<b>Total assets</b>		<b>1,973,455,353</b>	<b>1,912,209,028</b>
<b>Liabilities</b>			
Borrowings	23	48,822,068	16,886,065
Dividends payable	24	34,923,650	33,176,908
Provisions for risk and charges	25	2,812,086	4,153,896
Deferred tax liability	26	67,888,502	75,217,640
Current tax profit liabilities	27 b	2,146,320	5,384,665
Financial liabilities at depreciation cost	27 a	50,170,000	16,020,560
Other liabilities	27 b	18,932,307	27,156,466
<b>Total liabilities</b>		<b>225,694,933</b>	<b>177,996,200</b>
<b>Equity</b>			
Share capital	28	526,723,352	539,720,149
Retained earnings		724,085,787	612,623,242
Reserves from revaluation of property, plant and equipment		8,461,454	9,321,185
Reserves from revaluation of financial assets at fair value through other comprehensive income	19 e	500,578,767	-
Reserves from the revaluation of available-for-sale financial assets	19 e	-	596,129,534
Own shares		(28,598,935)	(37,436,693)
Other equity elements		107,733	(846,695)
<b>Total equity attributable to shareholders</b>		<b>1,731,358,158</b>	<b>1,719,510,722</b>
	29		
Non-controlling interest		16,402,261	14,702,106
<b>Total equity</b>		<b>1,747,760,419</b>	<b>1,734,212,828</b>
<b>Total liabilities and equity</b>		<b>1,973,455,353</b>	<b>1,912,209,028</b>

Notes attached are an integral part of these consolidated financial statements.  
This is a free translation from the original Romanian version.

**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

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**Claudiu Doros,**  
CEO

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**Decebal Dumitrescu,**  
CFO

**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

	Equity attributable to the parent's shareholders								
<i>In Ron</i>	Share capital	Reserves from the revaluation of tangible assets	Reserves from the revaluation financial assets at fair value through other comprehensive income	Retained earnings	Own shares	Other equity elements	Total attributable to the parent's shareholders	Non-controlling interests	Total
Balance as at 1 January 2018	539,720,149	9,321,185	596,129,534	612,623,242	(37,436,693)	(846,695)	1,719,510,722	14,702,106	1,734,212,828
Changes further to the adoption of IFRS 9 (see note 3 (a))	-	-	(69,279,999)	69,279,999	-	-	-	0	-
Balance as at January 1, 2018, restated	539,720,149	9,321,185	526,849,535	681,903,241	(37,436,693)	(846,695)	1,719,510,722	14,702,106	1,734,212,828
Comprehensive income									
<i>Profit of the period</i>				42,449,131			42,449,131	1,061,879	43,511,010
<i>Other comprehensive income</i>							-		-
Reserve increase / (decreases) from revaluation of tangible assets		(859,730)					(859,730)	323,403	(536,327)
Transfer of revaluation reserve to retained earnings further to the sale of property, plant and equipment							-		-
Fair value revaluation of available-for-sale financial assets, net of deferred tax			19,241,085				19,241,085		19,241,085
(Gain)/Loss on transfer to profit or loss/retained earnings further to the sale of financial assets			(45,511,854)	45,511,854			-		-
Changes in the ownership of subsidiaries				6,203,968			6,203,968	314,874	6,518,842
<b>Total comprehensive income for the period directly in equity</b>	<b>-</b>	<b>(859,730)</b>	<b>(26,270,769)</b>	<b>94,164,953</b>	<b>-</b>	<b>-</b>	<b>67,034,454</b>	<b>1,700,155</b>	<b>68,734,610</b>
Share capital increase / decrease	(12,996,797)			(12,434,333)	25,000,000	431,130	-		-
Own shares redeemed				-	(19,998,000)	(283,759)	(20,281,759)		(20,281,759)
Own shares allocated				(398,920)	3,835,758	807,057	4,243,895		4,243,895
Other transfers					-	-	-		-
Dividends prescribed by law				10,406,543	-	-	10,406,543		10,406,543
Dividends payment related to 2017				(49,555,697)	-	-	(49,555,697)		(49,555,697)
<b>Total transactions with shareholders recognized directly in equity</b>	<b>(12,996,797)</b>	<b>-</b>	<b>-</b>	<b>(51,982,407)</b>	<b>8,837,758</b>	<b>954,428</b>	<b>(55,187,018)</b>	<b>-</b>	<b>(55,187,018)</b>
Balance as at 31 December 2018	526,723,352	8,461,454	500,578,767	724,085,787	(28,598,935)	107,733	1,731,358,158	16,402,261	1,747,760,419

The consolidated financial statements were approved by the Board of Directors on March 13, 2019 and were signed on its behalf by:

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**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

<i>In Ron</i>	Equity attributable to the parent's shareholders								Total
	Share capital	Reserves from the revaluation of tangible assets	Reserves from the revaluation financial assets available for sale	Retained earnings	Own shares	Other equity elements	Total attributable to the parent's	Non-controlling interests	
<b>Balance as at 1 January 2017</b>	<b>539,720,149</b>	<b>8,618,009</b>	<b>545,110,922</b>	<b>485,007,295</b>	<b>(10,311,450)</b>	<b>(412,296)</b>	<b>1,567,732,629</b>	<b>20,833,238</b>	<b>1,604,380,005</b>
<b>Comprehensive income</b>									
<i>Profit of the period</i>				164,887,752			164,887,752	(290,352)	164,597,400
<i>Other comprehensive income</i>				3,991,381			3,991,381		3,991,381
Reserve increase / (decreases) from revaluation of tangible assets		703,176					703,176	(805,272)	(102,096)
Transfer of revaluation reserve to retained earnings further to the sale of property, plant and equipment							-		-
Fair value revaluation of available-for-sale financial Reserve decrease further to the sale of available-for-sale financial assets			149,566,253				149,566,253		149,566,253
Changes in the ownership of subsidiaries			(98,547,641)	(4,179,133)			(98,547,641)	(5,035,509)	(98,547,641)
							(4,179,133)		(9,214,642)
<b>Total comprehensive income for the period directly in equity</b>	<b>-</b>	<b>703,176</b>	<b>51,018,612</b>	<b>164,700,000</b>	<b>-</b>	<b>-</b>	<b>216,421,787</b>	<b>(6,131,134)</b>	<b>210,290,654</b>
Share capital increase	-			-			-		-
Own shares redeemed					(27,125,243)	(434,399)	(27,559,641)		(27,559,641)
Own shares allocated							-		-
Other transfers				-			-		-
Dividends prescribed by law				6,791,916			6,791,916		6,791,916
Dividends payment related to 2016				(43,875,969)			(43,875,969)		(43,875,969)
<b>Total transactions with shareholders recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,084,053)</b>	<b>(27,125,243)</b>	<b>(434,399)</b>	<b>(64,643,694)</b>	<b>-</b>	<b>(64,643,694)</b>
<b>Balance as at 31 December 2017</b>	<b>539,720,149</b>	<b>9,321,185</b>	<b>596,129,534</b>	<b>612,623,242</b>	<b>(37,436,693)</b>	<b>(846,695)</b>	<b>1,719,510,722</b>	<b>14,702,106</b>	<b>1,734,212,829</b>

The consolidated financial statements were approved by the Board of Directors on March 13, 2019 and were signed on its behalf by:

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CEO

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**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(all amounts are expressed in RON, unless specified otherwise)

<i>In RON</i>	<b>2018</b>	<b>2017</b>
<b>Operating activities</b>		
Profit before taxation	51,695,471	184,450,445
<i>Adjustments for:</i>		
Impairment of financial assets	791,549	(1,125,544)
Net loss / gains from the sale of property, plant and equipment	(4,041,037)	2,378,260
Net loss / (gains) from financial assets at fair value through profit and loss	20,745,358	(40,549,001)
Adjustments for available-for-sale financial assets	-	(109,532,923)
Dividend income	(93,475,595)	(72,508,367)
Interest income	(2,517,115)	(1,176,835)
Expenses with provisions for risk and charges	(198,054)	(136,267)
Write-back of provisions for other assets	791,549	5,841,171
Other adjustments	(8,451,479)	3,872,085
<b>Changes in operating assets and liabilities</b>		
Acquisition of financial assets at fair value through profit or loss	(97,353,286)	(51,685,570)
Sales of financial assets at fair value through profit or loss	37,907,783	16,214,403
Acquisition of financial assets at fair value through other comprehensive income/available for sale	(36,209,966)	(195,962,143)
Sales of financial assets at fair value through other comprehensive income/available for sale	199,169,079	206,341,694
Changes in bonds at depreciation cost	11,760	(2,221,821)
Changes in deposits more than 3 months due	3,746,197	(1,177,685)
Other assets changes	(58,452,317)	(42,252,358)
Other liabilities changes	24,113,561	23,341,627
Collected dividends	91,157,618	69,124,533
Collected interest	2,325,626	1,244,069
Income tax paid	(18,006,123)	(11,628,390)
<b>Net cash flow proceeds from operating activities</b>	<b>113,750,580</b>	<b>(17,148,618)</b>
<b>Investment activities</b>		
Payments for purchases of property, plant and equipment	(40,578,949)	(11,879,160)
Proceeds from sale of property and investment property	23,091,794	2,600,179
<b>Net cash flow used in investment activities</b>	<b>(17,487,155)</b>	<b>(9,278,982)</b>
<b>Financing activities</b>		
Dividends paid	(37,468,348)	(33,226,268)
Changes in short-term loans	1,869,598	7,740,346
Own shares redeemed	(20,281,759)	(27,559,642)
<b>Net cash flows used in financing activities</b>	<b>(55,880,509)</b>	<b>(53,045,563)</b>
<b>Net increase in cash and cash equivalents</b>	<b>40,382,916</b>	<b>(79,473,163)</b>
Cash and cash equivalents at 1 January	55,969,850	135,443,013
<b>Cash and cash equivalents at 31 December</b>	<b>96,352,767</b>	<b>55,969,850</b>

Notes attached are an integral part of these consolidated financial statements.  
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**SIF MOLDOVA SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(all amounts are expressed in RON, unless specified otherwise)

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<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Petty cash	34,726	118,500
Current bank accounts	10,592,551	12,301,686
Bank deposits less than 3 months due	85,601,388	43,531,787
Attached receivables	124,101	17,878
<b>Cash and cash equivalents</b>	<b>96,352,767</b>	<b>55,969,850</b>

The consolidated financial statements were approved by the Board of Directors on March 13, 2019 and were signed on its behalf by:

\_\_\_\_\_  
**Claudiu Doros,**  
CEO

\_\_\_\_\_  
**Decebal Dumitrescu,**  
CFO

**SIF MOLDOVA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

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**1. REPORTING ENTITY**

SIF Moldova S.A. (“**the Company**” or “**SIF Moldova**”), listed on the Bucharest Stock Exchange as “**SIF2**” is a collective investment body operating in Romania in accordance with the provisions of Law 31/1990 on commercial companies and Law 297/2004 on capital market, as subsequently amended and supplemented, authorized as manager of alternative investments (AFIA) by Licence no. 20/23.01.2018 issued by the FSA.

The Company is the successor of Fondul Proprietatea Privată II Moldova, reorganized and transformed in accordance with the provisions of Law no. 133/1996. The registered office of the Company is located at strada Pictor Aman, nr. 94C, Bacău municipality, Bacău County, Romania. The Company also operates through its representative offices located in Iași and Bucharest.

During the reporting period, the EGMS of April 27, 2018 approved the change of the company’s name from Societatea de Investiții Financiare Moldova SA into First Romanian Capital Invest SA. Such decision cannot be put into practice due to the final position of the FSA, which invoked the application of a provision of Law no. 133/1996 on the conversion of former Fonduri ale Proprietatii Private, according to which FPP II Moldova shall be called “Societatea de Investiții Financiare Moldova SA”.

According to its statute, the Company’s core field of activity is:

- administration and management of financial instruments, derivative financial instruments and other instruments qualified as such by the regulations of the National Securities Commission (NSC), whose duties and prerogatives have been transferred to the Financial Supervisory Authority (FSA);
- administration and management of shares, bonds and other rights arising therefrom in companies not traded or closed;
- other ancillary and related activities, in accordance with the regulations in force.

The Company is self-administered.

The Company's shares are listed on the Bucharest Stock Exchange, Category I, code SIF2, starting from November 1, 1999.

The shares and shareholders are recorded according to law by S.C. Depozitarul Central S.A. Bucharest.

The assets are deposited with BRD – Société Générale S.A. – company authorized by the National Securities Commission, whose duties and prerogatives have been transferred to the Financial Supervisory Authority (FSA).

The Company’s consolidated financial statements for the year ended December 31, 2018 refer to the Company and its subsidiaries (herein after “the Group”) and the Group’s interests in associates.

The Group’s core activities consist in the financial investment activity carried out by the Company, and the activities carried out by subsidiaries consisting primarily in business consultancy and management, renting and operating of own or leased real estate, manufacture of machinery and equipment, restaurants, cultivation of bearer shrubs, strawberries, nut trees and other bearer trees.

**SIF MOLDOVA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

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**2. BASES OF PREPARATION**

**(a) Statement of Compliance**

The consolidated financial statements are prepared by the Company in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”). The consolidated financial statements were prepared in accordance with the Rule of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector (FSA).

Within the meaning of Rule 39/2015, International Financial Reporting Standards, hereinafter referred to *IFRS*, are the standards adopted according to the procedure provided by Regulation no. 1606/2002 of the European Parliament and the EU Council of 19 July 2002 on the application of international accounting standards, as subsequently amended and supplemented.

The Company subsidiaries’ accounting is kept in RON in accordance with Romanian Accounting Standards (“RAS”). Such accounts are restated to reflect the existing differences between accounts according to RAS and those according to International Financial Reporting Standards adopted by the European Union (“IFRS”). Accordingly, RAS accounts are adjusted in all material respects to reflect the IFRS provisions adopted by the European Union.

The most important changes made to the Romanian Accounting Standards financial statements to align them to the requirements of the International Financial Reporting Standards (“IFRS”) adopted by the European Union are:

- the grouping of more elements in more comprehensive categories;
- adjustment of investment property for valuation at fair value in accordance with IAS 40 – “Investment property” (according to RAS, investment property is not recognized separately, since it represents property, plant and equipment measured in accordance with IAS 16 “Property, plant and equipment”);
- adjustments of property, plant and equipment for valuation in accordance with the Group’s accounting policies and IAS 16 “Property, plant and equipment”;
- adjustments for the recognition of deferred income tax assets and liabilities, in accordance with IAS 12 “Income tax” (according to RAS, deferred tax is not recognized);
- reversal of adjustments for hyperinflationist economies, and
- disclosure requirements in accordance with International Financial Reporting Standards adopted by the European Union (“IFRS”).

**(b) Presentation of financial statements**

The consolidated financial statements are presented in accordance with IAS 1 “Presentation of financial statements”. The Group has adopted a liquidity-based presentation in the statement of financial position and a presentation of income and expenses by their nature in the statement of comprehensive income, as it considers that such presentation methods offer reliable and more relevant information compared to those that would have been presented using alternative methods permitted by IAS 1.

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue in the foreseeable future. To evaluate the applicability of this assumption the management takes into consideration forecasts of future cash inflows.

**SIF MOLDOVA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

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**2. BASES OF PREPARATION (continued)**

**(c) Functional and presentation currency**

The Group management considers that the functional currency, as defined by IAS 21 “Effects of changes in foreign exchange rates”, is the Romanian Leu (RON). The consolidated financial statements are presented in RON, rounded at the closest RON value, which the Company’s management has chosen as presentation currency.

**(d) Bases of measurement**

The consolidated financial statements are prepared at fair value for derivative financial instruments, financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income except those for which fair value cannot be reliably determined.

Other financial assets and liabilities, and non-financial assets and liabilities are carried at amortized cost, revalued amount or historical cost.

**(e) Use of estimates and judgments**

The preparation of the consolidated financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, income and expenses. The judgments and assumptions related to such estimates are based on the historical experience and other factors deemed reasonable for such estimates. The results of such estimates are the basis of the judgments regarding the carrying amounts of assets and liabilities which cannot be obtained from other sources. Actual results may differ from these estimates.

The judgments and assumptions underlying the financial statements are revised periodically. The revisions of accounting estimates are recognized when the estimate is revised if it affects only that period or in the period when the estimate is revised and in future periods if the revision affects both the current and future periods.

**3. BASES OF CONSOLIDATION**

**(a) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control is when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When evaluating control, the Group must also consider the potential or convertible voting rights exercisable at that time.

The subsidiaries’ financial statements are included in the consolidated financial statements as of the moment when control is exercised until the cessation thereof. The accounting policies of the Group’s subsidiaries have been changed to be aligned to the Group’s policies.

**SIF MOLDOVA SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(all amounts are expressed in RON, unless specified otherwise)**

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**3. BASES OF CONSOLIDATION (continued)**

**(a) Subsidiaries (continued)**

The list of consolidated subsidiaries as at December 31, 2018 is as follows:

<i>Subsidiary</i>	<i>Field of activity</i>	<i>December 31, 2018</i>	<i>December 31, 2017</i>
Casa	Rental	99.32%	99.03%
Mecanica Ceahlău	Manufacture of agricultural and forestry machinery	73.30%	73.30%
Regal	Public catering – restaurants, manufacture of pastry goods and cakes, and renting of own or leased real estate	93.02%	93.02%
Țesătoriile Reunite	Real estate development	99.99%	100.00%
Asset Invest	Business and other management consultancy activities	99.99%	100.00%
Agroland Capital	Buying and selling of own real estate	99.99%	99.99%
Agrointens	Business and other management consultancy activities	99.99%	100.00%
Hotel Sport	Hotels and similar accommodation	0.00%	99.99%

**(b) Associates**

Associates are companies in which the Group may exercise significant influence but not control over the financial and operational policies.

The consolidated financial statements include the Group's share in the result of associates according to the equity method, as of the date when the Group started to have significant influence until the date when such influence ceases. If the Group's share in the associates' loss exceeds the carrying amount of the investment, then the carrying amount is reduced to nil value and subsequent losses are not recognized except if the Group has the legal or constructive obligation to make payments on behalf of the associate.

Interests where the Group holds between 20% and 50% of the voting rights, but over which it exerts no significant influence are classified as financial assets at fair value through other comprehensive income.

Associates are accounted for using the equity method and are initially carried at cost. The Group's investment includes the goodwill identified at acquisition less cumulated impairment. The consolidated financial statements include the Group's share in income and expenses and changes in the associates' equity, after adjustments to align the accounting policies to the Group's policies, as of the date when the significant influence begins until it ceases. When the Group's share in losses exceeds the interest in the entity accounted for using the equity method, then the book value of such interest (including any long-term investments) is reduced to nil value and the recognition of future losses is disrupted except when the Group has a liability or made payments on behalf of the investee.

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**3. BASES OF CONSOLIDATION (continued)**

**(b) Associates (continued)**

Based on the analysis of quantitative and qualitative criteria presented in IAS 28 “*Investments in Associates and Joint Ventures*” (revised in 2011), the Group concluded that it holds investments in associates as at December 31, 2018, specifically 50% ownership in Străulești Lac Alfa SA. As at December 31, 2017, the Group did not hold investments in associates.

**(c) Transactions written off upon consolidation**

Inter-Group settlements and transactions as well as unrealized gains resulting from inter-Group transactions shall be eliminated entirely from the consolidated financial statements. Unrealized gains on transactions with associates or jointly controlled entities shall be eliminated within the limit of the Group’s holding percentage. Unrealized gains from transactions with an associate shall be eliminated against the investment in the associate. Unrealized losses shall be eliminated identically to unrealized gains, but only if there is no indication of impairment.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies have been applied consistently to all periods presented in the consolidated financial statements prepared by the Group.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management analyzes the cash inflow forecasts.

Except for the amendments related to the adoption of IFRS 9 Financial instrument (“IFRS 9”) described herein below, the accounting policies applied in these annual financial statements have been applied consistently for all of the years presented in these annual financial statements.

IFRS 9 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, a new model on credit risk to calculate the impairment of financial assets and new general requirements on hedge accounting. It also keeps principles similar to IAS 39 on the recognition and de-recognition of financial instruments.

The Group adopted IFRS 9 as of its initial application, i.e., January 1, 2018. The Group holds the following types of financial instruments that fall under the scope of IFRS 9: investments, bonds, cash and current accounts, bank deposits, other financial assets and liabilities. Based on the review conducted, as of the initial adoption of IFRS 9, The Group decided to classify investments in: financial assets (equity instruments not intended for trading) measured at fair value through other comprehensive income (application of classification option upon transition to IFRS 9), financial assets (equity instruments not intended for trading) measured at fair value through profit or loss (implicit measurement provided by IFRS 9, for equity instruments) and financial assets at depreciation cost (bank deposits, other receivables and bonds not intended to trading, which meet the requirements of IFRS 9 regarding cash flows and business model). Such approach is in line with the business model of the Group of managing the performance of its portfolio at fair value, with the intended purpose of maximising the returns for shareholders and increasing the net asset value per share through investment made, mainly in Romanian shares and securities.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

There were no changes in the book value of the financial assets and liabilities upon transition to IFRS 9 as at January 1, 2018 compared to their previous value established in accordance with IAS 39. The classification and accounting value of financial assets and liabilities in accordance with IAS 39 and IFRS 9 as at January 1, 2018 are presented in the table below:

Instrument type	Classification	Book value	Classification	Book value	Impact of IFRS 9	Impact
Equity investments	Financial assets held for trading	29,868,987	Financial assets at fair value through profit or loss	29,868,987	-	
Equity investments	Financial assets held for trading	178,961,930	Financial assets at fair value through other comprehensive income	178,961,930	8,869,544	The impact is the reclassification from "Profit or loss carried forward" to "Reserves from revaluation of financial assets at
Equity investments	Available-for-sale financial assets	198,617,890	Financial assets at fair value through profit or loss	198,617,890	(40,193,747)	The impact is the reclassification from "Reserves from the revaluation of financial assets at
Equity investments	Available-for-sale financial assets	1,254,036,956	Financial assets at fair value through other comprehensive income	1,254,036,956	(37,955,796)	The impact is the reclassification from "Reserves from the revaluation of financial assets at fair value through other
Cash, current accounts and bank deposits	Cash, current accounts and bank deposits	53,398,009	Cash, current accounts and bank deposits	53,398,009	-	
Bonds	Investments held to maturity	7,324,894	Bonds at depreciation cost	7,324,894	-	
Other assets	Other assets	31,740,866	Other assets at depreciation cost	31,740,866	-	
Dividends payable	Dividends payable	33,176,908	Dividends payable	33,176,908	-	
Loans	Loans	16,886,065	Loans	16,886,065	-	
Financial liabilities	Other payables	16,020,560	Financial liabilities at depreciation cost	16,020,560	-	
TOTAL impact					(69,279,999)	

Further to the adoption of IFRS 9, as of the initial adoption as at January 1, 2018, the fair value reserve of financial assets at fair value through other comprehensive income, net of deferred tax, in total amount of RON **69,279,999** was reclassified to retained earnings.

In accordance with the transient provisions of IFRS 9, SIF Moldova decided not to restate the previous periods.

Based on our review, the Group decided to classify most (84% of the IFRS value of outstanding financial assets as at December 31, 2017) of the financial instruments, as of the initial adoption of IFRS 9, at fair value through other comprehensive income.

Upon transition to IFRS 9, no changes of fair value were required.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management analyzes the cash inflow forecasts

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**4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

**(a) Foreign currency transactions**

Operations denominated in foreign currencies are recorded in RON at the official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RON at the exchange rate of that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the exchange rate at the end of the year of monetary assets and liabilities denominated in a foreign currency are recognized in the statement of comprehensive income except those recognized in equity as a result of their registration based on hedge accounting.

Translation differences on elements in the form of interests held at fair value through profit or loss are presented as gains or losses on fair value. The translation differences on elements in the form of financial instruments classified as available-for-sale are included in the reserve from the change of fair value of such financial instruments.

The exchange rates of the main foreign currencies according to the NBR reporting were:

<b>Currency</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>	<b>Variation</b>
EUR	1: LEU 4.6639	1: LEU 4.6597	0.09%
USD	1: LEU 4.0736	1: LEU 3.8915	4.47%

**(b) Subsidiaries and associates**

Subsidiaries are entities controlled by the Group. Control exists when, inter alia, the Group has the ability to influence those returns through its power over the investee. When evaluating control, the Company must also consider the potential or convertible voting rights exercisable at that time.

Associates are companies in which the Group may exercise significant influence but not control over the financial and operational policies.

The Group classified in these financial statements the investments in associates as investments accounted for using the equity method, in accordance with IFRS 11.

**(c) Accounting for the effect of hyperinflation**

In accordance with IAS 29, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the measuring unit current at the end of the reporting period (non-monetary items shall be restated using a general price index as at the acquisition or contribution date).

According to IAS 29, an economy is hyperinflationary if, inter alia, the cumulative inflation rate over three years exceeds 100%.

The continued decrease of the inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Group is no longer hyperinflationary, the effects of which were felt in the financial periods

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Accounting for the effect of hyperinflation (continued)**

starting from January 1, 2004. Thus, the provisions of IAS 29 have been adopted in the preparation of the consolidated financial statements as at December 31, 2003.

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

For the purpose of preparing the consolidated financial statements, the Group adjust the share capital.

The amounts affected reversed annually as a result of the restatement of the financial statements according to IAS 29 are in amount of RON 425,405,435.

**(d) Cash and cash equivalents**

Cash and cash equivalents include: actual cash, current accounts and deposits with banks (including blocked deposits and interest on bank deposits).

In the preparation of the statement of cash flows, the Group considers the following as cash and cash equivalents: actual cash, current bank accounts, deposits with initial maturity of less than 90 days and interest thereon (excluding blocked deposits).

**(d) Financial assets and liabilities**

**(i) *Classification of financial assets***

***In accordance with IFRS 9, financial assets are classified in one of the following categories:***

**• *Financial assets at fair value through profit or loss (“FVTPL”):***

Further to the adoption of IFRS 9, financial assets in the form of equity instruments that the Company did not chose to classify as financial assets measured at fair value through other comprehensive income and were not held for trading, were classified at fair value through profit or loss.

A financial asset (whether or not intended for trading) must be measured at fair value through profit or loss. However, upon initial recognition, the company may irrevocably designate an equity instrument not intended for trading as measured at fair value through other comprehensive income.

An asset is held for trading if it cumulatively fulfils the following conditions:

- it is held to sale and redemption in the near future;
- upon initial recognition it is part of a portfolio of identified financial instruments, managed together and for which there is evidence of a recent real pattern of monitoring short-term profit.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

- ***Financial assets at fair value through other comprehensive income (“FVOCI”):***  
classification option upon initial recognition for equity instruments not held for trading

A financial asset (equity instrument not intended for trading) must be carried at fair value through other comprehensive income if the management opts for such category upon initial recognition.

A gain or loss on a financial asset stated at fair value through other comprehensive income must be recognised in other comprehensive income, except interest income for debts instruments and income from dividends in the case of equity instruments.

When the financial asset is derecognised, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1) in case of debt instruments (recycling to profit or loss). In the case of equity instruments, the accumulated gain or loss previously recognised to other comprehensive income are not reclassified from equity to profit or loss (not recycled to profit or loss).

- ***Financial assets at depreciation cost***

*Debt instruments not intended for trading*, are held in a business model whose objective is only met by the collection of contractual cash flows and if the contractual terms of the financial asset generate, at certain dates, cash flows that are exclusively payments of principal and interest related to the value of the principal owed.

- ***Financial assets and liabilities at depreciation cost***

Other financial assets and liabilities are stated at depreciation cost using the effective interest method, minus impairment losses (in case of financial assets). Other financial assets and liabilities at amortised cost include cash and current accounts, bank deposits, dividends receivable, amounts owed to shareholders, amounts owed to services providers and other receivables and payables.

The depreciation cost of a financial asset or liability is the value at which the financial asset or liability is evaluated upon initial recognition, less principal payments, more or less the accumulated amortisation, established using the effective interest method, of any difference between the initially recognised value and the value as at the due date, less any impairment.

A financial asset must be carried at depreciation cost if both the conditions below are met:

(a) the financial asset is held in a business model whose objective is fulfilled both through the collection of contractual cash flows, and the sale of financial assets, and

(b) the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed.

***Financial liabilities at amortised cost*** – are recognised upon initial recognition and are not related to a trading activity.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***(ii) Recognition***

The assets and liabilities are recognized when the Group becomes contract party in the conditions of the instrument. Financial assets and liabilities are measured upon initial recognition at fair value plus directly attributable trading costs, except investments in shares whose fair value could not be reliably determined and which are initially carried at cost.

***(iii) Offset***

The Company offsets financial assets and liabilities, and the net result is presented in the statement of financial position if and only if it has a legally enforceable right of set-off intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis if and only if it is permitted by accounting standards or for the gain or loss resulting from a pool of similar transactions such as those deriving from the Company's trading.

***(iv) Measurement at amortized cost***

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any impairment losses.

***(v) Measurement at fair value***

Fair value is the price that would be received further to the sale of an asset or the price that would be paid to transfer a liability in normal transaction between market participants as at the measurement date (i.e. an exit price).

The fair value of financial assets and liabilities is determined based on the quotations in an active market. A financial instrument has an active market if quoted prices are readily and regularly available for such instrument and such prices reflect regular arm's length market transactions.

Instruments traded in an active market are measured at fair value by multiplying the number of shares held by the closing price of the last trading day in the corresponding reporting period.

If a financial asset is quoted in more active markets, then the Group uses the quotation of the most advantageous market, considering all barriers/costs associated to accessing each of the markets.

All investments in equity investments and in contracts pertaining to such instruments must be stated at fair value. Nevertheless, in certain few situations, cost may represent an adequate measurement of fair value. This case may apply if there is not enough recent information to measure fair value or if there is wide range of possible fair value measurements and cost is the best estimate of fair value in such range.

For all other financial instruments, fair value is calculated using measurement techniques. Measurement techniques include techniques based on net discounted value, discounted cash flows, comparison with similar instruments for which there is no observable market price and other measurement techniques.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Financial assets and liabilities (continued)**

The value resulting from using a measuring model is adjusted depending on certain factors, as measurement techniques do not reliably reflect all the factors considered by market participants when entering into a transaction. Adjustments are registered so as to reflect risk models, the differences between sale and purchase quotes, liquidity risks and other factors. The management considers that such adjustments are required to reliably present the financial instruments at fair value in the statement of financial position.

**(vi) Identification and evaluation of loss of value**

*Financial assets carried at amortized cost*

Financial assets at depreciation cost are tested for impairment according to IFRS 9.

For this purpose, these instruments are classified in Stage 1, Stage 2 or Stage 3, depending on their absolute or relative credit quality in terms of initial payments. So:

Stage 1: includes (i) newly recognized exposures; (ii) exposures for which credit risk has not materially deteriorated since initial recognition; (iii) low credit risk exposures (reduced credit risk relief).

Stage 2: includes exposures that, although performing, have experienced a significant deterioration in credit risk since initial recognition.

Stage 3: includes impaired credit exposures.

For Stage 1 exposures, depreciation is equal to the expected loss calculated over a time horizon of up to one year. For Stage 2 or 3 exposures, the depreciation is equal to the expected loss calculated over a time horizon corresponding to the full duration of the exposure.

As regards bank deposits and amortized cost bonds, the Company has opted to apply the low credit risk relief in full compliance with IFRS 9.

Adjustments for impairment of receivables are based on the present value of the expected cash flows of the principal. To determine the present value of future cash flows, the basic requirement is to identify estimated collections, payment maturity and discount rate used.

The Group defined as non-performing exposures receivables that meet one or both of the following criteria:

- exposures for which the Group estimates that it is unlikely that the debtor will fully pay its obligations regardless of the exposure value and the number of days for which the exposure is delayed;
- unpaid amounts.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Financial assets and liabilities (continued)**

***(vii) Derecognition***

The Group derecognizes a financial asset when the rights to the cash flows from the financial asset expire, or when the Group has transferred the contractual rights to the cash flows from the financial asset in a transaction in which it has transferred substantially all the risks and rewards of ownership.

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

The Group derecognizes a financial liability when the contractual obligations terminated or when the contractual obligations are annulled or expire.

If an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right

In addition, if, as a result of a transfer, a financial asset is derecognized in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount; and
- the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset (e.g. when an entity transfers interest cash flows that are part of a debt instrument) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. For this purpose, a servicing asset shall be treated as a part that continues to be recognized. The difference between:

- the carrying amount allocated to the part derecognized; and
- the sum of (i) the consideration received for the part derecognized (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Other financial assets and liabilities**

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

**(f) Inventories**

Inventories encompass goods purchased and held for resale in the ordinary course of business, work in progress, awaiting sale in the normal course of business, or assets in the form of raw materials, materials and other consumables, awaiting use in the production process or to deliver services.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects shall be assigned by using specific identification of their individual costs. The cost of interchangeable inventories is determined using the "first-in, first-out" (FIFO) formula.

**(g) Investment property**

Investment property is property (land or a building — or part of a building) held by the Group to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions can be sold separately (or leased out separately under a finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is treated as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

**(i) Recognition**

Investment property shall be recognized as an asset when, and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Group; and;
- the cost of the investment property can be measured reliably.

**(ii) Measurement**

*Initial measurement*

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenses (for example, professional fees for legal services, property transfer taxes and other transaction costs).

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Investment property (continued)**

**(ii) Measurement (continued)**

The value of the Group's investment property as at December 31, 2018 and December 31, 2017 is presented in Note 20.

*Subsequent measurement*

The Group's accounting policy on the subsequent measurement of investment property is based on the fair value model. Such policy is applied consistently for all investment property. The fair value measurement of investment property is conducted by valuers of the National Association of Romanian Valuers (ANEVAR). Fair value is based on market price quotations adjusted, if applicable, so as to reflect the differences in the nature, location or conditions of such asset. Such valuations are periodically revised by the Group's management.

Gains or losses from the change of the fair value of investment property are recognized in the profit or loss of the period in which they occur.

The fair value of investment property reflects the market conditions as at the balance sheet date.

**(iii) Transfers**

Transfers to or from investment property are performed when and only when there is a change in the use of such asset.

To transfer one investment property measured at fair value to property, plant and equipment, the implicit cost of the asset for the purpose of its subsequent registration shall be its fair value as at the date when the use is changed.

**(iv) Impairment**

The same accounting policies as for property, plant and equipment are applied. The carrying amount of an investment property shall be derecognized on disposal or when the investment is withdrawn from use for good and no future economic benefits are expected from its disposal.

The gain or loss arising from the disposal or sale of an investment property shall be included in profit or loss when the property is disposed of or sold.

**(h) Tangible and intangible assets**

**(i) Recognition and measurement**

Property, plant and equipment recognized as assets are initially carried at cost by the Group. The cost of an item of property, plant and equipment comprises the cost of purchase, including unrecoverable fees, after deducting all trade price discounts and any directly attributable costs incurred in bringing the asset to its present location and condition so that it can be used as intended

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Recognition and measurement (continued)**

by the management, such as: employee related expenses arising directly from the construction or acquisition of the asset, site layout costs, initial delivery and handling costs, installation and assembly costs, professional fees.

The value of the Group's tangible and intangible assets as at December 31, 2017 and December 31, 2016 is detailed in Note 21.

Property, plant and equipment are classified by the Group into the following classes of assets of the same nature and with similar uses:

- land;
- buildings;
- plant and machinery;
- vehicles;
- other property, plant and equipment.

Buildings are stated at revalued amount, which represents the fair value as at the revaluation date less any subsequently cumulated depreciation and any impairment losses.

The fair value is based on market price quotations, if applicable adjusted to reflect the differences in the nature, location or conditions of such asset.

Revaluations are performed by specialized valuers, ANEVAR members. The frequency of the revaluations of the Group's buildings is imposed by the dynamics of the markets.

The other categories of property, plant and equipment are carried at cost, less cumulated depreciation and impairment allowance.

Repairs of maintenance and repair of property, plant and equipment are registered by the Group in the statement of comprehensive income as they appear, and significant improvements to property, plant and equipment which increase the value or useful life thereof, or significantly increase the capacity to generate economic benefits are capitalized.

**(ii) Depreciation**

Depreciation is calculated on a straight-line basis over their estimated useful life, as follows:

Buildings	40 years
Equipment	2-12 years
Vehicles	4-8 years
Furniture and other property, plant and equipment	4-12 years

Land is not depreciated.

Intangible assets fulfilling the recognition criteria of the International Financial Reporting Standards are carried at cost less cumulated amortization. The amortization of intangible assets is registered in profit or loss on a straight-line basis over an estimated period of maximum 3 years.

The depreciation/amortization methods, estimated useful lives and residual values are revised by the Group management at each reporting date.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***(iii) Sale/ decommissioning of tangible and intangible assets***

Property, plant and equipment which is disposed of or sold are deregistered from the balance sheet along with the corresponding cumulated depreciation. Any gain or loss arising from such operation is included in the current profit or loss.

**(i) Impairment of assets other than financial assets**

The carrying amount of Group assets that are not in the form of financial asset, other than deferred tax, are revised at each reporting date to identify any impairment evidence. If such evidence exists, the Company estimates the recoverable value of such assets.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of comprehensive income. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

To determine the value in use, future cash flows are discounted using a discount rate before tax which reflects the current market conditions and risks specific for such asset.

Impairment losses recognized in previous periods are measured at each reporting date to determine if they have decreased or still exist. Impairment losses are reversed if a change occurred in the estimates to determine the recoverable value. Impairment losses are reversed if and only if the carrying amount of the asset does not exceed the carrying amount which would have been calculated, net of amortization/depreciation and impairment, should the impairment loss had not been recognized.

**(j) Share capital**

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

**(k) Non-controlling interests**

Represent a share of profit or loss and net assets not held, directly or indirectly, by the Group and presented in the consolidated statement of profit or loss and other comprehensive income and in equity in the consolidated statement of financial position, separately from the equity of the parent company's shareholders. The changes in holdings in subsidiaries which do not result in a loss of control are accounted for as transactions between shareholders in their capacity of shareholders.

**(l) Dividends to be paid**

Dividends are treated as profit allocation in the period in which they have been declared and approved by the General Meeting of Shareholders.  
Dividends declared prior to the reporting date are registered as liabilities as at the reporting date.

**(m) Dividends prescribed**

Dividends payable not received within 3 years from the declaration date are prescribed according to law.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Provisions for risks and charges**

Provisions are recognized in the statement of financial position when an obligation arises for the Group from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and the value of the obligation can be reliably estimated. To determine the provision, future cash flows are discounted using a discount rate before taxation, which reflects current market conditions and the risks specific to such liability.

**(o) Income from the sale of goods and delivery of services**

Income from the sale of goods and delivery of services is registered net of trade discounts, value added tax and other turnover taxes.

Income from the sale of goods shall be recognized in profit or loss when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which most often coincides with the delivery thereof.

Income from the delivery of services is recognized in profit or loss depending on the execution stage thereof.

**(p) Interest income**

Interest income and expenses are recognized in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

**(q) Dividend income**

Dividend income is recognized in profit or loss on the date the right to receive it is established.

In case of dividends received as shares as alternative to cash payment, dividend income is recognized at the level of the cash that would have been received, according to the increase of the related participation. The Group does not register dividend income on the shares received under a free title when they are distributed proportionally to all shareholders.

The Group registers dividend income at gross value which includes dividend tax, which is recognized as current income tax expense. The actual calculation is made in accordance with the tax provisions in force as at the calculation date.

**(r) Rental income**

Income from rentals arise from investment property leased by the Group as operating leases and are recognized in profit or loss on a straight-line basis over the entire lease.

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Employee benefits**

**(i) *Short-term benefits***

Employee short-term benefits include salaries, premiums and social security contributions. Employee short-term benefits are recognized as expenses when the services are delivered. The

Group recognizes a provision for the amounts expected to be paid as short-term cash premiums or profit sharing schemes when the Group has a present legal or constructive obligation to pay such amounts as a result of past services delivered by employees and when such obligation can be reliably estimated.

**(ii) *Defined contribution plans***

The Group makes payments on behalf of its employees to the Romanian state pension scheme, health and unemployment fund in the ordinary course of business.

All the Group's employees are members of the plan and also have the legal obligation to contribute (through the social contributions) to the Romanian state pension scheme (a State defined contribution plan). All related contributions are recognized in the profit or loss of the period when they are incurred. The Group does not have any other additional obligations.

The Group is not enrolled in any independent pension scheme and, consequently, does not have any other obligations in this respect. The Group is not enrolled in any other post-retirement benefit scheme. The Group does not have the obligation to deliver further services for its former or current employees.

**(iii) *Employee long-term benefits***

The Group's net obligation as regards long-term services benefits consists of the future benefits which employees earned in exchange for the services delivered by them in current and previous periods.

The Group does not have the obligation to grant employees benefits on the retirement date.

**(t) Gains or losses on foreign exchange differences**

Foreign exchange transactions are registered in the functional currency (Leu), by converting the foreign currency amount at the official exchange rate communicated by the National Bank of Romania on the transaction date.

As at the reporting date, foreign exchange monetary items are translated using the closing exchange rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(u) Income tax**

Income tax comprises current and deferred tax. Current income tax comprises tax on dividend income recognized at gross value.

Income tax is recognized in the statement of comprehensive income or in other elements of comprehensive income if the tax refers to items of equity.

Current tax is the tax payable on the profit obtained in the current year, determined based on the percentages applied as at the reporting date and all adjustments from previous periods.

For the financial year ended December 31, 2018, the income tax rate was 16% (December 31, 2017: 16%). The tax rate related to taxable dividend income was 5% (December 31, 2017: 5%). Deferred tax is determined using the balance sheet method for temporary differences arising between the tax base for calculating tax for assets and liabilities and their carrying amount, used for reporting purposes in the consolidated financial statements.

Deferred tax shall not be recognized for the following temporary differences: initial recognition of goodwill, initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit and differences associated with investments in subsidiaries, provided they are not reversed in the near future.

Deferred tax is calculated based on the taxation percentages expected to be applicable to temporary differences when reversed, based on the legislation in force as at the reporting date. Deferred tax assets and liabilities are offset if and only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized if and only if future profit is probable, which can be used to cover the tax loss. The asset is revised at the closing of each financial year and is decreased if the related tax benefit is improbable to be realized. Additional taxes arising from the distribution of dividends are recognized on the same date as the obligation to pay the dividends.

##### **(v) Earnings per share**

The Group presents basic and diluted earnings per share for ordinary shares. Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares for the reporting period. Earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares to the dilution effects generated by the potential ordinary shares.

Dividends are treated as profit allocation in the period in which they have been declared and approved by the General Meeting of Shareholders. The profit available for distribution is the profit for the year registered in the financial statements prepared in accordance with International Financial Reporting Standards.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **(w) Lease payments**

Lease payments under an operating lease are recognized as an expense in profit or loss on a straight-line basis over the lease term. The lease facilities received are recognized as an integral part of the total lease expense, over the lease term. The operating lease expense is recognized as part of the operating expenses. The minimum lease payments under finance leases are divided on a pro rata basis between lease interest expenses and reduction of lease debt. The lease interest expense is allocated to each lease term so as to generate a constant interest rate for the remaining lease debt.

The following sections present: the list of new standards, amendments and interpretations of already existing standards effective in the financial year ended December 31, 2018, the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board (IASB) and the European Union (EU), but not effective yet as at December 31, 2018 and the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board, but not adopted yet by the European Union for the period ended December 31, 2018.

##### **(x) Segment reporting**

A segment is a distinct component of the Group involved in income and expense generating operations (including income and expenses determined by the interaction with the other Group elements) whose operating results are periodically revised by the entity's decision-maker regarding the resources to be allocated to the segment and its performance is assessed, and for which financial information is available.

The criteria based on which the Group determines operating segments in accordance with IFRS 8 "Operating segments", are:

- The reported income of the operating segment, including sales to external clients and inter-segment sales or transfers, account for 10% or more of the combined income, internal or external, of all operating segments;
- The reported absolute value of the profit or loss of the operating segment accounts for 10% or more of the higher absolute value of (i) the reported combined profit for all operating segments that have not reported any loss and (ii) the reported combined loss in all the operating segments that have reported loss;
- The assets of the operating segment account for 10% or more of the combined assets of all operating segments;
- If the management considers that an operating segment identified as reportable segment in the immediately preceding period maintains its relevance, the information of such segment shall be reported separately in the current period, regardless of whether or not they meet the reporting criteria.

The Group operates mainly in the following areas: Business and other management consultancy activities, renting and selling own real estate, manufacture of agricultural machinery and equipment, manufacture and sale of food products, manufacture of fabrics, growing of fruits, forestry exports and hotel activities.

Segment reporting is disclosed depending on the Group's and the parent company's activities. Transactions between business segments are made at arm's length. The segment assets and liabilities include both elements directly attributable to such segments, and elements that may be allocated using a reasonable basis. The Group consists of the following business segments:

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- Financial investment services
- Manufacture of agricultural equipment and machinery
- Others: the Group includes in this category services and products offered by Group companies in the following fields: business and management consultancy, renting and selling of own real estate, manufacture and trade of food, cultivation of fruits, hotel activities

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**x.1 Segmenting of revenues, expenses and the result**

<i>In RON</i>	<i>Note</i>	<b>Group December 31, 2018</b>	<b>Financial investment services December 31, 2018</b>	<b>Manufacturing of agricultural equipment and machinery December 31, 2018</b>	<b>Others December 31, 2018</b>
<b>Income</b>					
Dividend income		93,475,595	93,469,429	-	6,166
Interest income		2,517,115	2,427,375	8,199	81,541
Other investment income		-	-	-	-
Other operating revenue		45,142,079	1,605,103	32,253,501	11,283,475
<b>Investment gains</b>					
Net gains from FX differences		-	-	-	-
Net gains from sale of assets		4,178,728	394,396	57,778	3,726,554
Net gain from revaluation of financial assets at fair value through profit or loss		(20,883,049)	(16,338,454)	-	(4,544,595)
Net gains from revaluation of investment property		3,566,333	-	1,669,131	1,897,202
<b>Expenses</b>					
Impairment loss		(791,549)	1,485,801	(206,261)	(2,071,089)
Expense with provisions for risk and charges		198,054	-	211,910	(13,856)
Other operating expenses		(73,977,926)	(33,407,766)	(30,335,330)	(10,234,830)
<b>Operating profit</b>		<b>53,425,380</b>	<b>49,635,884</b>	<b>3,658,928</b>	<b>130,568</b>
Financing expenses		(1,729,909)	-	(192,369)	(1,537,540)
<b>Profit before tax</b>		<b>51,695,471</b>	<b>49,635,884</b>	<b>3,466,559</b>	<b>(1,406,972)</b>
Income tax		(8,184,461)	(4,972,610)	(302,082)	(2,909,769)
<b>Net profit for the year</b>		<b>43,511,010</b>	<b>44,663,274</b>	<b>3,164,477</b>	<b>(4,316,741)</b>

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**x.1 Segmenting of revenues, expenses and the result (continued)**

		Group	Financial investment services	Manufacturing of agricultural equipment and machinery	Others
<i>In RON</i>	<i>Note</i>	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017
<b>Income</b>					
Dividend income		72,508,367	72,497,126	-	11,241
Interest income		1,176,835	1,148,917	8,322	19,596
Other investment income		569	-	-	569
Other operating revenue		61,047,363	6,316,681	44,058,456	10,672,226
<b>Investment gains</b>					
Net gains from FX differences		-	-	-	-
Net gains from sale of assets		100,495,117	100,529,750	-	(34,633)
Net gain from revaluation of financial assets at fair value through profit or loss		40,549,001	40,549,007	-	(6)
Net gains from revaluation of investment property		-	-	-	-
<b>Expenses</b>					
Impairment loss		1,125,544	(131,502)	(1,225,855)	2,482,901
Expense with provisions for risk and charges		136,267	901,839	(214,736)	(550,835)
Other operating expenses		(92,063,281)	(34,737,537)	(44,533,666)	(12,792,078)
<b>Operating profit</b>		<b>184,975,782</b>	<b>187,074,279</b>	<b>(1,907,479)</b>	<b>(191,020)</b>
Financing expenses		(525,337)	-	(63,998)	(461,339)
<b>Profit before tax</b>		<b>184,450,445</b>	<b>187,074,279</b>	<b>(1,971,476)</b>	<b>(652,359)</b>
Income tax		(19,853,044)	(20,528,695)	473,211	202,440
<b>Net profit for the year</b>		<b>164,597,400</b>	<b>166,545,584</b>	<b>(1,498,266)</b>	<b>(449,919)</b>

The accounting policies regarding segment reporting are the Group's policies described in note 4.

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	Group	Financial investment services	Manufacturing of agricultural equipment and machinery	Others
<i>In RON</i>	December 31, 2018	December 31, 2018	December 31, 2018	December 31, 2018
<b>Assets</b>				
Cash and cash equivalents	10,627,278	278,239	3,332,293	7,016,746
Deposits at banks	86,242,497	74,536,926	-	11,705,571
Financial assets at fair value through profit or loss	267,187,022	266,919,664	246,452	20,906
Financial assets at fair value through other comprehensive income	1,286,637,921	1,285,785,704	-	852,217
Equity securities	38,082,609	-	-	38,082,609
Bonds at depreciation cost	7,821,978	7,821,978	-	-
Investment property	37,138,193	3,505,273	430,636	33,202,284
Intangible assets	8,584,195	26,723	135,242	8,422,230
Tangible assets	74,202,969	8,461,441	18,705,286	47,036,242
Non-current assets held for sale	12,015,414	-	12,015,414	-
Inventories	102,191,707	1,237	18,476,079	83,714,391
Biological assets	2,378,185	-	-	2,378,185
Other financial assets at depreciation cost	32,579,913	8,556,152	14,220,474	9,803,287
Other assets	7,765,472	191,616	344,677	7,229,179
<b>Total assets</b>	<b>1,973,455,353</b>	<b>1,655,893,337</b>	<b>67,561,876</b>	<b>242,234,668</b>
<b>Liabilities</b>				
Borrowings	48,822,068	-	1,517,750	47,304,318
Dividends payable	34,923,650	34,768,768	86,982	67,900
Provisions for risk and charges	2,812,086	2,565,456	246,630	-
Deferred tax liability	67,888,502	69,143,317	162,941	(1,417,756)
Current income tax liabilities	2,146,320	1,669,219	-	477,101
Financial liabilities at depreciation cost	50,170,000	12,140,530	5,943,405	32,086,065
Other liabilities	18,932,307	16,540,039	1,155,343	1,236,925
<b>Total liabilities</b>	<b>225,694,933</b>	<b>136,827,329</b>	<b>9,113,051</b>	<b>79,754,553</b>

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***x.2 Segmenting of assets and liabilities***

	Group	Financial investments	Mecanica	Other
<i>În LEI</i>	31st December 2017	31st December 2017	31st December 2017	31st December 2017
<b>Revenue</b>				
Revenue from dividends	12,420,186	229,547	3,653,197	8,537,441
Revenue from interest	44,977,823	36,387,265	1,021,065	7,569,493
Other revenue from investments	208,830,917	204,732,623	4,091,943	6,350
Other revenue from operations	1,452,654,846	1,451,800,687	-	854,159
	7,324,894	7,324,894	-	-
Earnings from investments	11,462,193	3,505,273	535,400	7,421,520
Net earnings from currency rate differences	8,613,463	21,294	140,392	8,451,777
Net earnings from assets sale	79,573,635	8,213,719	23,600,115	47,759,801
Net earnings from the reevaluation of financial assets at fair value through the profit and loss account	86,351,071	7,910,991	31,575,851	46,864,230
	<b>1,912,209,029</b>	<b>1,720,126,294</b>	<b>64,617,962</b>	<b>127,464,772</b>
<b>Expenses</b>				
<b>Loss from asset impairment</b>				
Comisioane de administrare	16,886,065	-	1,796,332	15,089,734
Alte comisioane	33,176,908	33,087,963	87,078	1,867
Taxe de custodie	4,153,896	2,565,455	815,370	773,070
Costuri de tranzactionare	75,217,640	79,144,662	- 353,900	(3,573,122)
Cheltuieli cu remuneratia membrilor Consiliului Reprezentantilor Actionarilor	5,384,665	5,033,350	-	351,315
Expenses with risk and expenses provisions	43,177,027	18,708,968	12,386,734	12,081,325
<b>Other operational expenses</b>	<b>177,996,199</b>	<b>138,540,398</b>	<b>14,731,613</b>	<b>24,724,190</b>

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***x.2 Segmenting of assets and liabilities (continued)***

The following sections present: the list of new standards, amendments and interpretations of already existing standards effective as at December 31, 2018, the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board (IASB) and the European Union (UE) but not effective yet as at December 31, 2018 and the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board, but not adopted yet by the European Union for the period ended December 31, 2018.

**(y) Standards and interpretations in force in the current year**

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) and adopted by the European Union ("EU") effective for the current reporting period, are applicable to the Company:

- **IFRS 9 "Financial Instruments"** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** - adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Except for IFRS 9, the Group considers that the adoption of these new standards, amendments and interpretation has not led to any material changes in its annual financial statements.

The Group adopted IFRS 9 as of its initial application as of 1 January 2018. There were no changes in the book value of financial assets further to the transition to IFRS 9 (see note 3 for further details).

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Standards and interpretations issued by IASB and adopted by the EU, but not yet effective**

At the reporting date of these financial statements, the following standards, amendments to existing standards and new interpretations also applicable to the Group were in issue by IASB, but not yet effective:

- **IFRS 16 “Leases”** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 “Financial Instruments”** - Prepayment Features with Negative Compensation - adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 “Uncertainty over Income Tax Treatments”** - adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Group has analysed the impact of adoption of IFRS 16 and the other standards mentioned above and anticipates that they will not have any significant impact on the annual financial statements if applied for the first time. The Group will apply such standards as of their effectiveness.

**(b) Standards and interpretations issued by IASB, but not yet adopted by the EU**

As at the reporting date of such financial statements, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except for the following new standards, amendments and interpretations, which are also applicable to the Group and which were not endorsed for use in EU as at the date of authorisation of these financial statements:

- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 28 “Investments in Associates and Joint Ventures”** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2015 - 2017)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of its annual financial statements in the year of initial application.

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## **5. MANAGEMENT OF SIGNIFICANT RISKS**

The Group's management considers that risk management must be done in a consistent methodological framework and that risk management is an important component of the strategy of return maximization, obtaining a desired level of profit by maintaining an acceptable risk exposure and compliance with legal regulations. Formalizing risk management procedures determined by the Group's management is integral to the strategic objectives of the Group.

The Group's investing activity exposes it to various risks associated with financial instruments held and the financial markets in which it operates. The main risks to which the Group is exposed are:

- market risk (interest rate risk, currency risk and price risk);
- liquidity risk;
- credit risk;
- tax risk;
- economic environment risk;
- operating risk.

The general risk management strategy seeks to maximize the Group's profit by reference to the level of risk to which it is exposed and maximize any adverse variations on the Group's financial performance.

The Group has implemented risk management and assessment policies and procedures. Such policies and procedures are presented in the section dedicated to each type of risk.

### **5.1 Market risk**

Market risk is defined as the risk of incurring a loss or not obtaining the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

For an efficient market risk management, the Group uses technical and fundamental analysis methods, forecasts on the evolution of economic branches and financial markets, taking into account:

- the return evaluations corresponding to the share portfolio;
- the limits of concentration of assets in the same market, geographical area or economic sector;
- the limits of presence in new markets;
- the tolerable risk limits;
- tolerance to risk concentrations;
- the strategic allocation of long-term investments based on the principle according to which the market will determine the correct fundamental value;
- the short-term tactical allocation, which requires the use of short-term market variations to obtain profit.

The selection of investment opportunities is made through:

- a technical analysis;

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- fundamental analyses – determining the issuer’s capacity to generate profit;
- comparative analyses – determining the relative value of an issuer in relation to the market or other similar companies;
- statistic analyses-determining the value based on prices history and transactions volumes.

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

*(i) Price risk*

The Group is exposed to the risk associated with the variation of the price of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. 81% of the Group’s total shares traded in an active market as at December 31, 2018 (December 31, 2017: 80%) represented investments in companies part of the BET index of the Bucharest Stock Exchange, weighted by the stock capitalization and created to reflect the overall tendency of the prices of the ten most liquid shares traded on the Bucharest Stock Exchange.

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(a) Market risk (continued)**

*(i) Price risk (continued)*

A 10% positive variation of the price of financial assets at fair value through profit or loss would lead to a profit increase after taxation by RON 22,443,710 (December 31, 2017: RON 17,541,797), a 10% negative variation having an equal and opposite net impact.

A 10% positive variation of the price of financial assets at fair value through other comprehensive income would lead to an equity increase, net of income tax, by RON 108,077,585 (December 31, 2017: by RON 122,024,961), a 10% negative variation having an equal and opposite net impact.

The Group holds shares in companies operating in various sectors of activity, as follows:

<i>In RON</i>	<b>December 31, 2018</b>	<b>%</b>	<b>December 31, 2017</b>
Financial, brokerage and insurance	766,069,017	57%	864,148,385
Natural gas industry	177,833,933	13%	202,556,271
Transport, storage and communication	4,094,067	0%	3,050,689
Chemical and petrochemical industry	115,356,925	9%	140,311,746
Textile industry	6,227,310	0%	23,145,674
Pharmaceutical industry	43,333,402	3%	40,009,730
Manufacture of machinery and equipment	14,062,599	1%	22,375,040
Wholesale, retail, tourism and restaurants	16,903,391	1%	3,874,765
Manufacture of transport	111,161,452	8%	107,723,469
Real estate, renting and other services	66,072,022	5%	75,505,198
Industry of building materials	10,267,952	1%	748,655
Food industry	7,810,237	1%	716,512
Others	1,653,874	0%	1,819,482
<b>TOTAL</b>	<b>1,340,846,181</b>	<b>100%</b>	<b>1,485,985,615</b>

As it revealed in the table above, as at December 31, 2018 the Group was holding primarily shares in companies operating in finance and banking and insurance, accounting for 57% of the total portfolio, less than the percentage registered as at December 31, 2017.

*(ii) Interest rate risk*

The Group faces interest rate risk due to its exposure to negative interest rate fluctuations. Changes in the market interest rate directly influences income and expenses regarding variable interest bearing financial assets and liabilities, and the market value of fixed interest financial assets and liabilities.

As at December 31, 2018 and December 31, 2017, most of the Group's assets and liabilities are not

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interest bearing. Therefore, the Group is not significantly affected by the risk of interest rate fluctuations. The excess of cash or other assimilated cash equivalents is invested in short-term investment titles with maturity between 1 to 6 months.

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(a) Market risk (continued)**

*(ii) Interest rate risk (continued)*

The Group does not use derivative financial instruments to hedge interest rate fluctuations.

The following tables present the Group's exposure to interest rate risk as at December 31, 2018 and December 31, 2017.

<i>In Ron</i>	<b>Net value as at 31 December 2018</b>	<b>&lt; 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>&gt;1 year</b>	<b>no interest rate risk</b>
<b>Financial assets</b>						
Cash and cash equivalents	10,627,278	-	-	-	-	10,627,278
Deposits at banks	86,242,497	78,611,934	7,113,555	465,000	-	52,009
Financial assets at fair value through profit or loss	267,187,022	-	-	-	-	267,187,022
Financial assets at fair value through other comprehensive income	1,286,637,921	-	-	-	-	1,286,637,921
Equity securities	38,082,609					38,082,609
Bonds at depreciation cost	7,821,978	-	215,781	8,820	7,597,377	-
Other financial assets at depreciation cost	32,579,913	80,757	16,948,697	7,436,005	7,661,396	453,058
<b>Total financial assets</b>	<b>1,729,179,217</b>	<b>78,692,691</b>	<b>24,278,033</b>	<b>7,909,825</b>	<b>15,258,773</b>	<b>1,603,039,896</b>
<b>Financial liabilities</b>						
Dividends payable	34,923,650	-	-	-	-	34,923,650
Financial liabilities at depreciation cost	50,170,000	248,107	9,237,776	30,809,431	9,874,686	-
Borrowings	48,822,068		-	4,955,953	43,866,115	-
<b>Total financial liabilities</b>	<b>133,915,718</b>	<b>248,107</b>	<b>9,237,776</b>	<b>35,765,384</b>	<b>53,740,801</b>	<b>34,923,650</b>

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(a) Market risk (continued)**

*(ii) Interest rate risk (continued)*

<i>In Ron</i>	Net value as at 31 December 2017	< 1 month	1-3 months	3-12 months	>1 year	no interest rate risk
<b>Financial assets</b>						
Cash and cash equivalents	12,420,186	-	-	-	-	12,420,186
Deposits at banks	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
Available-for-sale financial assets	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	31,740,866	-	-	-	-	31,740,866
<b>Total financial assets</b>	<b>1,757,949,531</b>	<b>40,847,307</b>	<b>2,917,507</b>	<b>1,138,820</b>	<b>7,100,925</b>	<b>1,705,944,972</b>
<b>Financial liabilities</b>						
Dividends payable	33,176,908	-	-	-	-	33,176,908
Financial liabilities	16,020,560	-	-	-	-	16,020,560
Borrowings	16,886,065		-	1,403,807	15,482,257.48	-
<b>Total financial liabilities</b>	<b>66,083,533</b>	<b>-</b>	<b>-</b>	<b>1,403,807</b>	<b>15,482,257</b>	<b>49,197,468</b>

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(a) Market risk (continued)**

*(ii) Interest rate risk (continued)*

The impact on the Group's net profit of a change of  $\pm 100$  bp in the interest on variable interest bearing assets and liabilities and expressed in other currencies corroborated with a change of  $\pm 500$  bp in the interest on variable interest bearing assets and liabilities and expressed in RON is 2,234,315 (December 31, 2017:  $\pm$  RON 2,580,002).

*(iii) Currency risk*

Currency risk is the risk that the Group incurring losses or not realizing profit as a result of unfavorable fluctuations in the exchange rate. The Group is exposed to foreign exchange rate fluctuations, but misses a formalized policy to hedge currency risk.

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

As at December 31, 2018 and December 31, 2017, assets expressed in Lei and other currencies are presented in the following tables.

<i>In Ron</i>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Alte valute</b>
<b>31 decembrie 2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	10,545,546	54,969	26,762	-
Deposits at banks	83,839,025	2,403,472	-	-
Financial assets at fair value through profit or loss	267,187,022	-	-	-
Financial assets at fair value through other comprehensive income	1,286,637,921	-	-	-
Equity securities	38,082,609			
Bonds at depreciation cost	94,740	7,727,239	-	-
Other financial assets at depreciation cost	32,577,729	2,184	-	-
<b>Total financial assets</b>	<b>1,718,964,592</b>	<b>10,187,864</b>	<b>26,762</b>	<b>-</b>
<b>Financial liabilities</b>				
Dividends payable	34,923,650	-	-	-
Financial liabilities at depreciation cost	49,089,949	1,080,051	-	-
Borrowings	47,304,318	1,517,750		
<b>Total financial liabilities</b>	<b>131,317,917</b>	<b>2,597,801</b>	<b>-</b>	<b>-</b>

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(a) Market risk (continued)**

*(iii) Currency risk (continued)*

<i>In Ron</i>	<b>RON</b>	<b>EUR</b>	<b>USD</b>	<b>Alte valute</b>
<b>31 decembrie 2017</b>				
<b>Active financiare</b>				
Cash and cash equivalents	11,912,626	492,880	14,679	-
Deposits at banks	44,099,470	878,353	-	-
Financial assets at fair value through profit or loss	208,830,917	-	-	-
Available for sale	1,452,654,846	-	-	-
Investments held to maturity	106,130	7,218,764	-	-
Other financial assets	31,740,866	-	-	-
<b>Total financial assets</b>	<b>1,749,344,854</b>	<b>8,589,997</b>	<b>14,679</b>	<b>-</b>
<b>Financial liabilities</b>				
Dividends payable	33,176,908	-	-	-
Other liabilities	16,020,560	-	-	-
Borrowings	16,886,065			
<b>Total financial liabilities</b>	<b>66,083,533</b>	<b>-</b>	<b>-</b>	<b>-</b>

The net impact on the Group's profit of a change of  $\pm 15\%$  of the RON/EUR exchange rate corroborated with a change of  $\pm 15\%$  of the RON/USD exchange rates as at December 31, 2018, with all the other variables remaining constant, is RON 1,532,194 (December 31, 2017: RON  $\pm 1,290,701$ ).

**(b) Credit risk**

The Group is exposed to credit risk related to financial instruments, arising from any non-fulfillment by a third party of its obligations towards the Group. The Group is exposed to credit risk further to investment in bank deposits and bonds issued by municipalities or business entities, or further to current accounts and other receivables.

As at December 31, 2018 and December 31, 2017 the Group did not hold real guarantees as insurance, or other improvements of credit rating. As at December 31, 2018 and December 31, 2017 the Company did not register overdue, but not impaired, financial assets.

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(b) Credit risk (continued)**

The Group's maximum exposure to credit risk is in amount of RON 137,271,666 as at December 31, 2018, in amount of RON 96,345,269 as at December 31, 2017 and can be analyzed as follows:

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

<i>In Ron</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Banca Transilvania	36,585,778	42,817,321
Unicredit Tiriac Bank	36,875,795	
BRD - Group Societe Generale	14,388,607	4,996,034
Raiffeisen Bank	3,038,628	
BCR	4,501,871	6,481,712
Other commercial banks	1,444,370	2,865,942
<b>Total deposits with banks</b>	<b>96,835,049</b>	<b>57,161,009</b>
Cash	34,726	118,500
<b>Total current accounts and deposits</b>	<b>96,869,775</b>	<b>57,279,509</b>

The annual average interest rate for exposures from current accounts and bank deposits is 2.8%.

***Exposure from bonds at depreciation cost***

<i>In Ron</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Bacău municipal bonds	94,740	106,130
Banca Transilvania bonds	7,727,238	7,218,764
<b>Total</b>	<b>7,821,978</b>	<b>7,324,894</b>

Municipal bonds Bacău are due on October 31, 2026 and the interest rate is the average of 6M RO BID and 6M RO BOR reference rates, plus a 0,85% margin. Bonds Banca Transilvania are due on May 22, 2020 and the interest rate is the 6M EURIBOR reference rate, plus 6.25% margin.

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(b) Credit risk (continued)**

***Financial assets at depreciation cost***

<i>In Ron</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
AAAS Bucharest	54,952,612	54,726,859
Central Depository	645,912	987,563
Ministry of Finance – litigating rights	2,415,314	2,415,315
Minerva S.A.	3,870,912	-
Other financial assets at depreciation cost	31,161,427	33,907,146
Impairment allowances	(60,466,264)	(60,296,017)
	<b><u>32,579,913</u></b>	<b><u>31,740,866</u></b>

Impairment allowances cover all the amounts corresponding to the trade receivables against AAAS Bucharest.

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(c) Liquidity risk**

Liquidity risk is the risk of registering losses or not realizing the estimated profit, arising from the impossibility to honor at any time the short-time payment obligations, without this involving excessive costs or losses that cannot be supported by the Group.

The Group's financial instruments may include investments in shares not traded in an organized market and which may therefore have low liquidity. Therefore, the Group may face difficulties in rapidly liquidating its investments in such instruments at a value close to the value determined based on the computation model of the net assets of financial investment companies provided by Regulation no. 09/2014 issued by FSA to fulfill its own liquidity requirements.

The structure of the Group's assets and liabilities has been analyzed based on the remainder of the period spanning from the balance sheet date until the contract maturity date, both for the financial year ended December 31, 2018 and the financial year ended December 31, 2017, as follows:

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**Liquidity risk (continued)**

<i>In Ron</i>	<b>Book value</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>more than 1 year</b>	<b>No fixed maturity</b>
<b>31 December 2018</b>					
<b>Financial assets</b>	10,627,278	-	-	-	10,627,278
Cash and cash equivalents	86,242,497	85,725,489	465,000	-	52,009
Deposits at banks	267,187,022	-	-	-	267,187,022
Financial assets at fair value through other comprehensive income	1,286,637,921	-	-	-	1,286,637,921
Equity securities	38,082,609	-	-	-	38,082,609
Bonds at depreciation cost	7,821,978	215,781	8,820	7,597,377	-
Other financial assets at depreciation cost	32,579,913	17,029,454	7,436,005	7,661,396	453,058
<b>Total financial assets</b>	<b>1,729,179,217</b>	<b>102,970,724</b>	<b>7,909,825</b>	<b>15,258,773</b>	<b>1,603,039,896</b>
<b>Financial liabilities</b>					
Dividends payable	34,923,650	-	-	-	34,923,650
Financial liabilities at depreciation cost	50,170,000	9,485,883	30,809,431	9,874,686	-
Borrowings	48,822,068	-	4,955,953	43,866,115	-
<b>Total financial liabilities</b>	<b>133,915,718</b>	<b>9,485,883</b>	<b>35,765,384</b>	<b>53,740,801</b>	<b>34,923,650</b>

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(c) Liquidity risk (continued)**

<i>In Ron</i>	<b>Book value</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>more than 1 year</b>	<b>No fixed maturity</b>
<b>31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	12,420,186	12,420,186	-	-	-
Deposits at banks	44,977,823	43,549,665	1,130,000	-	298,158
Financial assets at fair value through profit or loss	208,830,917	-	-	-	208,830,917
Available-for-sale financial assets	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	31,740,866	-	-	-	31,740,866
<b>Total financial assets</b>	<b>1,757,949,531</b>	<b>56,184,999</b>	<b>1,138,820</b>	<b>7,100,925</b>	<b>1,693,524,787</b>
<b>Financial liabilities</b>					
Dividends payable	33,176,908	-	-	-	33,176,908
Other financial liabilities	16,020,560	-	-	-	16,020,560
Borrowings	16,886,065	-	1,403,808	15,482,257	-
<b>Total financial liabilities</b>	<b>66,083,533</b>	<b>-</b>	<b>1,403,808</b>	<b>15,482,257</b>	<b>49,197,468</b>

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**5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

**(d) Tax risk**

The Romanian tax system is subject to various interpretations and permanent changes that may be retroactive. In certain cases, the tax authorities may adopt difference positions from the Group's position and may calculate interest and penalties. Although the tax for a transaction may be minimum, penalties may be high, depending on the interpretations of the tax authorities.

In addition, there are agencies subordinated to the Government of Romania, which are authorized to control both Romanian and foreign entities operating in Romania. Such controls are largely similar to the controls conducted in many other countries, but can also extend to legal or regulatory fields of interest for the Romanian authorities.

The tax statements may be subject to control and review for a period of five years, generally after their submission date. In accordance with the legal regulations in force in Romania, the periods under review may be subject to additional controls in the future.

The Group's management considers that it has accurately registered the amounts in the accounts corresponding to taxes, levies and other State liabilities; however, the authorities may have a different position than the Group.

Starting from January 1, 2007, after Romania joined the European Union, the Group had to comply with the tax regulations of the European Union and implement the changes brought by the European legislation. The way in which the Group has implemented such changes remains subject to tax audit for a period of five years.

The latest control conducted by the Ministry of Public Finance covered the period up to January 1, 2010. Therefore, the Group's liabilities up to that date may be subject to a further verification.

**(e) Economic environment risk**

The Romanian economy is still having the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the future development of the political, economic and social environment. The Group's management attempts to estimate the nature of the changes that will occur in the Romanian economic environment and their effect on the financial standing and operating and cash flow result of the Group.

Among the characteristics of the Romanian economy are also a currency that is not fully translatable abroad and a low degree of liquidity in the capital market.

The Group's management cannot predict all of the effects of the crisis that will affect the Romanian financial sector or the potential impact thereof on these financial statements. The Group's management considers that it has taken all the required measures for the Group to be sustainable and develop in the current market conditions.

## **5. MANAGEMENT OF SIGNIFICANT RISKS (continued)**

### **(f) Operating risk**

Operating risk is defined as the risk of registering losses or not realizing the estimated profit due to internal factors such as the improper carrying out of internal activities, existence of improper personnel or systems or due to external factors such as economic conditions, changes in the capital market, technological advances. Operating risk is inherent to all of the Group's activities.

The described policies for operating risk management considered any type of event that may cause significant risks and modalities in which they may manifest, to eliminate or reduce financial or reputational losses.

### **(g) Capital adequacy**

The management policy regarding capital adequacy focuses on maintaining a robust capital base in order to support the Group's continued development and the achievement of its investment objectives.

The Group's equity includes share capital, various types of reserves and retained earnings. As at December 31, 2018, the Group registered equity in amount of RON 1,747,760,419 (December 31, 2017: RON 1,734,212,828).

The Group or the Company do not form the object of capital adequacy legal requirements.

## **PURCHASES AND SALES OF SUBSIDIARIES**

### **6. Purchases of subsidiaries**

In 2018, SIF Moldova participated in the subsidiaries' and associates' increase of share capital as follows:

- Agointens SA - cash contribution in total amount of RON 7,285,000, of which RON 6,815,000 subscribed and paid in
- Casa SA – RON 3,524,450 representing cash increase through the conversion of the Company's debt towards Casa SA
- Tesatoriile Reunite SA Bucharest – cash contribution in total amount of RON 1,410,000, of which RON 500,000 subscribed and paid in
- Straulești Lac Alfa SA - cash contribution in total amount of RON 18,640,000, of which RON 9,320,000 subscribed and paid in
- Agroland Capital SA – fully subscribed and paid in cash contribution in total amount of RON 38,000,000.

### **7. Sales of subsidiaries**

During the reporting period, the ownership held in subsidiary Hotel Sport Cluj was sold for RON 16.9 million. The selling price was set based on the valuation report prepared by EY Romania on the transaction date.

After the reporting period, the restructuring of group SIF Moldova will continue, in order to streamline the business through new approaches leading to an improvement of the financial performance of the portfolio of projects managed.

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**8. FINANCIAL ASSETS AND LIABILITIES**

**Accounting classifications and fair values**

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

<i>In Ron</i>	<b>Financial assets at fair value through profit or loss, upon initial recognition</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Depreciation cost</b>	<b>Total book value</b>	<b>Fair value</b>
Cash and cash equivalents	-	-	10,627,278	10,627,278	10,627,278
Deposits	-	-	86,242,497	86,242,497	86,242,497
Financial assets at fair value through profit or loss	267,187,022	-	-	267,187,022	267,187,022
Financial assets at fair value through other comprehensive income	-	1,286,637,921	-	1,286,637,921	1,286,637,921
Bonds at depreciation cost	-	-	7,821,978	7,821,978	7,821,978
Other financial assets at depreciation cost	-	-	32,579,913	32,579,913	32,579,913
<b>Total financial assets</b>	<b>267,187,022</b>	<b>1,286,637,921</b>	<b>137,271,665</b>	<b>1,691,096,609</b>	<b>1,691,096,609</b>
Dividends payable	-	-	34,923,650	34,923,650	34,923,650
Borrowings	-	-	48,822,068	48,822,068	48,822,068
Financial liabilities at depreciation cost	-	-	50,170,000	50,170,000	50,170,000
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>133,915,718</b>	<b>133,915,718</b>	<b>133,915,718</b>

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**8. FINANCIAL ASSETS AND LIABILITIES (continued)**

The table below summarizes the carrying amounts and fair values of the Group's financial assets and liabilities as at December 31, 2017:

<i>In Ron</i>	Financial assets at fair value through profit or loss, upon initial recognition	Available for sale	Depreciation cost	Total book value	Fair value
Cash and cash equivalents	-	-	12,420,186	12,420,186	12,420,186
Deposits	-	-	44,977,823	44,977,823	44,977,823
Financial assets at fair value through profit or loss	208,830,917	-	-	208,830,917	208,830,917
Available-for-sale financial assets	-	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	-	-	31,740,866	31,740,866	31,740,866
<b>Total financial assets</b>	<b>208,830,917</b>	<b>1,452,654,846</b>	<b>96,463,767</b>	<b>1,757,949,530</b>	<b>1,757,949,530</b>
Dividends payable	-	-	33,176,908	33,176,908	33,176,908
Borrowings	-	-	16,886,065	16,886,065	16,886,065
Financial liabilities	-	-	16,020,560	16,020,560	16,020,560
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>66,083,533</b>	<b>66,083,533</b>	<b>66,083,533</b>

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**9. DIVIDEND INCOME**

Dividend income is registered at gross value. The tax rates of dividends for the financial year ended December 31, 2018 were 5% and 0% (2017: 5% and 0%). Dividend income by main accounts is presented in the table below:

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Banca Transilvania	42,777,002	15,038,885
SNTGN Transgaz	12,771,926	16,706,185
OMV Petrom	9,807,338	7,355,503
Aerostar	2,154,469	2,062,790
Transelectrica	-	2,500,937
SIF Oltenia	-	2,588,404
SIF Muntenia	-	1,606,435
SIF Transilvania	1,087,774	
SNGN Romgaz SA	21,349,934	16,578,363
Biofarm	2,540,581	2,281,523
Others	986,571	5,789,342
<b>Total</b>	<b><u>93,475,595</u></b>	<b><u>72,508,367</u></b>

**10. INTEREST INCOME**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Interest income on deposit and current accounts	2,059,029	589,997
Interest income on bonds at depreciation cost	458,086	586,838
<b>Total</b>	<b><u>2,517,115</u></b>	<b><u>1,176,835</u></b>

**11. OTHER OPERATING REVENUES**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Income from sale of work	23,508,688	35,231,566
Income from services provided	654,889	424,208
Rental income	3,652,084	3,791,254
Income from sale of merchandise	11,921,778	12,437,912
Changes in inventories	-	-
Income from recovered receivables	787,479	499,529
Other operating income	4,617,161	8,663,464
<b>Total</b>	<b><u>45,142,079</u></b>	<b><u>61,047,932</u></b>

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**11. OTHER OPERATING REVENUES (continued)**

In Income from sale of production, Mecanica Ceahlau accounts for 88% with RON 19,155,550 (RON 31,059,409, namely 88% in 2017), representing the sale of own goods.

In Income from sale of merchandise, Mecanica Ceahlau accounts for 99% with RON 11,920,310 (RON 12,297,488 namely 98% in 2017) representing the sale of goods in distribution (tractors, herbicide equipment, front loaders).

In Other operating revenues, SIF Moldova accounts for 49% with RON 3,371,596 (RON 3,753,712 namely 39% in 2017), of which RON 2,849,456 represents revenues from assignment of litigating rights of Textila Oltul.

In Rental income, Tesatoriile Reunite registers RON 1,027,137 (RON 908,051 in 2017), followed by Casa SA with RON 742,972 (RON 830,103 in 2017), SIF with RON 551,402 (RON 743,034 in 2017) and Regal SA with RON 677,360 (RON 823,070 in 2017).

**12. NET GAINS ON THE SALE OF ASSETS**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Net gains from sale of available-for-sale financial assets	-	100,885,447
Net (gains) / loss from sale of financial assets at fair value through profit or loss	137,691	(390,330)
Net (loss) / gains from sale of property, plant and equipment	4,041,037	-
<b>Total</b>	<b><u>4,178,728</u></b>	<b><u>100,495,117</u></b>

As at December 31, 2018 the Group does not register any gains on the sale of financial assets available for sale in profit or loss (RON 100,885,447 as at December 31, 2017). The gains on the sale of financial assets at fair value through other comprehensive income as at the reporting date (RON 45,511,854) is reflected in the result carried forward, further to the adoption of IFRS 9, presented in detail in note 19e).

The share of the gains on the sale of property, plant and equipment is held by Regal SA (RON 3,724,368 – sale of a commercial space).

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**13. NET LOSS / (GAIN) ON THE REVALUATION OF THE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Net (loss) / gains from the revaluation of financial assets at fair value through profit or loss	(20,883,049)	40,549,001
Net (loss) / gains on the revaluation of investment property	3,566,333	-
<b>Total</b>	<b><u>(17,316,716)</u></b>	<b><u>40,549,001</u></b>

The net loss of RON 20,883,049 (2017: loss of RON 40,549,001) represents the difference from the revaluation at fair value of shares and fund units held at fair value through profit or loss.

**14. LOSSES (IMPAIRMENT REVERSALS) ON THE IMPAIRMENT OF ASSETS**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
(Impairment)/Reversal of impairment of available-for-sale financial assets	-	(922,433)
Impairment / (Reversal) of impairment of other financial assets	(791,549)	(203,111)
<b>Total</b>	<b><u>(791,549)</u></b>	<b><u>(1,125,544)</u></b>

**15. OTHER OPERATING EXPENSES**

<i>In Ron</i>	<b>2018</b>	<b>2017</b>
Expenses with salaries and other personnel expenses	37,871,195	28,866,379
Expenses with external services	5,605,455	31,796,165
Commissions and fees	3,383,297	12,097,210
Entertaining, promotion and advertising	409,028	588,545
Other operating expenses	25,941,786	17,666,744
Audit and consulting services	767,165	1,048,238
<b>Total</b>	<b><u>73,977,926</u></b>	<b><u>92,063,281</u></b>

Other operating expenses include expenses with the amortization of non-current assets, travel expenses and telecommunications, expenses with repair and maintenance, etc. The average number of employees for the financial year ended December 31, 2018 was 231 (2017: 245).

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**16. INCOME TAX**

<i>In RON</i>	<b>2018</b>	<b>2017</b>
<b>Current income tax</b>		
Current income tax (16%)	2,191,556	18,344,002
Tax on dividends (5%)	4,436,996	3,383,834
	<b>6,628,552</b>	<b>21,727,836</b>
<b>Deferred income tax</b>		
Financial assets at fair value through other comprehensive income	(987,086)	(316,768)
Investment property	-	-
Inventories	2,316,505	-
Allowance for management benefits	226,490	(991,858)
Provisions for risks and benefits	-	(566,166)
	<b>1,555,909</b>	<b>(1,874,792)</b>
<b>Total</b>	<b>8,184,461</b>	<b>19,853,044</b>

The reconciliation between profit before tax and expense with income tax through profit or loss:

<i>In RON</i>	<b>2018</b>	<b>2017</b>
<b>Profit before tax</b>	51,695,471	184,450,445
<b>Tax under statutory tax rate of 1%, 3%, 16% (2017: 16%)</b>	10,272,965	29,137,390
<b>Income tax effect of:</b>		
Non-deductible expenses	18,791,195	6,035,734
Non-taxable income	(26,986,060)	(15,417,874)
Registration/reversal of temporary differences	1,555,909	(1,874,792)
Other elements	113,457	(1,411,248)
Dividend tax (5%)	4,436,996	3,383,834
<b>Income tax</b>	<b>8,184,461</b>	<b>19,853,044</b>

The effective income tax rate in 2018 is 16 % (2017 - 11%).

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**17. CASH AND CASH EQUIVALENTS**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Cash	34,726	118,500
Current accounts	10,592,551	12,299,159
Attached receivables	-	2,526
	<hr/>	<hr/>
<b>Cash and cash equivalents</b>	<b>10,627,278</b>	<b>12,420,186</b>

The current bank accounts are permanently at the Group's disposal, except for the funds in total amount of RON 2,487,466 held by Tesatoriile Reunite at Raiffeisen for the BNR project.

**18. BANK DEPOSITS**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Term deposits	86,066,388	44,959,945
Attached receivables	124,101	17,878
Collateral (securities)	52,009	-
	<hr/>	<hr/>
<b>Total bank deposits</b>	<b>86,242,497</b>	<b>44,977,823</b>

Bank deposits are permanently at the Group's disposal and are not restricted.

**19. FINANCIAL ASSETS**

**a) Financial assets at fair value through profit or loss**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Fund units	212,978,762	29,862,637
Shares	54,208,260	178,968,280
	<hr/>	<hr/>
<b>Total</b>	<b>267,187,022</b>	<b>208,830,917</b>

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**19. FINANCIAL ASSETS (continued)**

**b) Financial assets at fair value through other comprehensive income**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Shares held at fair value	1,286,637,921	1,300,964,158
Shares held at estimated fair value	-	6,053,177
Unit funds held at fair value	-	145,637,511
<b>Total</b>	<b><u>1,286,637,921</u></b>	<b><u>1,452,654,846</u></b>

As at December 31, 2018 and December 31, 2017 the category of shares measured at fair value includes primarily the value of the shares held with Banca Transilvania, OMV, Aerostar, Romgaz, SNTGN Transgaz.

Shares at fair value have been measured by multiplying the number of shares held as at the reporting date with the closing price on the last trading day of the reporting period.

The movement of financial assets in the financial years ended December 31, 2018 and December 31, 2017 is presented in the table below:

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*In RON*

	Financial assets at fair value through other comprehensive income	Financial assets at estimated fair value through other comprehensive income	Fund units /debt instruments	Total	Financial assets at fair value through profit or loss
<b>January 1, 2017</b>	<b>1,218,635,508</b>	<b>6,593,197</b>	<b>73,857,217</b>	<b>1,299,085,922</b>	<b>132,052,544</b>
Net change during the period	(53,833,244)	(446,411)	46,629,571	(7,650,084)	36,229,366
Transfer between categories	-	-	-	-	-
Impairment losses	(20,609)	(93,609)	-	(114,218)	-
Change in fair value	136,182,502	-	25,150,722	161,333,224	40,549,007
<b>December 31, 2017</b>	<b>1,300,964,158</b>	<b>6,053,177</b>	<b>145,637,510</b>	<b>1,452,654,846</b>	<b>208,830,917</b>
Transfer from financial assets at fair value through other comprehensive income ( <b>AFS</b> as per IAS 39) to financial assets at fair value through profit or loss ( <b>FVTPL</b> as per IFRS 9)	(52,628,873)	(351,506)	(145,637,510)	(198,617,889)	198,617,889
Transfer from financial assets at fair value through profit or loss ( <b>HFT</b> as per IAS 39) to financial assets at fair value through other comprehensive income ( <b>FVTOCI</b> as per IFRS 9)	178,961,930	-	-	178,961,930	(178,961,930)
Outflows during the period	(204,323,870)	(2,323,486)	-	(206,647,356)	(37,907,783)
Inflows during the period	36,209,966	-	-	36,209,966	97,353,286
Transfer between categories	3,378,185	(3,378,185)	-	-	-
Changes in fair value	24,076,426	-	-	24,076,426	(20,883,049)
Gains from FVTPL sales	-	-	-	-	137,691
<b>December 31, 2018</b>	<b>1,286,637,922</b>	<b>-</b>	<b>-</b>	<b>1,286,637,922</b>	<b>267,187,022</b>

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**19. FINANCIAL ASSETS (continued)**

**c) Held-to-maturity investments**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Corporate bonds	7,727,238	7,218,764
Municipal bonds	94,740	106,130
<b>Total</b>	<b><u>7,821,978</u></b>	<b><u>7,324,894</u></b>

**d) Fair value hierarchy**

The table below analyzes the financial instruments carried at fair value depending on the measurement method. The fair value levels depending on the input in the measurement model have been defined as follows:

- Level 1: quoted prices (not adjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than the quoted prices included in Level 1, observable for assets or liabilities either directly (e.g.: prices), or indirectly (e.g.: price derivatives)
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

**31 decembrie 2018**

<i>In RON</i>	<b>Nivelul 1</b>	<b>Nivelul 2</b>	<b>Nivelul 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	265,566,445	-	1,620,577	267,187,022
Fair value at fair value through other comprehensive income	1,175,414,894	-	111,223,027	1,286,637,921
<b>Total</b>	<b><u>1,440,981,339</u></b>	<b><u>-</u></b>	<b><u>112,843,604</u></b>	<b><u>1,553,824,943</u></b>

**31 decembrie 2017**

<i>In RON</i>	<b>Nivelul 1</b>	<b>Nivelul 2</b>	<b>Nivelul 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	208,830,917	-	-	208,830,917
Available-for-sale financial assets	1,332,854,975	-	119,799,870	1,452,654,846
<b>Total</b>	<b><u>1,541,685,892</u></b>	<b><u>-</u></b>	<b><u>119,799,870</u></b>	<b><u>1,661,485,762</u></b>

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**19. FINANCIAL ASSETS (continued)**

<b>Financial assets</b>	<b>Fair value as at December 31, 2018</b>	<b>Valuation technique</b>	<b>Unobservable inputs range (weighted average)</b>	<b>Relationship of unobservable inputs to fair value-sensitivity</b>
Unlisted minority interests	5,182,589	Market approach, comparable companies method (based on multiple on invested capital/EBITDA)	EV multiple/EBITDA: 5.4 – 11.7  Discount for lack of liquidity: 12% - 16.8%.	The higher the EBITDA multiple, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.
Unlisted minority interests	2,886,900	Market approach, comparable companies method (based on equity multiple/unit book value)	P/BV multiple: 1  Discount for lack of liquidity: 9.6%.	The higher the P/BV multiple, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.
Illiquid unlisted minority interests	12,336,386	Market approach, comparable companies method (based on multiple on invested capital/unit turnover)	EV/CA multiple: 1.1  Discount for lack of liquidity: 3.0%.	The higher the EV/CA multiple, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.
Illiquid listed minority interests	1,850,000	Market approach, comparable companies method (based on equity multiple/net profit)	Price/Net profit multiple: 7.5  Discount for lack of liquidity: 16.6%.	The higher the Price/net profit multiple, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.

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**16. FINANCIAL ASSETS (continued)**

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

<b>Financial assets</b>	<b>Fair value as at December 31, 2018</b>	<b>Valuation technique</b>	<b>Unobservable inputs range (weighted average)</b>	<b>Relationship of unobservable inputs to fair value-sensitivity</b>
Illiquid listed minority interests	345,100	Market approach, comparable companies method (based on equity multiple/equity)	Price/Equity multiple: 0.78  Discount for lack of liquidity: 16.6%.	The higher the Price/Equity multiple, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.
Unlisted minority interests	10,276,921	Income approach - discounted cash flow method	Weighted average cost of capital: 8% - 14%  Discount for lack of control: 7.7% - 13.8  Discount for lack of liquidity: 9.6% - 16.6%.  Long-term income growth rate: 1% - 2.5%	The lower the weighted average cost of capital, the higher the fair value.  The lower the discount for the lack of control, the higher the fair value.  The lower the discount for the lack of liquidity, the higher the fair value.  The higher the long-term income growth rate, the higher the fair value.

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**16. FINANCIAL ASSETS (continued)**

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

Financial assets	Fair value as at December 31, 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value-sensitivity
Illiquid listed minority interests	71,799,078	Income approach - discounted cash flow method	<p>Weighted average cost of capital: 10.3% - 13.3%</p> <p>Discount for lack of control: 7.7% - 14%</p> <p>Discount for lack of liquidity: 10% - 16.6%.</p> <p>Long-term income growth rate: 1% - 2.5%</p>	<p>The lower the weighted average cost of capital, the higher the fair value.</p> <p>The lower the discount for the lack of control, the higher the fair value.</p> <p>The lower the discount for the lack of liquidity, the higher the fair value.</p> <p>The higher the long-term income growth rate, the higher the fair value.</p>

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**16. FINANCIAL ASSETS (continued)**

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

Financial assets	Fair value as at December 31, 2018	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value-sensitivity
Illiquid listed minority equity instruments (holding or which intend to sell a large portion of the real estate)	1,808,378	Asset-based approach - accumulation method or adjusted net asset method	<p>Market value of equity by reference to their book value: 0.5 – 0.85</p> <p>Discount for lack of control: 9.3% - 20.4%</p> <p>Discount for lack of liquidity: 9.6% - 14.7%</p>	<p>In the balance sheet, the book value is identified by equity. The lower the resulting price/accounting value, the lower the fair value.</p> <p>The lower the discount for the lack of control, the higher the fair value.</p> <p>The lower the discount for the lack of liquidity, the higher the fair value.</p>
Unlisted minority equity instruments (holding or which intend to sell a large portion of the real estate)	5,588,747	Asset-based approach - accumulation method or adjusted net asset method	<p>Market value of equity by reference to their book value: 0.5 – 5.7</p> <p>Discount for lack of control: 9.3% - 20.4%</p> <p>Discount for lack of liquidity: 0% - 24.4%</p>	<p>In the balance sheet, the book value is identified by equity. The lower the resulting price/accounting value, the lower the fair value.</p> <p>The lower the discount for the lack of control, the higher the fair value.</p> <p>The lower the discount for the lack of liquidity, the higher the fair value.</p>
Unlisted minority equity instruments	769,505	Cost	The fair values for such instruments were deemed those used previously due to the limited information and limitations identified in the measurement approaches due to losses.	
<b>Total</b>	<b>112,843,604</b>			

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<b>Financial assets</b>	<b>Fair value as at December 31, 2017</b>	<b>Measurement method</b>	<b>Unobservable input, value ranges</b>	<b>Unobservable input vs. Fair value – sensitivity</b>
Listed majority holdings	11,731,567	Income-based approach – discounted cash flow method	Multiple pricing / sales: 1.7	The lower the weighted average cost of capital, the higher the fair value, and vice versa.
			Discount for lack of control 7.7%	The lower the discount for lack of control, the higher the fair value and vice versa.
			Discount for lack of liquidity 16.8%	The lower the discount for lack of liquidity, the higher the fair value and vice versa.
Listed minority holdings, with no active market intending to liquidate a significant percentage of real estate assets	19,931,100	Asset Approach - Net Asset Method or Net Asset Method Corrected	Market value of equity in relation to the carrying amount of these pricing / sales price 0.5	The lower the weighted average cost of capital, the higher the fair value, and vice versa.
			Discount for lack of control 7.7%	The lower the discount for lack of control, the higher the fair value and vice versa.
			Discount for lack of liquidity 16.8%	The lower the discount for lack of liquidity, the higher the fair value and vice versa.
Listed minority holdings	58,651,988	Income-based approach – discounted cash flow method	Weighted average cost of capital 9% - 11.3%	The lower the weighted average cost of capital, the higher the fair value, and vice versa.
			Discount for lack of control, values ranging from 7.1% to 10.5%	The lower the discount for lack of control, the higher the fair value and vice versa.
			Discount for lack of liquidity, values ranging from 10% to 16.8%	The lower the discount for lack of liquidity, the higher the fair value and vice versa.
			Long-term income rate from. 1.4% to 2%	The higher the long-term income rate of growth, the higher the fair value and vice versa.

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**19. FINANCIAL ASSETS (continued)**

Financial assets	Fair value as at December 31, 2017	Measurement method	Unobservable input, value ranges	Unobservable input vs. Fair value – sensitivity
Unlisted minority holdings	21,717,770	Income-based approach – discounted cash flow method	Weighted average cost of capital 10% - 11%	The lower the weighted average cost of capital, the higher the fair value, and vice versa.
			Discount for lack of control, values ranging from 7.71% to 20.5%	The lower the discount for lack of control, the higher the fair value and vice versa.
			Discount for lack of liquidity, values ranging from 10% to 16.8%	The lower the discount for lack of liquidity, the higher the fair value and vice versa.
			Long-term income rate from. 1% to 3%	The higher the long-term income rate of growth, the higher the fair value and vice versa.
Unlisted minority equity instruments	7,767,455	Cost		
<b>TOTAL</b>	<b>119,799,870</b>			

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**19. FINANCIAL ASSETS (continued)**

The main unobservable inputs are:

*Revenues multiple:* is an instruments used to evaluate companies based on a market comparison with similar listed companies. Evaluating a company based on its turnover is particularly useful when the profit value is influenced by elements not related to the usual course of business. Turnover is the indicator from the income statement which is the hardest vulnerable to accounting policies, which recommends it as multiple.

*EBITDA multiple:* represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable listed public companies (similar geographic location, industry size, target market and other factors that valuers consider as relevant).

The trading multiples for the comparable companies are determined by dividing the enterprise value of the a company by its EBITDA and by further discounting, due to possible lack of marketability and other differences between the comparable peer group and specific company.

*Price / Book value multiple:* often expressed simply as "price-to-book", this multiple measures a company's market price based on its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price / Book value ratio multiple varies significantly based on the industry. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a significantly lower price-to-book than a company whose earnings result from rendering services (e.g. a consulting firm).

*Weighted average cost of capital:* represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in the weighted average cost of capital calculation.

*Discount for lack of control:* represents the discount applied to reflect the absence of the power of control and it is used within the discounted cash flow method, in order to determine the value of a minority interest in the equity of the revalued company.

*Discount for lack of marketability:* represents the discount applied to the comparable market multiples, in order to reflect the liquidity differences between the revalued company from the portfolio and its comparable peer group. Valuers estimate the discount for lack of marketability based on their professional judgement after considering market liquidity conditions and company-specific factors.

In case of equity instruments in holdings, the evaluation model was determined by summing the market value of assets and liabilities, namely their book values adjusted further to the subsequent valuations where the income-based approach was used. This method was used to determine directly the value of the equity of holding-type majority shareholders.

## **19. FINANCIAL ASSETS (continued)**

The change in the current decisive approach (the current approach through assets versus the previous approach - income) was applied to three holding-type ownerships due to the following arguments:

- changing the best use of a site and initiation of a new project under construction while managing other properties / businesses.
- adding new properties and reconfiguring the business model (start-up);
- the change of the business strategy due to the market conditions led to the resumption of the exit pattern (sales of real estate; the previous exits during the holding included 90% of the initial built area);

and exceptionally also applied to a quoted minority shareholding that reported the intention to sell most of the real estate assets in operation. In this case, the difference in the outcome between the two approaches is at the level of + 0.06% of the total value of the valuations at fair value.

Calibration of the value range was performed under the conditions of reconciling the results of alternative approaches by income applied in all cases to determine the reasonableness of the values. It was found that the result of the alternative approach has an insignificant impact (+ 0.37% of the total value of valuations at fair value) and the applied technique adequately reflects the willingness of most market participants.

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**19. FINANCIAL ASSETS (continued)**

**Change in level 3 fair value**

*In RON*

	<b>2018</b>	<b>2017</b>
	<u><b>119,799,870</b></u>	<u><b>70,558,569</b></u>
<b>Opening balance</b>		
Total gain/(loss) included in profit or loss	1,184,119	-
Total gain/(loss) included in other comprehensive income	21,356,648	(15,751,817)
Purchases	107,253	59,560
Sales	(29,674,146)	(2,529,640)
Transfers	69,860	67,463,198
<b>Closing balance</b>	<u><b>112,843,604</b></u>	<u><b>119,799,870</b></u>

In 2018, the Group classified in Level 1 securities measured based on the closing prices of the BSE stock exchanges on the last trading day. This measurement level includes fund units measured based on their net asset unit value certified by the fund depository.

The investments classified in Level 3 have been measured by independent valuers, based on the financial information provided by the monitoring departments, using measurement techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs, with the management's supervision and review, which makes sure that all inputs underlying the valuation reports are accurate and adequate. Level 3 also includes investments that have not been subject to valuation, their amount being insignificant.

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**19. FINANCIAL ASSETS (continued)**

**e) Reserve from fair value revaluation of financial asset designated at fair value through other comprehensive income, net of deferred tax**

<i>In RON</i>	<b>2018</b>	<b>2017</b>
<b>As at 1 January</b>	596,129,534	545,110,922
<i>Transfer of reserve to retained earnings further to the transition to IFRS 9 (AFS classified as FVTPL)</i>	(40,193,747)	-
<i>Transfer of retained earnings to reserve further to the transition to IFRS 9 (HFT classified as FVTOCI)</i>	8,869,544	-
<i>Transfer of retained earnings to reserve further to the transition to IFRS 9 (reversal of impairment/provisions)</i>	(37,955,796)	-
<b>Total net impact of adoption of IFRS 9 on reserve</b>	<b>(69,279,999)</b>	-
Gross gains on the revaluation of financial assets stated at fair value through other comprehensive income	22,922,688	140,235,683
Deferred tax on gains on the revaluation of FVTOCI/available-for-sale financial assets	(3,681,603)	9,380,309
<b>Net gains on the revaluation of available-for-sale financial assets/FVTOCI</b>	<b>19,241,085</b>	<b>149,615,991</b>
Net gains on the transfer to retained earnings/profit or loss further to the sale of financial assets	(45,511,854)	(98,617,988)
Effect of loss in profit or loss from the impairment of available-for-sale financial assets	-	20,609
<b>As at 31 December</b>	<b>500,578,767</b>	<b>596,129,534</b>

**19. f) Investments accounted for using the equity method**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Shares	38,082,609	-
<b>Total</b>	<b>38,082,609</b>	-

Investments accounted for using the equity method consist of shares held in Străulești Lac Alfa, purchased in 2018.

**19. g) Non – current assets held for sale**

<i>In RON</i>	<b>31-Dec-18</b>	<b>31-Dec-17</b>
Land and buildings for Aurel Vlaicu location	12,015,414	-
<b>Total</b>	<b>12,015,414</b>	-

As at December 31, 2018, the Group reclassified 10 commercial properties and the related land located at Aurel Vlaicu, owned by subsidiary Mecanica Ceahlău SA, as held-for-sale assets.

This is a free translation from the original Romanian version.

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**20. INVESTMENT PROPERTY**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Initial balance</b>	<b>11,462,193</b>	<b>11,329,891</b>
Changes in fair value	3,566,333	-
Increases (Reductions)	22,109,668	132,302
<b>Closing balance</b>	<b>37,138,194</b>	<b>11,462,193</b>

The increase is mainly represented by the purchase of assets in Agroland Capital SA.

The fair value valuation of investment property is conducted by independent external valuers, members of the National Associations of Valuers in Romania (ANEVAR).

Fair value is based on market price quotations, adjusted, if needed, so as to reflect the differences in the nature, location and conditions of such asset. Such valuations are revised periodically by the Company's management.

The last fair value measurement of the Group's investment property was made as at December 31, 2018 by independent valuers members of ANEVAR.

The investment property held as at December 31, 2018 are classified in Level 3 fair value.

**21. INTANGIBLE AND TANGIBLE ASSETS**

<b>Gross book value</b>	<b>1 January 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>31 December 2018</b>
<b>Intangible assets</b>				
Intangible assets	11,477,668	93,702	6,640	11,564,730
Intangible assets in progress	712,606	-	-	712,606
<b>Total</b>	<b>12,190,274</b>	<b>93,702</b>	<b>6,640</b>	<b>12,277,336</b>
<b>Tangible assets</b>				
Land	30,312,774	30,553,655	32,683,532	28,182,898
Buildings	28,333,315	2,150,965	9,947,310	20,536,970
Plant and machinery	22,697,736	984,898	3,244,294	20,438,341
Motor vehicles	10,909,771	767,562	1,220,344	10,456,988
Others fixed assets	646,574	23,810	114,998	555,386
Intangible assets in progress	7,407,480	6,018,890	4,550,275	8,876,095
<b>Total</b>	<b>100,307,651</b>	<b>40,499,781</b>	<b>51,760,752</b>	<b>89,046,678</b>

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**21. INTANGIBLE AND TANGIBLE ASSETS (continued)**

Accumulated amortisation	1 January 2018	Increases	Decreases	31 December 2018
<b>Intangible assets</b>				
Intangible assets	3,576,810	122,628	6,298	3,693,140
<b>Total</b>	<b><u>3,576,810</u></b>	<b><u>122,628</u></b>	<b><u>6,298</u></b>	<b><u>3,693,140</u></b>
<b>Tangible assets</b>				
Land	-	-	-	-
Buildings	5,351,478	1,155,194	4,168,127	2,338,545
Plant and machinery	12,268,232	986,877	3,172,984	10,082,125
Motor vehicles	2,366,076	583,492	1,211,015	1,738,552
Others fixed assets	748,230	40,746	104,490	684,486
<b>Total</b>	<b><u>20,734,015</u></b>	<b><u>2,766,310</u></b>	<b><u>8,656,616</u></b>	<b><u>14,843,709</u></b>
<b>Net book value</b>				
Intangible assets	8,613,464			8,584,195
Tangible assets	79,573,636			74,202,969

Impairment losses recognized in profit or loss were classified to expenses with the amortization/depreciation and impairment of non-current assets.

During the reporting period, the Group derecognised assets the most representative of which are:

- “Bar Brates Port”, „Bar Dunareana” and “Restaurant Pescarul” belonging to Regal Galati, in total amount of RON 1,387,848;

- land and building held by Hotel Sport Cluj in amount of RON 16,962,773.

The carrying amount of tangible assets mortgaged or pledged under the loan contracts entered into by the Group entities as at December 31, 2018 amounts to RON 103,715,837 (December 31, 2017: RON 19,721,238).

The net book value of fixed assets purchased in finance lease as at December 31, 2018 is RON 81,724.

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**22. a) Other assets at depreciation cost**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Receivables – stages 1 and 2	28,922,417	22,618,586
Receivables – stage 3	64,123,759	69,418,297
Receivables impairment allowances – stages 1 and 2	(383,505)	(54,147)
Receivables impairment allowances – stage 3	(60,082,759)	(60,241,870)
<b>Net receivables</b>	<b>32,579,912</b>	<b>31,740,866</b>

Sundry debtors include primarily amounts arising from final court decisions in amount of RON 55 million (SIF Moldova) and trade receivables. For doubtful amounts, the Group calculated impairment allowances.

<i>In RON</i>	<b>Impairment December 31, 2018</b>	<b>Gross value December 31, 2018</b>	<b>Impairment December 31, 2017</b>	<b>Gross value December 31, 2017</b>
Overdue for more than 365 days	(53,794,125)	61,704,257	(55,254,573)	67,144,700
	<b>Impairment December 31, 2018</b>	<b>Gross value December 31, 2018</b>	<b>Impairment January 1, 2018</b>	<b>Gross value January 1, 2018</b>
Not due	(145,883)	12,005,231	0	10,782,352
Overdue between 0 and 30 days	(40,915)	999,092	0	2,018,593
Overdue between 31 and 60 days	(22,402)	623,483	0	1,615,333
Overdue between 61 and 90 days	(22,673)	7,180,198	0	5,531,918
Overdue for more than 90 days	(151,632)	8,114,412	(54,147)	2,670,390
	<b>(383,505)</b>	<b>28,922,417</b>	<b>(54,147)</b>	<b>22,618,586</b>

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**22. a) Other assets at depreciation cost (continued)**

The impairment allowance for sundry debtors can be analyzed as follows:

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>As at 1 January</b>	<b>(60,296,016)</b>	<b>(58,331,538)</b>
Charge	(2,645,052)	(2,299,918)
Reversal	2,474,805	335,439
<b>As at 31 December</b>	<b>(60,466,264)</b>	<b>(60,296,016)</b>

**b) Inventories**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Raw materials and consumables	2,290,855	1,544,664
Work in progress	83,454,421	29,679,819
Semi-finished goods	64,749	81,417
Finished goods	14,829,991	10,792,085
Merchandise	3,322,374	4,180,611
Impairment allowances for inventories	(1,770,683)	(1,563,632)
<b>Inventories at net value</b>	<b>102,191,708</b>	<b>44,714,963</b>

In terms of value, subsidiaries Mecanica Ceahlău (RON 18 million) and Tesatoriile Reunite (RON 82 million) register most of the inventories.

**c) Other assets**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Other assets	7,452,823	8,177,755
Income tax	312,649	30,512
<b>Total</b>	<b>7,765,472</b>	<b>8,208,267</b>

Category *Other assets* is represented by VAT recoverable of subsidiary Tesătoriile Reunite in amount of RON 5 million and of Agointens in amount of RON 1.2 million.

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## **23. BORROWINGS**

As at December 31, 2018, the Group registered outstanding borrowings of RON 48,822,068.

Agointens holds three long-term loan contracts concluded with Banca Transilvania in total amount of RON 7,730,882 at Robor 1M + 2.75%.

Mecanica Ceahlau holds an investment loan in amount of EUR 385,503 (RON 1,517,750 as at December 31, 2018) at 2,5%+EURIBOR 3M.

Tesătoriile Reunite has two bank loans in total amount of RON 39,521,947 from Raiffeisen Bank, i.e., an investment long-term loan and long-term loan for VAT financing.

## **24. DIVIDENDS PAYABLE**

<i>In RON</i>	<b>31 decembrie 2018</b>	<b>31 decembrie 2017</b>
Dividends payable for 2012	641	642
Dividends payable for 2013	985	6,188
Dividends payable for 2014	162,380	10,704,950
Dividends payable for 2015	10,705,771	10,990,699
Dividends payable for 2016	10,819,471	11,474,428
Dividends payable for 2017	13,234,402	-
<b>Total dividends payable</b>	<b>34,923,650</b>	<b>33,176,908</b>

Dividends payable not collected within 3 years from the date of their declaration are annulled for exceeding the limitation period, according to law.

## **25. PROVISIONS FOR RISKS AND CHARGES**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Litigation provisions	2,565,455	4,153,896
Other provisions	246,630	-
<b>Total</b>	<b>2,812,086</b>	<b>4,153,896</b>

Regarding the amounts collected by the Group through court officers, AAAS filed legal proceedings contesting the enforced amounts. The provisions for litigation represent amounts collected by the Group through court officers between 2011 and 2016 and subsequently contested by AAAS.

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**25. PROVISIONS FOR RISKS AND CHARGES (continued)**

The litigation provision can be analyzed as follows:

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>As at 1 January</b>	<b>4,153,896</b>	<b>5,020,583</b>
Charge	2,805,856	3,195,024
Reversals	(4,147,667)	(4,061,710)
<b>As at 31 December</b>	<b>2,812,086</b>	<b>4,153,896</b>

**26. DEFERRED INCOME TAX LIABILITIES**

Deferred income tax liabilities as at December 31, 2018 are triggered by the elements detailed in the table below:

<i>In Ron</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Property, plant, equipment	5,395,751	(14,083,220)	(8,687,469)
Financial assets at fair value through other comprehensive income	444,160,567	-	444,160,567
Investment property	(9,126)	-	(9,126)
Provision for management benefits	6,240,624	(2,565,455)	3,675,169
Provisions for litigation and other provisions	-	(14,836,003)	(14,836,003)
<b>Total</b>	<b>455,787,816</b>	<b>(31,484,679)</b>	<b>424,303,137</b>
Net temporary differences - 16%			424,303,137
<b>Deferred tax liability</b>			<b>67,888,502</b>

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**26. DEFERRED INCOME TAX LIABILITIES (continued)**

Deferred income tax liabilities as at December 31, 2017 are triggered by the elements detailed in the table below:

<i>In Ron</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Property, plant, equipment	6,816,325	-	6,816,325
Financial assets at fair value through profit or loss	(2,510,280)	-	(2,510,280)
Available-for-sale financial assets	505,270,969	-	505,270,969
Investment property	3,290,656	-	3,290,656
Provision for management benefits	-	(16,251,572)	(16,251,572)
Provisions for litigation and other provisions	-	(7,668,899)	(7,668,899)
Other assets	(18,836,949)	-	(18,836,949)
<b>Total</b>	<b><u>494,030,721</u></b>	<b><u>(23,920,471)</u></b>	<b><u>470,110,250</u></b>
Net temporary differences - 16%			470,110,250
<b>Deferred tax liability</b>			<b><u><u>75,217,640</u></u></b>

As at December 31, 2018, deferred income tax recognized directly by reducing equity amounts to RON 67,888,502 (December 31, 2017: RON 75,217,640), being generated by tangible assets and financial assets measured at fair value through other comprehensive income.

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**27. a) Financial liabilities**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Suppliers	11,761,718	12,539,012
Amounts payables to portfolio entities	9,320,000	-
Other financial liabilities	29,088,282	3,481,548
<b>Total</b>	<b><u>50,170,000</u></b>	<b><u>16,020,560</u></b>

Liabilities regarding the benefit plan represent the amounts that will be distributed from the net profit of the year to employees according to the provisions of the Collective Employment Contract and directors according to management contracts. Current income tax liabilities have been paid by the Group on term.

**27. b) Income tax liabilities and other liabilities**

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Current income tax liabilities	2,146,320	5,384,665
Taxes and levies	2,402,121	1,591,275
Liabilities with benefit plan	16,052,150	16,251,572
Other liabilities	478,037	9,313,619
<b>Total</b>	<b><u>21,078,627</u></b>	<b><u>32,541,132</u></b>

The liabilities with the benefit plan consist of the amounts to be allocated out of the year's net profit to employees according to the Collective Employment Agreement, and to directors according to the management agreements. Current income tax liabilities have been paid by the Group on term.

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**28. EQUITY AND RESERVES**

**(a) Share capital**

The Group's shareholding as at December 31, 2018 and December 31, 2017 is as follows:

<b>December 31, 2018</b>	<b>No. of shareholders</b>	<b>No. of shares</b>	<b>Amount (RON)</b>	<b>(%)</b>
Individuals	5,755,928	375,501,610	37,550,161	37%
Legal entities	201	637,677,566	63,767,757	63%
<b>Total</b>	<b>5,756,129</b>	<b>1,013,179,176</b>	<b>101,317,918</b>	<b>100%</b>

  

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

In January 2018, the Company registered the share capital reduction from RON 103,817,917.60 to RON 101,317,917.60, further to the annulment of the 25,000,000 equity shares with a nominal value of RON 0.10/share, acquired by the Company according to EGMS Resolution no. 2 of 04.04.2017 and according to article 207(1) letter c) of Company Law no. 31/1990, as revised.

The redemption of the 25,000,000 shares was carried out from the allocable profit included in the Company's separate financial statements as at December 31, 2016, prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") and Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector (herein after Norm no. 39/2015) according to article 103<sup>1</sup> of Company Law no. 31/1990, as revised.

All shares are ordinary, subscribed and fully paid in as at December 31, 2018. All shares entitle to the same voting right and have a nominal value of RON 0.1/share. The number of shares authorized for issuance equals the number of shares issued.

Thus, the share capital in 2018 is RON 101,317,918 (December 31, 2017: 103,817,918).

The right to hold shares up to 1% of the share capital has been amended by Law 11 of January 6, 2012 (effective from January 13, 2012), to 5% of the share capital, namely 50,658,959 shares

## **28. EQUITY AND RESERVES (*continued*)**

### **(b) *Reserves from the revaluation of financial assets at fair value through other comprehensive income***

Such reserve includes the net cumulated changes in the fair values of financial assets at fair value through other comprehensive income from the date they are classified as such to the date they are derecognized or impaired.

Reserves from the revaluation of financial assets at fair value through other comprehensive income are registered at a value net of the related deferred tax. The value of deferred tax recognized directly through the reduction of equity is presented in Note 26.

### **(c) *Legal reserves***

According to the legal requirements, the Company establishes legal reserves in amount of 5% of the profit registered according to RAS, up to 20% of the share capital. The value of the legal reserve as at December 31, 2018 is RON 31,638,869 (December 31, 2017: RON 31,358,424).

Legal reserves cannot be distributed to shareholders.

### **(d) *Dividends***

In 2017, the Group declared dividends in amount of RON 49,555,697 related to 2017 (2017: RON 43,875,969 related to 2016), and RON 0.04/share (2016: RON 0.04/share).

In 2018, the Group annulled the distribution of dividends in amount of RON 10,406,543 related to 2014 (2017: RON 6,791,916 related to 2013).

### **(e) *Other items of equity – Own shares***

The total number of own shares held by the Company as at December 31, 2018 is 22,065,237 representing 2.18% of the share capital (as at December 31, 2017 – 41,000,000 shares, representing 3.95% of the share capital) totalling RON 28,598,935 (as at December 31, 2017 – RON 37,436,693).

During the reporting period, of the shares held by the Company as at December 31, 2017 a number of 4,934,763 was allocated to employees and directors (0.4871% of the share capital), totalling RON 4,243,896, representing SOP 2016.

In 2018, 25,000,000 shares at a price of RON 1 were cancelled, by which the share capital was reduced.

In July 2018, the public offering for the buy of own shares was finalised, approved by FSA Decision no. 726/13.06.2018 with the following main characteristics:

- number of shares covered by the offering: 11,000,000 (1.08569% of share capital);
- buying price: RON 1.818/share;
- period: 20.06.2018 – 10.07.2018;
- subscription: according to the call posted on [www.sifm.ro](http://www.sifm.ro)

The purpose of the program is to reduce the share capital, by cancelling the shares bought back, according to Extraordinary General Meeting of Shareholders of SIF Moldova no. 2/27.04.2018 (published in the Official Journal Part IV no. 1952/22.05.2018

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**29. NON-CONTROLLING INTEREST**

Represent a share of the profit or loss and the net assets not held, directly or indirectly, by the Group and presented in the consolidated statement of profit or loss and other comprehensive income and in equity in the consolidated statement of financial position, separately from the equity of the parent company's shareholders. The changes in holdings in subsidiaries which do not result in a loss of control are accounted for as transactions between shareholders in their capacity of shareholders.

<i>In RON</i>	<b>2018</b>	<b>2017</b>
<b>As at 1 January</b>	<b>14,702,106</b>	20,833,238
Profit attributable to non-controlling interest	1,061,879	(290,352)
Changes in Group structure	638,276	(5,840,780)
<b>Basic earnings per share</b>	<b>16,402,261</b>	<b>14,702,106</b>

**30. EARNINGS PER SHARE**

The earnings per share have been calculated based on the profit attributable to ordinary shareholders and the average weighted number of ordinary shares:

<i>In RON</i>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Profit attributable to ordinary shareholders	43,511,010	164,786,748
Gain attributable to ordinary shareholders	45,511,854	-
Average weighted number of ordinary shares	1,013,179,176	1,038,179,176
<b>Basic earnings per share</b>	<b>0.088</b>	<b>0.159</b>

Diluted earnings per share equal the basic earnings per share, as the Group has not registered potential ordinary shares.

**31. CONTINGENT COMMITMENTS AND LIABILITIES**

**(a) Legal proceedings**

As at December 31, 2018, the Company was involved in lawsuits as defendant and as plaintiff.

For the lawsuits in which the Company acts as either defendant or plaintiff and whose object influence the Company's patrimony, litigation provisions are registered in accounting.

Most of the lawsuits in which the Company acts as plaintiff relate to AAAS disputes. For the amounts claimed by the Company and obtained by final and irrevocable court decisions, the Company registered in accounting AAAS receivables – the enforcement proceedings have been filed for most of them.

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**31. CONTINGENT COMMITMENTS AND LIABILITIES (continued)**

**(a) Legal proceedings (continued)**

The lawsuits filed by AAAS against the enforcements executed by the Company are detailed below:

• Total contingencies as at December 31, 2018	RON 20.130.992
• Disputes initiated in 2018	RON 28.633
• Court rulings in favor of SIF	RON 17,105,986
• Contingent liabilities as at 31.12.2018	RON 3,053,639

Out of the total contingent assets registered as at December 31, 2018 in amount of RON 7,715,664, the amount of RON 5,601,387 represents the counter value of shares according to Law 151/2014 as a result of the withdrawal of SIF Moldova from the shareholding, RON 985,555 represents the counter value of the agreement for takeover of litigating rights between Textila Oltul and SIF Moldova and the amount of RON 634,672 represents amounts claimed by SIF Moldova in litigation with AAAS having as their object the recovery of trial expenses and damages claimed in connection with amounts obtained in lawsuits.

**(b) Environment contingencies**

Environment regulations are still developing in Romania, and the Company has not registered any liabilities as at December 31, 2018 and December 31, 2017 for any expected costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans, related to environmental matters.

The Company's management does not deem significant the expenses with any environmental matters.

**(c) Transfer pricing**

The Romanian tax legislation has been providing rules on transfer pricing between affiliates ever since 2000. The current legislative framework defines the principle of "market value" for transactions between affiliates as well as the methods of determining transfer prices. Thus, it is probable that the tax authorities should conduct verifications of the transfer pricing to verify that the tax result and/or customs value of imported goods is not distorted by the effect of the prices practiced in the relations with affiliates. The Group cannot measure the result of such verifications.

**(d) Other contingent commitments and liabilities**

As at December 31, 2018, subsidiary Mecanica is involved in 65 lawsuits as plaintiff for the receivables not received, for which is established impairment allowances of 100%, and 16 lawsuits in which it acts as defendant (of which 6 lawsuits related to labor disputes).

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**32. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

***Associates of the Group***

The balances and transactions between the Group members were removed in the consolidation process and are not disclosed in this note.

As at December 31, 2018 the Group holds 50% in one associate – Străulești Lac Alfa SA. As at December 31, 2017 the Group did not hold associates.

Between January 1, 2018 and December 31, 2018, the Group contributed to the increase of the associate's share capital by RON 18,640,000 representing in-kind contribution, of which RON 9,320,000 was subscribed and paid in, the remaining payable amount being RON 9,320,000.

***Key management personnel***

*December 31, 2018*

The members of the Board of Directors of SIF Moldova SA are: Ceoce Costel (President of BoD), Octavian Claudiu Radu (Vice-president of BoD), Doros Claudiu (CEO), Catalin Jianu Dan Iancu (Deputy CEO), Horia Ciorcila.

*December 31, 2017*

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

The Group has not concluded transactions with affiliates nor has it registered outstanding amounts in relation to them. The Group has not received or granted guarantees in favor of any related party.

The salaries and allowances paid or payable to the key management personnel as at December 31, 2018 amounted to RON 9,568,207 (December 31, 2017: RON 7,256,868).

Directors received profit-sharing payments in amount of RON 4,279,365 (December 31, 2017: RON 3,213,973) and shares granted through the SOP programme in amount of RON 3,345,157, as well as trainings in amount of RON 1,400 (December 31, 2017: trainings in amount of RON 1,620).

The directors' monetary entitlements are approved by the Board of Directors according to the management contract. The directors' salaries and allowances account for 67% of the company's total payroll expenses.

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**33. SUBSEQUENT EVENTS**

As at December 31, 2018, the Company did not register subsequent events that might affect the information presented.