SIF Muntenia S.A.

Consolidated Financial Statements

as of 31 December 2017

Prepared in accordance with Rule no. 39/2015 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the FSA of the Investment and Financial Instruments Sector

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Consolidated statement of profit or loss and other comprehensive result

for the financial year ended 31 December 2017

În LEI	***Note***	**2017**	**2016**
Operating revenues	*9*	487,913,184	441,290,089
Other revenues and gains	*10*	28,873,523	15,161,549
Changes in inventories and capitalized production	*11*	(1,218,810)	(5,588,227)
Operating expenses	*12*	(381,555,101)	(344,396,496)
Loss from depreciation of assets	*13*	(5,670,097)	(24,329,868)
Other expenses	*14*	(28,447,098)	(24,649,431)
Operating Profit		**99,895,601**	**57,487,616**
Financing expenses		(495,927)	(645,346)
Profit before tax		**99,399,674**	**56,842,270**
Income tax	*15*	(14,825,648)	(11,754,016)
Net Profit		**84,574,026**	**45,088,254**
Other elements of comprehensive result			
Elements which are or can be transferred to profit or loss			
Net increase in the fair value of financial assets available for sale, net of deferred tax		91,503,732	23,738,086
Decrease of reserve due to the sale of financial assets available for sale		(7,657,257)	(13,791,497)
Items that can not be reclassified to profit or loss			
Chnages of reserve from revaluation of tangible assets		12,591,007	12,066,095
Total other elements of comprehensive result		**96,437,482**	**22,012,684**
Total comprehensive result		**181,011,508**	**67,100,938**

Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive result (continued)

for the financial year ended 31 December 2017

In LEI	***Notă***	**2017**	**2016**
Net profit related to			
Company's shareholders		71,888,595	37,505,301
Interests without control		12,685,431	7,582,953
		84,574,026	**45,088,254**
Comprehensive result related to			
Company's shareholders		167,689,756	57,773,903
Interests without control		13,321,752	9,327,035
		181,011,508	**67,100,938**
Eranings per share			
Basic	*29*	0.09	0.05
Diluted	*29*	0.09	0.05

Consolidated financial statements were approved for submission by the Board of Directors on 30 March 2018 and were signed on its behalf by SAI Muntenia Invest S.A., Administrator of SIF Muntenia S.A.:

ADMINISTRATOR,	PREPARED BY,
SAI MUNTENIA INVEST S.A.	3B EXPERT AUDIT S.R.L.
Nicușor Marian BUICĂ	Authorised legal person, CECCAR member
General Director	Registration number with the professional body A000158/26.01.2000
	Adriana – Anişoara BADIU, Administrator

Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of financial position

as of 31 December 2017

În LEI	*Note*	31 decembrie 2017	31 decembrie 2016
Asset			
Cash and bank deposits	*16*	137,522,874	175,842,939
Financial assets at fair value through profit or loss	*17a*	103,976,353	84,736,635
Financial assets available for sale	*17b*	740,304,867	561,882,211
Loans and receivables	*17c*	126,583,029	113,490,441
Inventories	*18*	44,899,962	38,748,708
Fixed assets held for sale	*19*	5,852,603	9,336,953
Real estate investments	*20*	216,097,639	205,696,019
Intangible assets	*21*	69,356,476	77,860,782
Tangible assets	*22*	302,875,860	303,398,318
Other assets	*23*	38,136,377	33,500,143
Total assets		**1,785,606,040**	**1,604,493,149**
Liabilities			
Dividends to be paid	*24*	57,014,924	83,804,789
Commercial liabilities and other liabilities	*25*	93,138,013	80,931,285
Loans	*26*	19,011,785	20,278,375
Liabilities on deffered income tax	*27*	65,294,440	49,494,934
Total liabilities		**234,459,162**	**234,509,383**

The explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of financial position (continued)

as of 31 December 2017

	Note	31 decembrie 2017	31 decembrie 2016
Equity			
Company Shareholders equity			
Share capital	*28a*	80,703,652	80,703,652
Hiperinflation effect - IAS 29	*28a*	803,294,017	803,294,017
Reserves from revaluation of financial assets available for sale	*28d*	232,358,948	148,557,349
Reserves from revaluation of tangible assets		150,371,232	142,622,659
Reported result/ (Cummulative loss)	*28a*	74,143,701	(11,778,664)
		1,340,871,550	**1,163,399,013**
Interests without control		210,275,328	206,584,753
Total equity		**1,551,146,878**	**1,369,983,766**
Total liabilities and equity		**1,785,606,040**	**1,604,493,149**

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Consolidated statement of changes in equity

for the financial year ended 31 December 2016

			Equity attributable to Company's shareholders					
In LEI	**Share capital**	**Own shares**	**Reserves from revaluation of financial instruments available for sale**	**Reserves from revaluation of tangible assets**	**Cummulated loss**	**Total equity attributable to shareholders of the Company**	**Interests without control**	**Total**
Balance as of 1 January 2016	**883,997,669**	**-**	**138,643,321**	**137,186,361**	**(81,293,416)**	**1,078,533,935**	**205,631,885**	**1,284,165,820**
Comprehensive result								
Profit of the exercise					**37,505,301**	**37,505,301**	**7,582,953**	**45,088,254**
Other elements of comprehensive result								
Revaluation to fair value of financial assets available for sale, net of deferred tax			23,705,525			23,705,525	32,561	23,738,086
Reserve decrease due to the sale of financial assets available for sale			(13,791,497)			(13,791,497)		(13,791,497)
Surplus (loss) from revaluation of tangible assets				10,354,574		10,354,574	1,711,521	12,066,095
Total other elements of comprehensive income	**-**	**-**	**9,914,028**	**10,354,574**	**-**	**20,268,602**	**1,744,082**	**22,012,684**
Total comprehensive result	**-**	**-**	**9,914,028**	**10,354,574**	**37,505,301**	**57,773,903**	**9,327,035**	**67,100,938**

The explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

for the financial year ended 31 December 2016

In LEI	Share capital	Own shares	Reserves from revaluation of financial instruments available for sale	Reserves from revaluation of tangible assets	Cumulative loss	Total equity attributable to shareholders of the Company	Interests without control	Total
	Equity attributable to Company's shareholders							
Transfers								
Transfer of revaluation reserves due to the sale of tangible assets	-	-	-	(4,918,276)	4,918,276	-	-	-
Total transfers	**-**	**-**	**-**	**(4,918,276)**	**4,918,276**	**-**	**-**	**-**
Transactions with shareholders recognized directly in equity								
Purchase / sale of own shares								
Dividends prescribed by law					63,407,818	63,407,818		63,407,818
Dividends declared					(36,316,643)	(36,316,643)	(8,374,167)	(44,690,810)
Reserves distributed to shareholders								
Acquisition of subsidiaries								
Disposal of subsidiaries								
Losing control of subsidiaries								
Increase of participation in subsidiaries								
Decrease of participation in subsidiaries without loss of control								
Capital contribution of minority shareholders in subsidiaries								
Total transactions with shareholders recognized directly in equity	**-**	**-**	**-**	**-**	**27,091,175**	**27,091,175**	**(8,374,167)**	**18,717,008**
Balance as of 31 December 2016	**883,997,669**	**-**	**148,557,349**	**142,622,659**	**(11,778,664)**	**1,163,399,013**	**206,584,753**	**1,369,983,766**

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Consolidated statement of changes in equity (continued)

for the financial year ended 31 December 2017

	Equity attributable to Company's shareholders							
In LEI	**Share capital**	**Own shares**	**Reserves from revaluation of financial instruments available for sale**	**Reserves from revaluation of tangible assets**	**Cumulative loss**	**Total equity attributable to shareholders of the Company**	**Interests without control**	**Total**
Balance as of 1 January 2017	**883,997,669**	**-**	**148,557,349**	**142,622,659**	**(11,778,664)**	**1,163,399,013**	**206,584,753**	**1,369,983,766**
Coprehensive result								
Profit for the financial exercise					**71,888,595**	**71,888,595**	**12,685,431**	**84,574,026**
Other elements of comprehensive result								
Revaluation to fair value of financial assets available for sale, net of deferred tax			91,458,856			91,458,856	44,876	91,503,732
Decrease of reserve due to the sale of financial assets available for sale			(7,657,257)			(7,657,257)		(7,657,257)
Surplus (loss) from revaluation of tangible assets				11,999,562		11,999,562	591,445	12,591,007
Total other elements of comprehensive result	**-**	**-**	**83,801,599**	**11,999,562**	**-**	**95,801,161**	**636,321**	**96,437,482**
Total comprehensive result	**-**	**-**	**83,801,599**	**11,999,562**	**71,888,595**	**167,689,756**	**13,321,752**	**181,011,508**

The explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (continued)

for the financial year ended 31 December 2017

În LEI	Share capital	Reserves from revaluation of financial instruments available for sale	Reserves from revaluation of tangible assets	Cumulative loss	Total equity attributable to shareholders of the Company	Interests without control	Total
	Equity attributable to entity shareholders						
Transfers							
Transfer of revaluation reserves due to the sale of tangible assets	-	-	(4,250,989)	4,250,989	-	-	-
Total transfers	**-**	**-**	**(4,250,989)**	**4,250,989**	**-**	**-**	**-**
Transactions with shareholders recognized directly in equity							
Dividends prescribed by law				42,064,242	42,064,242		42,064,242
Dividends declared				(32,281,461)	(32,281,461)	(9,631,177)	(41,912,638)
Reserves distributed to shareholders							
Acquisition of subsidiary							
Disposal of subsidiaries							
Losing control of subsidiaries							
Increasing participation in subsidiaries							
Decreased shareholding in subsidiaries without loss of control							
The capital contribution of minority interest in subsidiaries							
Total transactions with shareholders recognized directly in equity	**-**	**-**	**-**	**9,782,781**	**9,782,781**	**(9,631,177)**	**151,604**
Balance as of 31 December 2017	**883,997,669**	**232,358,948**	**150,371,232**	**74,143,701**	**1,340,871,550**	**210,275,328**	**1,551,146,878**

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Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

for the financial year ended 31 December 2017

În LEI	***Notă***	**2017**	**2016**
Operating activities			
Profit before tax		**99,399,674**	**56,842,270**
Adjustments:			
Dividend income	*9b*	(21,036,276)	(46,627,576)
Interest income	*9b*	(1,757,551)	(2,410,955)
Net gain / (Net loss) from revaluation of financial assets at fair value through profit or loss	*9c*	(38,728,317)	9,153,219
Net Loss from variation of the exchange rate	*10*	838,736	977,087
Net Gain from the sale of tangible assets and investment property	*10*	(12,855,927)	(3,114,335)
Net gain on sale of fixed assets held for sale	*10*	(356,079)	-
Net gain from fair value revaluation of real estate investments	*10*	(3,924,378)	(449,660)
Modification of fair value of biological assets	*10*	(6,766,177)	(8,144,271)
Expenses related to depreciation and impairment of property	*12*	32,578,873	30,419,801
Impairment losses on financial assets available for sale	*13*	954,946	7,463,958
Impairment losses on other assets	*13*	2,682,422	16,865,910
Net loss from the valuation of fixed assets held for sale	*13*	2,032,729	-
Expenses for provisions for risks and charges	*14*	1,100,382	510,726
Interest expenses		495,927	645,346
Other non-monetary expenditures / (income)		544,311	(7,626,030)

Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows (continued)

for the financial year ended 31 December 2017

În LEI	***Note***	**2017**	**2016**
Changes in assets and liabilities related to operating activities			
Changes in financial assets at fair value through profit or loss		(27,385,869)	(18,383,357)
Changes in financial assets available for sale		(32,670,871)	42,147,977
Changes in bank deposits		59,669,096	(64,591,888)
Changes in loans and receivables		(23,034,101)	(147,401)
Changes in inventories		(1,749,788)	(372,482)
Changes in biological assets		7,183,578	3,329,952
Changes in trade payables and other liabilities		8,270,960	3,845,859
Dividends received		19,802,799	45,700,666
Interest received		1,906,130	2,672,405
Income tax paid		(12,695,639)	(17,586,913)
Net cash obtained from operating activities		**54,499,590**	**51,120,307**

Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows (continued)

for the financial year ended 31 December 2017

În LEI	***Notă***	**2017**	**2016**
Investing activities			
Payments for purchases of tangible assets		(32,431,156)	(32,325,456)
Proceeds from sale of property and investment property		25,850,196	9,242,683
Proceeds from sale of fixed assets held for sale		1,807,700	-
Net cash used in investing activities		**(4,773,261)**	**(23,082,773)**
Financing activities			
Dividends paid		(26,722,437)	(26,911,963)
Long-term borrowing		3,823,060	2,233,762
Repayments of long-term loans		(2,799,048)	(1,121,374)
Interest paid		(432,865)	(1,083,351)
Payments related to finance leases		(718,753)	(300,043)
Changing the short-term loans		(1,349,944)	(1,951,946)
Net cash used in financing activities		**(28,199,987)**	**(29,134,914)**
Net decrease in cash and cash equivalents		**21,526,343**	**(1,097,380)**
Cash and cash equivalents at January 1		37,425,652	38,523,032
Cash and cash equivalents at 31 December		**58,951,995**	**37,425,652**

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Consolidated statement of cash flows (continued)

for the financial year ended 31 December 2017

Cash and cash equivalent analysis

In LEI	***Note***	**31 December 2017**	**31 December 2016**
Cash	*16*	414,959	209,042
Current accounts in banks	*16*	18,211,803	18,881,597
Bank deposits with maturity less than 3 months	*16*	40,325,233	18,335,013
Cash and cash equivalent		**58,951,995**	**37,425,652**

Explanatory notes from page 13 to page 89 form an integral part of the consolidated financial statements.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

1. Reporting entity

SIF Muntenia S.A. (the "Company") is an undertaking for collective investments trust established in 1996 which operates in Romania in accordance with Law 31/1990 and Law 297/2004 on the capital market.

The Company is headquartered in 16, Splaiul Unirii, Sector 4, Bucharest, România.

According to its statute, the main fields of activity of the Company are:

- administration and management of its own securities portfolio;
- investments in securitis according to regulations in force;
- undertakings of financial resources available from natural or legal persons and their investmenst in securities.

The company operates under a administration contract concluded with Societatea de Administrare a Investiţiilor Muntenia – Invest S.A. On December 21, 2017, the FSA certified the registration of SAI Muntenia Invest S.A. as an alternative investment fund manager with the number PJR07 1AFIAI / 400005. According to the provisions of art. 3 point 2 of the Law no. 74/2015, as amended and supplemented, AIFM means any legal person whose principal activity is the management of one or more alternative investment funds.

The Company's shares are listed on the Bucharest Stock Exchange, Premium Category, symbol SIF 4, starting with 1 November 1999.

S.C. Depozitarul Central S.A. Bucureşti keeps evidence of shares and shareholders, according to law.

BRD - Société Générale S.A. – Company authorised by the Financial Supervisory Authority, offers custodian services for the Company’s assets.

The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Company and its subsidiaries (the "Group").

The core activities of the Group are represented by financial investments activity performed by the Company and the activities of the subsidiaries consisting mainly of trade in grains and seeds, renting of commercial premises and offices, poultry, hotel business, manufacture of fiber glass, wholesale, production of construction materials, bakery, production and trade of drugs etc.

KPMG Audit SRL performed the audit for the consolidated financial statements for 2017 financial exercise. The auditor has exclusively provided financial audit services. The financial auditor’s fee for the year ended 31 December 2017 is 490.548 lei.

2. Basis of preparation

(a) Declaration of compliance

The financial statements have been prepared in accordance with FSA Rule no.39/28 December 2015 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the FSA, Sector of Investment and Financial Instruments (" FSA Rule no.39/2015 "). In the sense of the FSA Norm no. 39/2015, International Financial Reporting Standards are those adopted under the procedure set out in Regulation (EC) No. 1606/2002 ("IFRS adopted by the European Union")

Consolidated financial statements as of 31 December 2017 and 31 December 2016 can be found on the Company’s website www.sifmuntenia.ro.

2. Basis of preparation (continued)

(a) Declaration of compliance (continued)

Casa de Bucovina S.A. and Biofarm S.A. subsidiaries are required to apply IFRS as an accounting basis with a single set of financial statements prepared in accordance with IFRS.

The accounts of subsidiaries are maintained in RON in accordance with Romanian Accounting Standards ("RAS"), except Casa de Bucovina S.A. and Biofarm S.A. subsidiaries. These accounts have been restated to reflect differences in the accounts according to IFRS and RAS. Correspondingly, according to RAS, accounts were adjusted, where necessary, to harmonize the financial statements with IFRS, in all material respects, as adopted by the European Union.

Besides the specific consolidation adjustments, the main restatement of financial information presented in financial statements prepared in accordance with Romanian Accounting Standards consisted of:

- grouping several items into more comprehensive categories;
- adjustments to items of assets, liabilities and equity in accordance with IAS 29 "Financial reporting in hyperinflationary economies" because the Romanian economy was a hyperinflationary economy until 31 December 2003
- Fair value adjustments and impairment losses in accordance with IAS 39 "Financial Instruments: Recognition and Measurement";
- adjustments to the situation of profit or loss and other comprehensive income items in order to record the dividend income at the moment of declaration of at gross values;
- adjustment of biological assets for their evaluation at fair value less estimated point of sale in accordance with IAS 41 "Agriculture";
- adjustments of real estate investment for their evaluation at fair value in accordance with IAS 40 "Real Estate Investment";
- adjustments to non-current assets held for sale, to assess them in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
- adjustments for the recognition of assets and liabilities related to deferred income tax in accordance with IAS 12 "Income Taxes";
- disclosure requirements under IFRS.

(b) Presentation of the financial statements

Consolidated financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Group has adopted a presentation based on liquidity in the consolidated statement of financial position and a presentation of income and expenditure according to their nature in the consolidated statement of profit or loss and other comprehensive result, considering that these methods of presentation provide information that is reliable and more relevant than those that would have been presented under other methods permitted by IAS 1.

(c) Basis of evaluation

Consolidated financial statements are prepared using the fair value of derivatives, financial assets and liabilities at fair value through profit or loss, financial assets available for sale, tangible assets such as lands and buildings, real estate investments and biological assets and agricultural products except those for which the fair value can not be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

The methods used for measuring the fair value are presented in Note 4.

2. Basis of preparation (continued)

(d) Functional and presentation currency

The Group's management considers that the functional currency, as defined by the IAS 21 "Effects of exchange rate variation", is the Romanian leu (lei). Consolidated financial statements are presented in RON, rounded to the nearest leu, which the Group’s management has chosen as presentation currency.

(e) Use of estimates and judgments

Preparation of consolidated financial statements in accordance with IFRS as adopted by the European Union involves the management’s use of estimates, judgments and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Judgments and assumptions associated with these estimates are based on historical experience and on other factors deemed reasonable in light of these estimates. The results of these estimates form the basis for judgments related to accounting values of assets and liabilities that can not be obtained from other sources of information. The results obtained can differ from these estimates.

Judgments made by management in applying IFRS that have a significant effect on the financial statements and estimates that involve a significant risk of a material adjustment in the next year are disclosed in Note 4,5 and 6.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

3. Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to lead, directly or indirectly, financial and operating policies of an entity so as to obtain benefits from its activities. When assessing control, one must be tak into account potential voting rights that are exercisable or convertible at that time.

The financial statements of subsidiaries are included in the consolidated financial statements from the moment they start to exercise control and until its termination. Group accounting policies of subsidiaries have been changed so that to be aligned with those of the Group.

The list of investments in subsidiaries at 31 December 2017 and 31 December 2016 is presented in Note 31.

(b) Associated entities

Associated entities are those companies in which the Group may exercise a significant influence, but not control over financial and operating policies.

The consolidated financial statements include the Group's share of associates' results based on the equity method from the date on which the Group began to exercise significant influence until the date that significant influence ceases.

Participations in which the Group holds between 20% and 50% of the voting rights but over which it does not exercise significant influence are classified as financial assets available for sale.

Associates are accounted for using the equity method and are initially recognized at cost. Group's investment includes goodwill identified on acquisition less any accumulated impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, since the date when significant influence begins until the significant influence ceases. When the Group's share of losses exceeds its interest in the entity accounted for using the equity method, the carrying amount of that interest (including any long-term investments) is reduced to zero and recognition of further losses is discontinued unless the Group has an obligation or made payments on behalf of the investee.

As of 31 December 2017 and 31 December 2016 no investments in associates were identified.

(c) Transactions eliminated at consolidation

Settlements and transactions within the Group, as well as unrealized gains arising from intragroup transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated within the limits of the Group's participation percentage. Unrealised gains arising from transactions with an associate are eliminated in return for investment in the associate. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there are no indications of impairment.

4. Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these financial statements. Accounting policies have been applied consistently to all entities of the Group.

(a) Transactions in foreign currency

Transactions denominated in foreign currencies are recorded in lei at the official exchange rate at the settlement date of transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statements date are translated into the functional currency at the exchange rate of the day. Gains or losses resulting from the settlement thereof and the conversion using the exchange rate at year-end of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss except for those that were recognized in equity as a result of registration in accordance with hedge accounting.

Translation differences on non-monetary items such as holdings at fair value through profit or loss are presented as gains or losses from fair value. Exchange rate differences related to non monetary financial assets, expressed in foreign currency classified as available for sale, evaluated at fair value, are registered in a separate account of reserves.

The exchange rates of major foreign currencies were:

Currency	**31 December 2017**	**31 December 2016**	**Variation**
Euro (EUR)	1: LEU 4,6597	1: LEU 4,5411	+2,61%
American Dolar (USD)	1: LEU 3,8915	1: LEU 4,3033	-9,57%

(b) Accounting the hyperinflation effect

In accordance with IAS 29 the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current measuring unit at the date of preparation of consolidated statement of financial position (non-monetary items are restated using a general price index as of the date of purchase or contribution).

Under IAS 29, an economy is considered hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

Continued decline in inflation and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary with effect over financial periods starting 1 January 2004. Therefore, provisions of IAS 29 were adopted in preparing the consolidated financial statements until 31 December 2003.

Thus, the values expressed in the current measuring unit at 31 December 2003 are treated as the basis for the carrying amounts in the consolidated financial statements and do not represent appraised values, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place at this time.

To the purpose of the consolidated financial statements as of 31 December 2016, the Group adjusted the following non-cash items expressed in the current measuring unit at 31 December 2003:

- Share capital (see Note 28a);
- Financial assets available for sale for which no active market exists;
- tangible assets acquired until 31 2003.

4. Significant accounting policies (continued)

(c) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position include: cash, current accounts and deposits with banks (including blocked deposits and interest earned on cash deposits).

The cash flow statement has considered as cash and cash equivalents: cash, current accounts and deposits with an original maturity of less than 90 days (excluding blocked deposits).

(d) Financial assets and liabilities

(i) ***Classification***

The Group classifies financial instruments held in the following categories:

Financial assets and liabilities at fair value through profit or loss

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss on initial recognition. An asset or financial liability is classified in this category if acquired principally for the speculative purpose or has been designated in this category by the management.

Investments held to maturity

Investments held to maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. Investments held to maturity are measured at amortized cost through the effective interest method less impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell immediately or in the near future.

F*inancial assets available for sale*

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

(ii) Recognition

Assets and liabilities are recognized on the date on which the Group becomes party to the contractual terms of the respective instrument. Financial assets and liabilities are measured at initial recognition at fair value plus transaction costs directly attributable, except for financial assets at fair value through profit or loss and equity investments whose fair value can not be reliably determined and they are initially recognized at cost.

(iii) Compensations

Financial assets and liabilities are offset and the net result is presented in the consolidated statement of financial position only when there is a legal right to compensation if their intention is to settle on a net basis, or if it is intended simultaneously the achievement of the asset and settlement of the liabilities. Revenues and expenses are presented net only when permitted by the accounting standards, or for the profit and loss resulted from a group of similar transactions such as the trading activity of the Group.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

4. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(iv) Evaluation

Evaluation at amortized cost

The amortized cost of a financial asset or liability is the amount at which that asset or financial liability is measured after initial recognition, less principal payments, plus or minus the accumulated depreciation to date using the effective interest method, less reductions related to impairment losses.

Evaluation at fair value

Fair value is the price that would be received to sell an asset or paid to settle a liability in a transaction carried out under normal conditions between participants on the main market at the valuation date or if no principal market, on the most advantageous market to which the Group has access to that date.

The Group measures the fair value of a financial instrument using quoted prices in an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are available quickly and regularly.

At 31 December 2017, in the category of financial instruments listed on an active market there are included all those instruments admitted to trading on a regulated market and which present frequent transactions within the 250 trading days preceding the valuation date. In order to be considered as frequent transactions, the number of transactions is analyzed as follows: for issuers exceeding 500 transactions in the chosen range, the quoted price is used, for issuers ranging from 250 to 500 transactions, the Company's management uses the professional judgment to use the quoted price or other evaluation models.

The market price used to determine fair value is the closing market price on the last trading day before the valuation date.

In the absence of price quotations in an active market, the Group uses valuation techniques based on the analysis of discounted cash flows and other valuation methods commonly used by market participants, making full use of market information, relying as little as possible on company-specific information. The Group uses valuation techniques that maximize the use of observable data and minimizes the use of unobservable inputs.

The value resulting by using a valuation model is adjusted based on a number of factors, due to the fact that assessment techniques do not reliably reflect all the factors considered by market participants when a transaction is performed. Adjustments are recorded to reflect the risk models, differences between quotations for sale and purchase, liquidity risks, and other factors.

Financial assets available for sale for which no active market exists and where it is not possible to determine reliably a fair value, given that the company does not have access to information that would facilitate the application of an alternative valuation technique are evaluated at cost and periodically tested for impairment. The Group recognizes transfers between levels at the fair value at the end of the reporting period in which they occurred.

4. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(v) Identification and evaluation of impairment

Financial assets measured at amortized cost

On conclusion of each consolidated statement of financial position, the Group examines whether there is any indication that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired if and only if there is objective evidence of impairment arising as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and loss event or events have an impact on future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that there has been an impairment loss on financial assetsheld to maturity registered at amortized cost, the loss is measured as the difference between the asset's book value and the present value of future cash flows using the effective interest rate of the financial asset at initial moment.

If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any loss of impairment is the current variable interest rate specified in the contract. The book value of the asset is reduced through use of an allowance account for impairment. Impairment expense is recognized in profit or loss.

The measurement of depreciation of trade receivables is performed individually and is based on the Group's best estimate of the amount of cash flows expected to be received. These depreciations are recognized when there is objective evidence that the Group will not collect all amounts due, such as financial difficulties of partners or non-payment obligations.

If in a time following an event occurring after the impairment reduces recognition of the impairment loss, previously recognized impairment loss is reversed through the use of an allowance account for impairment. Reducing impairment loss is recognized in profit or loss.

Financial assets available for sale

In the case of financial assets available for sale, when a decline in the fair value of a financial asset available for sale was recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity will resume in equity accounts and recognized in the profit or loss and other comprehensive income even though the financial asset has not been derecognised.

The value of the cumulative loss that is resumed from equity items in profit or loss will be the difference between the acquisition cost (net of principal repayments and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Impairment losses recognized in profit or loss related to certain equity instrument classified as available for sale can not be reversed in profit or loss. If, in a subsequent period, the fair value of an impaired equity increases, the recovery is recognized directly in other comprehensive income.

Impairment losses recognized in profit or loss related to certain equity instruments classified as available for sale can not be reversed in profit or loss. If, in a subsequent period, the fair value of an impaired equity increases, the recovery is recognized directly in other comprehensive income.

If there are objective indications of a loss on impairment of an unlisted share that is not presented at fair value because the fair value can not be measured reliably or in respect of a financial derivative that is related to or is to be settled through such an unlisted instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the future cash flows using the current internal market rate of return for a similar financial asset. These impairment losses are not reversed in profit or loss.

4. Significant accounting policies (continued)

(d) Financial assets and liabilities (continued)

(v) Identification and evaluation of impairment

To determine whether an asset is impaired, the Group considers loss-generating relevant events, such as significant long-term decline in fair value below cost; market conditions and industry, to the extent that they influence the recoverable amount of the asset; financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer recent losses, qualified independent auditor's report on the most recent financial statements of the issuer, etc.

Given the inherent limitations of the methodologies applied and the significant uncertainty of assets of international and local markets, the Group estimates may be revised significantly following the date of approval of the financial statements

(vi) Derecogntion

Group derecognises a financial asset when the rights to receive cash flows of that financial asset expire or when the Group has transferred the rights to receive the contractual cash flows related to that financial asset in a transaction in which it transferred substantially all the risks and rewards of ownership.

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

The Group derecognises a financial liability when its contractual obligations have been completed or when contractual obligations are canceled or expires.

The Group derecognises a financial asset when transferring between categories of the financial assets available for sale at the end of the reporting period, when there is no active market or where it is not possible to determine reliably a fair value when the financial asset market it becomes active.

(vii) Reclassification of financial assets

The reclassification of a financial asset outside the category of the 'financial assets held for trading" is allowed only in rare circumstances.

Transfer from the category "financial assets available for sale" under "assets held to maturity" (for debt instruments) is possible if there is a change of intent and/or capacity or it is a period of contamination. The fair value of the asset at the date of transfer becomes its new cost or amortized cost, as applicable. If, after the change in intention or ability, it is no longer appropriate the classification of an asset as "held for sale” and will be revalued at fair value.

The Group reclassified financial assets only if there was a change in the business model for managing those financial instruments. The Group estimates that such changes are rare. The changes are determined by management as a result of changes in foreign and domestic operations that are significant for the Group.

The business model for managing financial assets determines whether their cash flows are recovered by collecting the contractual cash flows by the sale of the financial assets or both.

(e) Other financial assets and liabilities

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

4. Significant accounting policies (continued)

(f) Fixed assets classified as held for sale

Fixed assets classified as held for sale are measured at the lowest value between the boog value and fair value less costs to sell.

Fixed assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is considered fulfilled only when the sale is probable and is expected to be completed in no more than one year from the date of classification, and the assets are available for immediate sale as they present at that moment.

The exchange of assets is considered to be a sale to the purpose of classification as held for sale only if that exchange has economic substance.

(g) Inventory

Inventories are assets held for sale in the ordinary course of business, assets under production, to be sold in the ordinary course of business, or assets in the form of raw materials and other supplies, to be used in the production or provision of services.

Inventories are valued at the lowest value between the cost and net realizable value. The cost of inventories includes all acquisition and processing costs and other costs incurred in bringing inventories to the form and place in which they are at present. Net realizable value is the estimated selling price that could be obtained in the ordinary course of business, less estimated costs of completion and the estimated costs for completion of the sale. The cost of inventories that are not normally interchangeable and of goods and services produced and intended for separate commands is determined by specific identification of individual costs. For fungible inventories, the cost is determined using formulas "first in, first out" (FIFO).

(h) Real estate investments

Real estate investments are properties (land, buildings or parts of a building) held by the Group for rental purposes or for increasing their value, or both, rather than for:

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

- To be sold in the ordinary course of business.

Certain properties include a portion that is held for rental purposes or for increasing the value and another portion that is held for the production of goods, provision of services or for administrative purposes.

If these portions could be sold separately (or leased out separately under a finance lease contract), they are separately accounted for. If the parties can not be sold separately, the property is treated as investment property only if the portion used for the production of goods, provision of services or for administrative purposes is insignificant.

(i) Recognition

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

- The group is possible to generate future economic benefits associated with the asset;
- Cost of the asset can be determined reliably.

4. Significant accounting policies (continued)

h) Real estate investments (continued)

(ii) Assessment

Initial evaluation

Real estate investment is initially measured at cost, including transaction costs. The cost of a purchased real estate investment comprises its purchase price plus any directly attributable expenditure (for example, professional fees for legal services, property transfer taxes and other costs of trading).

Subsequent measurement

The Group's accounting policy on subsequent evaluation of investment property is based on the fair value model. This policy is applied uniformly to all Real estate investment.

Evaluation of the fair value of real estate investment is performed by evaluators, members of the National Association of Evaluators of Romania (ANEVAR). The fair value is based on market price quotations adjusted, if necessary, due to differences in the nature, location or conditions of that asset. If such information is not available, alternative valuation methods are used such as recent price quotes less active markets or projections of the updated value of net operating income. These assessments are reviewed regularly by the Group's management.

Gains or losses from change in fair value of real estate investments are recognized in profit or loss in the period they occur.

The fair value of the real estate investment reflects market conditions at the date of the consolidated statement of financial position.

(iii) Transfers

Transfers to or from real estate investments are made when, and only when, there is a change in use of that asset. To transfer a real estate investment at fair value in tangible assets category, the default cost of the asset in its subsequent accounting purposes will be its fair value at the date of change in use.

(iv) Derecognition

The book value of a real estate investment is derecognized on disposal or when the investment is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising on the disposal or sale of a real estate investment are recognized in profit or loss when it is scrapped or sold.

i) Biological assets and agricultural products

Biological assets are evaluated at initial recognition and as of any date of the statement of financial position at fair value less estimated point of sale. The fair value of biological assets is based on their current condition and location.

Point of sale costs include commissions to brokers and dealers, levies by regulatory bodies and stock exchanges, transfer taxes and customs. Point of sale costs exclude transport and other costs necessary to bring the assets on the market.

Gains and losses arising on initial recognition of biological assets at fair value less estimated point of sale and the change in fair value less estimated point of sale, are included in profit or loss in the period they occur.

Harvested agricultural products are valuated at fair value less estimated point of sale at the time of harvest.

4. Significant accounting policies (continued)

j) Intangible assets

Goodwill acquired in the context of business combinations is recognized as an asset at the acquisition date and is calculated as the difference between the cost of the business combination and the Group's share of net fair value of assets, liabilities and contingent liabilities acquired. Goodwill is subsequently measured at cost less any accumulated impairment losses.

The other categories of intangible assets acquired by the Group are stated at cost, less accumulated depreciation and accumulated impairment losses.

Internally developed intangible assets are recorded at capitalized cost, minus accumulated depreciation and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only when it contributes to increasing the future economic benefits arising from the use of such assets. All other costs are recognized in profit or loss when realized.

Depreciation is recognized in profit or loss linear throughout the lifetime of the asset from the date on which it is placed in service. Intangible assets (with the exception of goodwill and excluding lists of clients and trademarks recognized as a result of a business combination with Biofarm S.A. which are amortized over a period of 10 years) are amortized using the straight-line method over the period between 1 and 3 years.

k) Tangible assets

(i) Recognition and evaluation

Tangible assets are initially recognized as an asset at cost. The cost of an item of tangible assets, comprises the purchase price, including non-recoverable taxes, after deducting any commercial discounts and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used for the purpose intended by the management, such as staff costs arising directly from the construction or acquisition of the assets, the costs of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees.

Tangible assets are classified by the Group in the following asset classes of the same nature and with a similar use:

- Land;

- Construction;

- Equipment and other fixed assets

Land and buildings are stated at the revalued amount, representing the fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Revaluation of land and buildings is carried out by evaluators, members of ANEVAR. The fair value is based on market price quotations adjusted, if necessary, due to differences in the nature, location or conditions of that asset. If such information is not available, alternative valuation methods are used such as recent price quotes less active markets or projections of the updated value of net operating income. The frequency of revaluations is dictated by market dynamics of the own land and buildings held by the Group.

The other categories of tangible assets are stated at cost, less accumulated amortization and the impairment loss (see accounting policy Note 4 (l)).

Expenditure on maintenance and repairs of tangible assets are recorded in profit or loss when incurred, while significant improvements to tangible assets, which increase the value or duration of their life, or which increase their capacity to generate economic benefits are capitalized.

4. Significant accounting policies (continued)

k). Tangible assets (continued)

(ii) Depreciation

Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Constructions	20-50 years
Equipment, technical installations and machinery	3-20 years
Means of transport	3-6 years
Furniture and other tangible assets	3-15 years

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

Land is not depreciated.

(iii) Sale / scrapping of tangible assets

Tangible assets that are scrapped or sold are removed from the consolidated statement of financial position together with the corresponding accumulated depreciation. Any profit or loss resulting from such operations are included in current profit or loss.

l) Impairment of assets other than financial

The book value of the Group's assets that are not financial in nature, other than deferred tax assets, are reviewed at each reporting date to identify the existence of indications of impairment. If such indication exists, the recoverable amount of those assets is estimated. An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash and which is independent from other assets and other groups of assets. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greatest between its value in use and its fair value less costs to sell the asset or units. In assessing value in use, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the asset.

Impairment losses recognized in prior periods are evaluated at each reporting date to determine whether they decreased or no longer exists. The impairment loss shall be resumed if was a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

m) Investment subsidies

Investment subsidies are recognized in the consolidated statement of financial position at the amount originally granted when there is sufficient certainty that they will be received and that the Group will comply with the conditions imposed on granting subsidies. Group received investment subsidies for the purchase of tangible assets. They are presented in the consolidated statement of financial position as liabilities and are recognized in profit or loss through straight line, the lifetimes of their related assets.

4. Significant accounting policies (continued)

n) Share capital

Ordinary shares are recognized in share capital.

o) Provisions for risks and expenses

Provisions are recognized in the consolidated statement of financial position when the Group has a liability related to a past event and it is likely that in the future be required consumption of economic resources to extinguish this obligation and can make a reasonable estimate of the obligation. To determine the provision, future cash flows are discounted using a pre-tax discount rate that reflects current market conditions and risks specific to the liability.

p) Income from sale of goods and services

Revenues from sale of goods and services are recorded net of commercial discounts, VAT and other charges related to turnover.

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership of goods are transferred to the purchaser, which happens most often upon their delivery.

Revenue from services is recognized in profit or loss depending on their stage of completion.

q) Interest income

Income and expenses with interests are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly updates the expected cash receipts and payments in the future during the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the asset or financial liability.

r) Dividend income

Dividend income is recognized in profit or loss on the date on which right to receive the income is established. Dividends are decided by the shareholders based on statutory financial statements.

If dividends received in the form of shares as an alternative to cash, the dividend income is recognized at the level of cash that would have been received in correspondence with an increasing participation therein. The Group does not record dividend income from shares received free of charge when they are distributed proportionally to all shareholders.

Dividend income is recorded on a gross basis including dividend tax, which is recognized as current income tax expense.

s) Rental income

The rental income generated by the tangible assets leased by the Group and are recognized in profit or loss linearly throughout the contract.

t) Employees benefits

(i) Short term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the statement of profit or loss and other comprehensive income as the services are provided.

4. Significant accounting policies (continued)

t) Employees benefits (continued)

(i) Short term benefits (continued)

Short-term employee benefits include salaries, bonuses and social security contributions. Short-term employee benefits are recognized as an expense when services are rendered. It recognizes a provision for the amounts expected to be paid in cash awards in the short erm or schemes for staff participation in profit, given that the Group currently has a legal or constructive obligation to pay those amounts as a result of past services rendered by employees and if the obligation can be estimated reliably.

(ii) Defined contribution plans

The Group makes payments on behalf of their employees to the Romanian State pension fund, health insurance and unemployment fund, in the normal course of business.

All Group employees are members and also have a legal obligation to contribute (through social contributions) to the Romanian State pension fund (a State defined contribution plan). All relevant contributions are recognized in profit or loss when incurred. The Group has no further obligations.

The Group is not engaged in any independent pension scheme and consequently, has no other obligations in this regard. The Group is not engaged in any other post retirement benefit system. The Group has no obligation to provide further services to current or former employees.

(iii) Long-term employee benefits

The Group's net obligation in respect of services related to long-term benefits is the amount of future benefit that employees have earned in return for services rendered by them in the current and prior periods. The Group has no obligation to grant benefits to employees at retirement date.

u) Borrowing costs

The Group capitalizes borrowing costs for eligible assets under the revised IAS 23 Borrowing Costs.

v) Income tax

Tax on profit for the period comprises current tax and deferred tax. Current income tax includes income tax from dividends recognized at gross value.

Profit tax is recognized in profit or loss and other comprehensive income or in equity if the tax is related to capital items.

Current tax is the expected tax payable on the profit realized in the current period, using tax rates applied on consolidated statement of financial position and all adjustments related to prior periods.

Deferred tax is provided using the balance sheet method for temporary differences arising between the tax base for calculating the tax for the assets and liabilities and their carrying amount used for reporting consolidated financial statements.

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions that are not business combinations and that affects neither the accounting profit or the tax differences arising on investments in subsidiaries, provided that they are not resumed in the near future. Deferred tax is calculated using tax rates expected to apply to temporary differences in their replay according to the laws in force at the reporting date.

4. Significant accounting policies (continued)

v) Income tax (continued)

Assets and liabilities with deferred tax are offset only if a legally enforceable right to offset debts and claims exists and if they are related to the current tax collected by the same taxation authority on the same entity subject to taxation or for different tax authorities, but they want to achieve settlement of claims and current tax liabilities using the net base or related assets and liabilities will be realized simultaneously. Deferred tax asset is recognized only to the extent that it is probable that future profits can be used to cover the tax loss. The claim is reviewed at each financial year and is reduced to the extent that the related tax benefit is unlikely to be realized. Additional taxes that arise from the distribution of dividends are recognized at the same time as the obligation to pay dividends.

For the financial year ended 31 December 2017 and 31 December 2016, the income tax rate was 16%. The tax rate related to taxable dividend income for the year ended 31 December 2017 and 31 December 2016: 5%.

w) Earnings per share

The Group discloses basic and diluted earnings per share for ordinary shares. Basic earnings per share is determined by dividing profit or loss attributable to ordinary equity holders of the Group to the weighted average number of ordinary shares outstanding over the reporting period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with dilution effects arising from potential ordinary shares.

x) Dividends to be distributed

Dividends are treated as an appropriation of profit in the period in which they were declared and approved by the General Meeting of Shareholders. Starting with the financial year ended 31 December 2015, the profit available for distribution of profits of the Company is is the profit of the year recorded in the financial statements prepared in accordance with FSA Rule no.39/2015. Dividends not collected for three years after expiry of the prescription period are recorded directly in equity being assimilated to contributions from shareholders, according to the General Shareholders Meeting decision.

y) Leasing payments

Operating leasing payments are recognized in profit or loss on a straight line basis over the lease term. Leasing facilities received are recognized as an integral part of the total lease expense on the lease. Expense for operating leases is recognized as a component of operating expenses.
Minimum lease payments under finance leases are divided proportionally between interest expense and reduction of the lease loability. Lease interest expense is allocated to each period of the lease so as to produce a constant interest rate for the remaining leasing liability. Contingent lease payments are recognized by revising the minimum lease payments for the remaining period of the lease when the lease adjustment is confirmed.

z) Financial guarantees

Financial guarantees are contracts by which the Group assumes a commitment to make specific payments to the holder of the financial guarantee for the loss which the holder suffers if a specific borrower fails to make due payments in accordance with the terms of an instrument of debt.

4. Significant accounting policies (continued)

(z) Financial guarantees (continued)

Related liability to a financial guarantee is recognized initially at fair value, and it is amortized over the life of the financial guarantee. Related liability to financial guarantees is subsequently measured at the higherst value between the amortized amount and the present value of payments (when payment has become probable).

Details of financial guarantees issued by the Group in favor of third parties on 31 December 2017 or 31 December 2016 are presented in Note 30.

aa) Segment reporting

A segment is a distinct component of the Group's operational activities involved in generating income and expenditure including revenue and expense arising from the interaction with other components of the Group. The results of an operating segment are regularly reviewed, deciding on what resources will be allocated to them and assessing its performance. Information on segment operating results reported makers include both the costs directly attributable to the segment activity and those that can be reasonably allocated to it. Costs that can not be allocated by segment are primarily related costs and receivables management / debt on income tax. Capital expenditure of the segment is the total costs of the acquisition of tangible and intangible assets other than goodwill.

bb) Standards and new interpretations that are not yet in force

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017 and have not been applied in preparing these financial statements:

a) IFRS 9 Financial Instruments (effective date: annual periods beginning with 1 January 2018)

This Standard supersedes the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" on the Classification and Valuation of Financial Assets and replaces the model for estimating adjustments for impairment of financial assets with an expected loss-based model.

Based on the Group's assessments so far, the adoption of IFRS 9 generates an estimated increase in equity elements by RON 116,419 on 1 January 2018, as a result of the classification and valuation requirements.

The above assessment is preliminary because not all transition operations have been completed. The actual impact of the adoption of IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Group to review its Group's overall investment strategy, accounting processes and internal controls and these changes are not yet completed;
- The Group has not completed testing and evaluating controls on new IT systems or changes to its governance framework;
- The Group refines and finalizes its models for calculating anticipated credit losses;
- The new accounting policies, assumptions, professional judgments and estimation techniques used may change until the first financial statements of the Group are completed, including the date of the initial application of the new procedures.
- Romanian tax legislation contains tax rules for taxpayers applying IFRS accounting regulations, but does not provide for specific regulations on the adoption of new accounting standards (IFRS 9).

4. Significant accounting policies (continued)

(bb) Standards and new interpretations that are not yet in force (continued)

(i) Classification – Financial assets

IFRS 9 contains a new approach to the classification and measurement of financial assets that reflects the business model in which assets and cash flow characteristics are managed.

IFRS 9 includes three main categories of financial asset classification: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

The new standard eliminates the categories of IAS 39 held-to-maturity assets, loans and receivables and available-for-sale assets.
A financial asset is measured at *amortized cost* if it meets both of the conditions below and is not designated as at fair value through profit or loss:
- is owned within a business model whose purpose is to keep assets for the collection of contractual cash flows; and
- its contractual conditions generate, at certain dates, cash flows that are only principal payments and interest on the principal due date.

The Standard takes over the provisions of IAS 39 on the Recognition and Derecognition of Financial Instruments

A financial asset is measured at *fair value through other comprehensive income* only if it meets both of the following conditions and is not designated at fair value through profit or loss:
- is owned within a business model the objective of which is achieved both by collecting contractual treasury flows and by selling financial assets; and
- its contractual conditions generate, at certain dates, cash flows that represent only principal payments and interest on the principal due date.

Upon the initial recognition of an investment in equity instruments that are not held for trading, the Group may irrevocably choose to make further changes in fair value in other comprehensive income. These options apply to each instrument, as appropriate.

All financial assets that are not classified at amortized cost or at fair value through other comprehensive income, as described above, will be measured *at fair value through profit or loss*. In addition, upon initial recognition, the Group may irrevocably designate that a financial asset that otherwise meets the requirements to be measured at amortized cost or fair value through other comprehensive income is measured at fair value through profit or loss, if this eliminates or significantly reduces an accounting mismatch that would otherwise arise if it were different.

Impact assessment
The Standard will affect the classification and measurement of financial assets held on 1 January 2018 as follows:
Bonds that are classified as loans and receivables and measured at amortized cost in accordance with IAS 39 will be measured at amortized cost or at fair value through profit or loss in accordance with IFRS 9.

Shares that are classified as available for sale in accordance with IAS 39 will be measured in accordance with IFRS 9 at fair value through other comprehensive income according to specific circumstances. These securities are mainly held for long-term strategic purposes and will be designated as at fair value through other comprehensive income on 1 January 2018.

Fund units that are classified as available for sale in accordance with IAS 39 will be measured in accordance with IFRS 9 at fair value through profit or loss.

Structured products that are measured at fair value through profit or loss in accordance with IAS 39 will continue to be measured at fair value through profit or loss and in accordance with IFRS 9.

4. Significant accounting policies (continued)

(bb) Standards and new interpretations that are not yet in force (continued)

(i) Classification – Financial assets

Impact assessment

The Group estimated that the adoption of IFRS 9 as of 1January 2018 implies that the impact of these changes is an increase in the Company's equity of RON 116,419.

(ii) Impairment - Financial assets

IFRS 9 replaces the "loss event" model in IAS 39 with an "expected loss" model. This will require substantial judgment on how changes in economic factors affect the expected loss, which will be determined on a weighted probability. The new depreciation model applies to financial debt instruments that are not measured at fair value through profit or loss. In accordance with IFRS 9, no impairment loss is recognized for equity instruments (shares).

Impact assessment

The Group considers that when applying IFRS 9, it will not have a material impact on the financial statements because:

- the expected loss does not apply to financial assets at fair value through profit or loss;
- for financial assets measured at amortized cost, the expected loss will not result in additional impairment adjustments to those recognized under IAS 39.

(iii) Clasification – financial liabilities

IFRS 9 keeps to a large extent the requirements in IAS 39 for classifying financial liabilities and there will be no differences in the adoption of IFRS 9 from 1 January 2018.

(iv) Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 will generally apply retrospectively, except as described below.

The Group will benefit from the exemption that will allow it not to retrieve comparative information for prior periods with respect to classification and measurement changes (including depreciation). Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves on 1 January 2018.

The following assessments should be made on the basis of facts and circumstances existing at the date of adoption of IFRS 9:

- determination of the business model in which a financial asset is held;
- the designation and revocation of earlier names of certain financial assets and liabilities measured at profit or loss;
- designating certain investments in equity instruments that are not held for trading at fair value through other comprehensive income

b) IFRS 15 – revenues from contracts with clients (in force for periods starting 1 January 2018)

The new standard provides a framework that replaces existing income recognition provisions in IFRSs. The group will adopt a five-step model to determine when it should recognize revenue, and for what value. The new model specifies that revenue should be recognized as the entity transfers control of the goods or services to a customer at the amount the entity expects to be entitled to.

If certain criteria are met, revenue is recognized:

4. Significant accounting policies (continued)

(bb) Standards and new interpretations that are not yet in force (continued)

- as time passes, in a manner that describes the performance of the entity; or

- at a specific time, when control of goods or services is transferred to the customer.

IFRS 15 also sets out the principles that an entity will apply to provide qualitative and quantitative information useful to users of the financial statements in relation to the nature, amount, planning and uncertainty of cash flows and income relating to a contract with a client.

The amendments to IFRS 15 clarify how the obligation to execute a contract is identified, how it is determined whether an entity acts in its own name or acts as an intermediary, and whether the proceeds earned as a result of the entity's intellectual property rights have to be recognized at a specific time or in time.

Although it has not yet fully completed the initial assessment of the potential impact of IFRS 15 on financial statements, the Group does not expect the new standard, when applied for the first time, to have a material impact on the financial statements. Most likely, the timing of the Group's income recognition and measurement will not change after the adoption of IFRS 15 due to the nature of the Group's operations and the types of income it obtains.

c) IFRS 16 –Leasing (effective for periods beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17 Leasing and related interpretations. The standard eliminates the current accountancy model for tenants and instead requires companies to bring the most part of the leasing contracts into the financial position within a single model, eliminating the distinction between operating and financial leasing.
It is expected that the new standard will, when applied for the first time, have a material impact on the financial statements, since it will require the Group to recognize in the statement of financial position assets and liabilities for operating leases in which the Group is tenant.

d) Amendments to IAS 40 Investment Property (effective for periods beginning on or after 1 January 2018)

The amendments reinforce the principle of transfers to or outside real estate investments in IAS 40 to specify that such a transfer should only be realized when there has been a real change in the use of ownership - that is, an asset fulfills or ceases to meet the definition of real estate investment and there is evidence of change in use. Only changing management's intention in managing the asset is not sufficient for a transfer.
The Group does not expect the amendments to have a significant impact on the financial statements as the Group transfers land or a building to or from real estate investments only when there is a real change in use.

(cc) Business combinations

Where the business combination results in the relationship between the parent and the subsidiary, where the acquirer is the parent and the acquiree is a subsidiary of the acquirer, the Group applies that combination in the consolidated financial statements.

Business combinations are accounted for using the acquisition method. In this regard, the Group recognizes the identifiable assets, contingent liabilities and contingent liabilities of the subsidiary acquired at their fair value at the acquisition date, and goodwill, which is subsequently subject to impairment testing and is not amortized. At the acquisition date, an intangible asset of an acquiree is recognized only if it meets the definition of an intangible asset and fair value can be measured in a credible manner, including those that have not previously been recognized by the acquiree.

4. Significant accounting policies (continued)

At the acquisition date, the Group has to allocate the cost of a business combination recognizing identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria at fair values at that date, except for non-current assets (or groups to be disposed of) that are classified as held for sale and that are recognized at fair value less costs to sell. Any difference between the cost of the business combination and the interest of the acquirer in the net fair value of the identifiable assets, liabilities and contingent liabilities thus recognized will be accounted for by the recognition of goodwill acquired in a business combination, which is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the assets.

5. Significant risk management

Investment activity exposes the Group to a variety of risks associated with financial instruments owned and financial markets in which it operates. The main risks to which the Group is exposed are:

• market risk (price risk, interest rate risk and currency risk);
• liquidity risk;
• credit risk;
• Taxation risk;
• operational risk.

General risk management strategy aims to maximize Group’s profit compared to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Group.

The Group uses a variety of policies and procedures for the management and evaluation of the types of risk to which it is exposed. These policies and procedures are presented in the subchapter dedicated to each type of risk.

(a) Market risk

Market risk is the risk of a loss or the failure to achieve expected profit as a result of fluctuations in prices, interest rates and exchange rates of currencies.

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

(i) Price risk

The Group is exposed to the risk associated with variation in the price of financial assets at fair value through profit or loss and financial assets available for sale: 69% of the total shares with active market held by the Group on 31 December 2017 (31 December 2016: 57%) accounted for investments in companies that were part of the BET Index of the Bucharest Stock Exchange, with a market capitalization weighted index designed to reflect the trend of prices of the most liquid ten shares traded on the Bucharest Stock Exchange.

The Board of Directors of SAI Muntenia Invest S.A. fulfills its role of monitoring the risk management framework also by approving the limits trading market on the Romanian capital market for speculative purposes.

Through its activity, the Group achieved an increased weight and value of traded shares sub-portfolio, while reducing the share of the sub-portfolio of unquoted shares.

A positive variation of 10% in the price of financial assets at fair value through profit or loss would lead to an increase in profit before tax of the Group of 10,397,635 lei (31 December 2016: 8,473,664 lei), a negative variation 10 % having an equal net impact and of opposite sign.

5. Significant risk management
(a) Market risk
(i) Price risk

A positive variation of 10% in prices of the financial assets available for sale would lead to an increase in the Group's equity before tax of 60,053,077 lei (31 December 2016: 48,089,127 million lei), a negative variation of 10% with an equal net impact and of opposite sign.

The Group holds shares in companies operating in various sectors, such as:

In LEI	**31 December 2017**	**%**	**31 December 2016**	**%**
Financial, banking and insurance	402,022,530	72%	336,065,818	72%
Real estate, renting and other	23,417,815	4%	24,029,503	5%
Wholesale, retail, tourism and restaurants	12,501,915	2%	16,184,901	3%
Building materials industry	11,058,932	2%	12,798,283	3%
Agriculture, livestock, fishing	500	0%	500	0%
Metallic construction and metal products	38,226,931	7%	38,109,771	8%
Pharmaceutical and medical industry	953,809	0%	921,896	0%
Chemical and petrochemical	7,273,223	1%	4,082,725	1%
Energy industry	47,450,422	8%	16,989,918	4%
Others	18,228,351	3%	16,376,641	4%
TOTAL (Note 17)	**561,134,428**	**100%**	**465,559,956**	**100%**

As can be seen from the above table, on 31 December 2017 and 31 December 2016 the Group had shares mainly in companies active in banking and insurance fields, accounting for 72% of the total portfolio.

Units held by the Group are exposed to price risk, them having in their turn, investments of different degrees of risk (bank deposits, bonds, other fixed income instruments, equities, derivatives etc.) - see note 32.

Structured products held by the Group are also exposed to price risk and in the amount of 98,683,282 lei (31 December 2016: 64,226,991 lei), through the underlying assets - see Note 17.

(ii) Interest rate risk

The Group faces interest rate risk exposure to adverse movements in interest rates. Changing market interest rates directly affects income and expenses related to financial assets and liabilities that bear floating interest rates and the market value of the interest bearing assets (for example, the bonds).

On 31 December 2017 and 31 December 2016, most of the assets and liabilities of the Group are not interest bearing. As a result, the Group is not significantly affected by interest rate fluctuations risk. Cash and cash equivalents are generally invested in short-term interest rates in local banks. The Group does not use derivative financial instruments to protect itself against interest rate fluctuations.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

5. Significant risk management

(a) Market risk

(ii) Interest rate risk (continued)

The table below shows the Group's exposure to interest rate risk.

In LEI	Book value	Below 3 months	Bwteen 3-12 months	Between 1-5 years	More than 5 years	No interst
31 December 2017						
Financial assets						
Cash and deposits with banks	**137,522,874**	121,624,863	14,883,052	600,000	-	414,959
Financial assets at fair value through profit or loss	**103,976,353**	-	-	-	-	103,976,353
Financial assets available for sale	**740,304,867**	-	-	-	-	740,304,867
Loans and receivables	**126,583,029**	42,330	-	6,730,175	-	119,810,524
Total financial assets	**1,108,387,123**	**121,667,193**	**14,883,052**	**7,330,175**	**-**	**964,506,703**
Financial liabilities						
Dividend Payment	**57,014,924**	-	-	-	-	57,014,924
Loans	**19,011,785**	16,322,110	-	-	-	2,689,675
Other financial liabilities *	**80,562,746**	85,645	261,537	766,404	-	79,449,160
Total financial liabilities	**156,589,455**	**16,407,755**	**261,537**	**766,404**	**-**	**139,153,759**

***** The structure of the deposits by banks was analyzed based on the period remaining from the consolidated financial position date to the contractual maturity date.
** Other financial liabilities include trade payables and other payables, less advances received from customers, advance earnings, provisions for risks and charges and investment subsidies.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

5. Significant risk management

(a) Market risk

(ii) Interest rate risk (continued)

In LEI	**Book value**	**Below 3 months**	**Bwteen 3-12 months**	**Between 1-5 years**	**More than 5 years**	**No interst**
31 December 2016						
Financial assets						
Cash and deposits with banks	**175,842,939**	157,231,680	18,402,217	-	-	209,042
Financial assets at fair value through profit or loss	**84,736,635**	-	-	-	-	84,736,635
Financial assets available for sale	**561,882,211**	-	-	-	-	561,882,211
Loans and receivables	**113,490,441**	32,391	-	-	2,042,671	111,415,379
Total active financiare	**935,952,226**	**157,264,071**	**18,402,217**	**-**	**2,042,671**	**758,243,267**
Financial liabilities						
Dividend Payment	**83,804,789**	-	-	-	-	83,804,789
Loans	**20,278,375**	17,599,522	-	-	-	2,678,853
Other financial liabilities *	**71,344,489**	70,412	214,350	477,275	-	70,582,452
Total financial liabilities	**175,427,653**	**17,669,934**	**214,350**	**477,275**	**-**	**157,066,094**

*** *** The structure of the deposits by banks was analyzed based on the period remaining from the consolidated financial position date to the contractual maturity date.

** Other financial liabilities include trade payables and other payables, less advances received from customers in advance earnings, provisions for risks and charges and investment subsidies.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

5. Significant risk management

(a) Market risk

(ii) Interest rate risk (continued)

Group net profit impact of a change of +/- 1.00% interest rate related to variable interest-bearing assets and liabilities denominated in other currencies in conjunction with a change of +/- 5.00% interest rate related to variable interest-bearing assets and liabilities denominated in lei is of - / + 529,867 lei (31 December 2015: - / + 624,898 lei).

(iii) Currency risk is the risk of loss or failure to achieve estimated profit as a result of unfavorable exchange rate fluctuations. The Group is exposed to fluctuations in currency exchange rates, and has formalized a policy of currency hedging. Most of the Group's financial assets and liabilities are denominated in local currency, other currencies in which operations are performed are EUR and USD.

Assets and liabilities denominated in LEI and foreign currencies on 31 December 2017 and 31 December 2016 are presented in the following tables.

31 December 2017	**Book value**	**LEI**	**USD**	**EUR**
Financial assets				
Cash and deposits with banks	**137,522,874**	134,422,883	1,230,594	1,869,397
Financial assets at fair value through profit or loss	**103,976,353**	103,976,353	-	98,683,282
Financial assets available for sale	**740,304,867**	740,304,867	-	-
Loans and receivables	**126,583,029**	113,504,868	5,490,746	7,587,415
Total financial assets	**1,108,387,123**	**1,092,208,971**	**6,721,340**	**108,140,094**
Financial liabilities				
Dividend Payment	**57,014,924**	57,014,924	-	-
Loans	**19,011,785**	17,567,278	-	1,444,507
Other financial liabilities *	**80,562,746**	67,477,720	1,740,966	11,344,060
Total financial liabilities	**156,589,455**	**142,059,922**	**1,740,966**	**12,788,567**

* Other financial liabilities include trade payables and other payables, less advances received from customers, advance earnings, provisions for risks and charges and investment subsidies.

5. Significant risk management

(a) Market risk

(iii) Exchange rate risk (continued)

31 December 2016	Book value	LEI	USD	EUR
Financial assets				
Cash and deposits with banks	**175,842,939**	172,385,387	969,155	2,488,397
Financial assets at fair value through profit or loss	**84,736,635**	84,736,635	-	43,505,591
Financial assets available for sale	**561,882,211**	561,882,211	-	-
Loans and receivables	**113,490,441**	105,115,565	5,791,047	2,583,829
Total financial assets	**935,952,226**	**924,119,798**	**6,760,202**	**48,577,817**
Financial liabilities				
Dividend Payment	**83,804,789**	83,804,789	-	-
Loans	**20,278,375**	18,980,769	-	1,297,606
Other financial liabilities *	**71,344,489**	58,466,886	1,672,162	11,205,441
Total financial liabilities	**175,427,653**	**161,252,444**	**1,672,162**	**12,503,047**

* Other financial liabilities include trade payables and other payables, less advances received from customers, advance earnings, provisions for risks and charges and investment subsidies.

The net impact on Group profit of +/- 15% change in the exchange rate of RON / EUR , in conjunction with a change of +/- 15% exchange rate of RON / USD on 31 December 2017, all other variables held constant, is of - / + 12,641,820 lei (31 December 2016: - 5,186,514 lei).

(b) Credit risk

Credit risk is the risk of loss or failure to achieve estimated profits due to failure of a counterparty to fulfil its financial obligations. The Group is exposed to credit risk due to investments in bonds issued by municipalities or companies, to current accounts and bank deposits and other receivables.

5. Significant risk management

(b) Credit risk (continued)

As of 31 December 2017 and 31 December 2016 the Group had no additional guarantees as insurance and any other improvements in the credit rating.

The Group's maximum exposure to credit risk at 31 December 2017 and 31 December 2016 is reflected in the following table:

În LEI	**31 december 2017**	**31 december 2016**
Current accounts	18,211,803	18,881,597
Deposits by banks	118,505,549	156,292,949
Bonds	6,775,384	6,164,107
Trade receivables	159,536,867	144,116,827
Other receivables	27,256,207	23,498,762
Financial guarantees granted	28,474,065	33,400,016
Adjustments for impairment of loans and receivables	(66,985,429)	(60,289,255)
Provisions for guarantee risk	(622,724)	(773,189)
Total	**291,151,722**	**321,291,814**

The Group monitors the exposure to credit risk of balance sheet items by analyzing their age, as reflected in the table below.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

5. Significant risk management

(b) Credit risk (continued)

In LEI	Receivables	Bonds	Treasury certificates	Cash and cash equivalents
31 december 2017				
Adjusted individually				
Significant risk	66,985,429	-		
Gross value	**66,985,429**	**-**	**-**	**-**
Adjustment for impairment of loans and receivables	(66,985,429)	-		
Net value	**-**	**-**	**-**	**-**
Outstanding, unadjusted				
Between 1 - 30 days old	74,979,947			
Between 31-60 days old	19,434,996			
Between 61-90 days old	9,078,702			
Between 91-180 days old	5,820,717			
Between 181-365 days old	3,421,671			
More than 365 days old	543,240			
Gross value	**113,279,273**	**-**	**-**	**-**
Adjustment for impairment of loans and receivables	-	-	-	-
Net value	**113,279,273**	**-**	**-**	**-**
Current, unadjusted				
Without significant risk	6,528,372	6,775,384	-	136,717,352
Gross value	**6,528,372**	**6,775,384**	**-**	**136,717,352**
Adjustment for impairment of loans and receivables	-	-	-	-
Net value	**6,528,372**	**6,775,384**	**-**	**136,717,352**
Total gross value	**186,793,074**	**6,775,384**	**-**	**136,717,352**
Total net value	**119,807,645**	**6,775,384**	**-**	**136,717,352**

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017
5. Significant risk management

(b) Credit risk (continued)

In LEI	Receivables	Bonds	Treasury certificates	Cash and cash equivalents
31 december 2016				
Adjusted individually				
Significant risk	56,202,836	4,086,419		
Gross value	**56,202,836**	**4,086,419**	**-**	**-**
Adjustment for impairment of loans and receivables	(56,202,836)	(4,086,419)		
Net value	**-**	**-**	**-**	**-**
Outstanding, unadjusted				
Between 1 - 30 days old	80,755,502			
Between 31-60 days old	13,527,450			
Between 61-90 days old	1,268,339			
Between 91-180 days old	4,302,047			
Between 181-365 days old	1,471,217			
More than 365 days old	279,578			
Gross value	**101,604,133**	**-**	**-**	**-**
Adjustment for impairment of loans and receivables	-	-	-	-
Net value	**101,604,133**	**-**	**-**	**-**
Current, unadjusted				
Without significant risk	9,808,620	2,077,688	-	175,174,546
Gross value	**9,808,620**	**2,077,688**	**-**	**175,174,546**
Adjustment for impairment of loans and receivables	-	-	-	-
Net value	**9,808,620**	**2,077,688**	**-**	**175,174,546**
Total gross value	**167,615,589**	**6,164,107**	**-**	**175,174,546**
Total net value	**111,412,753**	**2,077,688**	**-**	**175,174,546**

5. Significant risk management

(c) Liquidity risk

Liquidity risk is the risk of loss or failure to achieve estimated profits resulting from failure to meet payment obligations at any time in the short term, without this entailing excessive costs or losses that may be incurred by the Group.

Group's assets and liabilities structure was analyzed on the basis of the period remained from the date of the consolidated statement of financial position to the contractual maturity for the years ended 31 December 2017 and 31 December 2016, thus:

În LEI	**Book value**	**Below 3 months**	**Between 3 and 12 months**	**More than 1 year**	**Without default maturity**
December 31, 2017					
Financial assets					
Cash and deposits with banks	**137,522,874**	122,410,531	14,883,052	-	229,291
Financial assets at fair value through profit or loss	**103,976,353**	-	-	-	103,976,353
Financial assets available for sale	**740,304,867**	-	-	-	740,304,867
Loans and receivables	**126,583,029**	119,852,854	-	6,730,175	-
Total financial assets	**1,108,387,123**	**242,263,385**	**14,883,052**	**6,730,175**	**844,510,511**
Financial liabilities					
Dividend Payment	**57,014,924**	57,014,924	-	-	-
Loans	**19,011,785**	3,049,470	8,831,549	7,130,766	-
Other financial liabilities *	**80,562,746**	79,534,805	261,537	766,404	-
Total financial liabilities	**156,589,455**	**139,599,199**	**9,093,086**	**7,897,170**	**-**
Liquidity surplus / (deficit)	**951,797,668**	**102,664,186**	**5,789,966**	**(1,166,995)**	**844,510,511**

Taking into account the statistical data relating to the previous years on the renewal of bank deposits, the Group considers that cash and bank deposits will cover loans with a maturity of more than one year.

* Other financial liabilities include trade payables and other payables, less advances received from customers in advance earnings, provisions for risks and charges and investment subsidies.

5. Significant risk management

(c) Liquidity risk (continued)

În LEI	Book value	Below 3 months	Between 3 and 12 months	More than 1 year	Without default maturity
December 31, 2016					
Financial assets					
Cash and deposits with banks	**175,842,939**	157,102,907	18,402,217	-	337,815
Financial assets at fair value through profit or loss	**84,736,635**	-	-	-	84,736,635
Financial assets available for sale	**561,882,211**	-	-	-	561,882,211
Loans and receivables	**113,490,441**	111,447,770	-	2,042,671	-
Total financial assets	**935,952,226**	**268,550,677**	**18,402,217**	**2,042,671**	**646,956,661**
Financial liabilities					
Dividend Payment	**83,804,789**	83,804,789	-	-	-
Loans	**20,278,375**	8,502,110	4,566,127	7,210,138	-
Other financial liabilities *	**71,344,489**	70,652,864	214,350	477,275	-
Total financial liabilities	**175,427,653**	**162,959,763**	**4,780,477**	**7,687,413**	**-**
Liquidity surplus / (deficit)	**760,524,573**	**105,590,914**	**13,621,740**	**(5,644,742)**	**646,956,661**

* Other financial liabilities include trade payables and other payables, less advances received from customers in advance earnings, provisions for risks and charges and investment subsidies.

d) Taxation risk

Romanian tax legislation provides detailed and complex rules which have undergone several changes in recent years. Interpretation of the text and the practical implementation of tax laws may vary, existing the risk that certain transactions be interpreted differently by the tax authorities as compared to the Group's treatment.

In terms of income tax there is a risk of different interpretation by the tax authorities of the fiscal rules applied, determined by the IFRS accounting regulations.

Romanian Government has a number of agencies authorized to conduct audits (controls) of companies operating in Romania. These controls are similar to tax audits in other countries, and may extend not only to tax matters but as well as to other legal and regulatory issues of interest to these agencies. The group is likely to be subject to tax audits on the extent of issuing new tax regulations.

(f) Operational risk

Operational risk is the risk of incurring losses or failingto achieve estimated profits due to internal factors such as inappropriate conduct of internal activities, the existence of a personal or systems failure or due to external factors such as economic conditions, changes in the capital market, technological progress. Operational risk is inherent in all Group activities.
Defined policies for operational risk management took into consideration each type of event that can generate significant risks and ways of their manifestations, to eliminate or reduce losses of financial or reputational nature.

5. Significant risk management

(f) Operational risk (continued)

Defined policies for operational risk management took into consideration each type of event that can generate significant risks and ways of their manifestations, to eliminate or reduce losses of financial or reputational nature.

(g) Equity adequacy

Management's policy regarding capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Group and fulfilling investment objectives.

The Group's equity includes share capital, reserves and different types of accumulated loss. Equity totaled 1,551,146,878 RON as of 31 December 2017 (31 December 2016: 1,369,983,766 RON).

The Group or the Company are not subject to statutory capital adequacy requirements.

6. Significant accounting estimates and judgments

Key sources of estimation uncertainty

Impairment of loans and receivables

Assets carried at amortized cost are evaluated for impairment in accordance with accounting policies described in note 4 (d) (*v*).

Assessment for impairment of receivables is made on an individual level and are based on management's best estimate of the present value of cash flows expected to be received. To estimate these flows, management makes estimates regarding certain financial situation of the counterparty. Each depreciated asset is individually analysed. Adjustments accuracy depends on the estimate of future cash flows for specific counterparties.

Determining the fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques described in the accounting policy 4 (d) (*iv*). For financial instruments rarely traded and for which there is no price transparency, fair value is less objective and is determined using various levels of estimates related to the degree of liquidity, the concentration, uncertainty of market factors, assumptions of price and other risks affecting that financial instrument.

Fair value hierarchy

The accounting policies on fair value measurement are presented in note 4 (d) (*iv*).

The Group uses the following hierarchy for fair value valuation methods:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes items that are not based on observable and unobservable input parameters which can have a significant effect on the assessment instrument. This category includes instruments that are valued based on quoted prices for similar instruments but which are subject to adjustments

based largely on unobservable data or estimates to reflect the difference between the two instruments.

6. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or the prices quoted by brokers. For all other financial instruments, the Group determines fair value by using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which observable market prices exist and other valuation techniques. Assumptions and data used in valuation techniques include rates of interest without risk and reference rates, credit gaps and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, equity price indices, volatility and predicted correlations. The purpose of valuation techniques is to determine the fair value of financial instruments which reflect the price at the reporting date, price would be determined by participants under objective market conditions.

The Group uses recognized valuation models to determine the fair value of simple financial instruments that use only observable market data and require very few estimates and analysis from the management (eg instruments that are valued based on quoted prices for similar instruments and for which no adjustments are needed based on unobservable data or estimates to reflect the difference between the two instruments). Prices and observable input parameters in the model are usually available on the market for capital instruments. Their availability reduces the need for analysis from the management and uncertainty associated with determining fair value. The availability of observable market prices and inputs varies depending on products and markets and is subject to changes arising from specific events and general conditions in the financial markets.

For the shares that do not have a quoted market price in an active market, the Group uses valuation models which are usually derived from known models of evaluation. Some or all significant data input into these models may not be observable in the market and are derived from market prices or estimated based on assumptions. Valuation models requiring unobservable inputs require a greater degree of analysis and estimation by management to determine fair value. Analyze and estimate from management affect, in particular, the selection of a suitable evaluation to determine future cash flows of a financial instrument, to determine the probability of default by the counterparty and payments in advance and selecting appropriate discount rates.

Given the inherent limitations of the methodologies applied and the significant uncertainty of assets of international and local markets, the Group estimates may be revised significantly following the date of approval of the financial statements.

6. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

The table below analyzes financial instruments carried at fair value depending on the valuation method.

In LEI	Level 1	Level 2	Level 3	Total
31 December 2017				
Financial assets at fair value through profit or loss	5,293,071	-	98,683,282	103,976,353
Financial assets available for sale at fair value (Note 17 b)	508,301,290	-	152,229,481	660,530,771
	513,594,361	-	**250,912,763**	**764,507,124**

In LEI	Level 1	Level 2	Level 3	Total
31 December 2016				
Financial assets at fair value through profit or loss	20,509,644	-	64,226,991	84,736,635
Financial assets available for sale at fair value (Note 17 b)	409,136,603	-	71,754,667	480,891,270
	429,646,247	-	**135,981,658**	**565,627,905**

For the year ending 31 December 2017, the Group presented financial assets at fair value through profit or loss on Level 3 of fair value hierarchy instruments held in structured products amounting to 98,683,282 lei (31 December 2016: 64,226,991lei). Details of key assumptions used to determine fair value are presented in Note 17 (a).

For the year ending 31 December 2017 the Group presented financial assets available for sale at fair value in Level 3 of the fair value hierarchy closed fund units amounting to 152,229,481 lei (31 December 2016: 71,754,667 lei).

Although the Group believes its estimates of fair value as appropriate, other methods or assumptions could result in different values of fair value.

6. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

Reconciliation of fair value valuations classified in Level 3 of the fair value hierarchy

In LEI	**Financial assets at fair value through profit or loss**	**Financial assets available for sale at fair value**
31 December 2015	**113,293,968**	**19,869,529**
Transfers to level 3	-	55,645,599
Transfers from level 3	(55,645,599)	(3,800,026)
Gains or losses relating to the period included in profit or loss	5,996,222	130,331
ains or losses relating to the period included in other comprehensive income	-	1,425,102
Acquisitions, participations to the share capital	66,203,757	-
Sales	(65,621,357)	(1,515,868)
31 December 2016	**64,226,991**	**71,754,667**
Transfers to level 3	-	-
Transfers from level 3	-	-
Gains or losses relating to the period included in profit or loss	34,200,471	1,860,946
ains or losses relating to the period included in other comprehensive income	-	52,650,401
Acquisitions, participations to the share capital	29,205,276	36,999,896
Sales	(28,949,456)	(11,036,427)
31 December 2017	**98,683,282**	**152,229,482**

Details of the classification of financial assets and liabilities of the Company are presented in Note 17 (d).

The fair values of financial instruments that are not presented at fair value equal their carrying amounts and are Level 3 values.

In the valuation model for financial assets available for sale fund- units, a positive change in fair value of 10% leads to an increase in equity, net of tax, with 12,787,276 lei on 31 December 2017 (31 December 2016: 6,027,392 lei), a 10% adverse change having an equal net impact and of opposite sign.

In the valuation model for financial assets at fair value through profit or loss - structured products, a positive change in fair value of 10% leads to an increase in profit after tax of 8,289,396 lei at 31 December 2017 (31 December 2016: 5.395.067 lei), a 10% adverse change having an equal net impact and of opposite sign.

6. Significant accounting estimates and judgments (continued)

Classification of financial assets and liabilities

Group's accounting policies provide the basis for assets and liabilities to be classified, at the initial moment, in various accounting categories. For the classification of assets and liabilities at fair value through profit or loss, the Group has determined to have been met one or more criteria set out in note 4 (d) (i).

Revaluation of real estate investments

The group accounts the real estate investments at fair value, changes in fair value being recognized in the consolidated profit or loss and other comprehensive income.

Measurement of fair value

At December 31, 2017 and December 31, 2016, the Group's real estate investments were evaluated by independent external auditors authorized by the National Association of Authorized Valuers in Romania ("ANEVAR"). The evaluator used the direct capitalization method and relative comparisons method, the principles and techniques of assessment contained in the ANEVAR standards of valuation of goods.

The hierarchy of fair value

Based on the input data used in the valuation technique, the fair value of real estate investments was classified at level 3 of the fair value hierarchy.

Evaluation techniques

The following table presents the valuation techniques used to determine the fair value of real estate investments classified in Level 3 of the fair value hierarchy.

Evaluation techniques	Input data	Link between input data and fair value measurement
The valuation model considers that the present value of the net cash flows that will be generated by the ownership account for the rental growth rate, unoccupied periods, the occupancy rate, the incentive costs for leasing such as free rent periods and other costs are not paid by the tenants. Estimated net cash flows are updated using risk-based discount rates. Among other factors, estimating the discount rate considers the quality of a building and its location. The direct capitalization method was applied to estimate the value of the income-generating properties, as generally this type of property is usually leased on a long-term basis with some variations in the rental level.	Comparable values for similar buildings that have been corrected, depending on the type of property, location, and intrinsic elements; The expected increase in the rental market; Unoccupied period until a new lease; Employment rate (on average	The estimated fair value would increase (decrease) if: The expected increase in the rental market was higher (lower); The unoccupied period until a new lease was shorter (higher); The occupancy rate was

	85%); Risk-adjusted discount rates (on average 10%).	higher (lower); The risk-adjusted discount rate was lower (higher).

Revaluation of tangible assets property, plant and equipment

Property, plant and equipment is subject to revaluation, and changes in fair value are recognized in other comprehensive income.

Measurement of fair value

At December 31, 2017 and December 31, 2016, the Group's tangible assets property, plant and equipment were evaluated by independent external assessors authorized by the National Association of Authorized Valuers in Romania ("ANEVAR"). Revaluations of land and buildings at 31 December 2017 or 31 December 2016 were carried out using the following methods in accordance with the valuation principles and techniques contained in the ANEVAR Standards for Property Valuation:

• The market comparison method for land;

• Income method, with an average capitalization rate of 10%, in conjunction with the cost method, for construction.

Ierarchy of fair value

Based on the input data used in the valuation technique, the fair value of property, plant and equipment was classified at level 3 of the fair value hierarchy.

Evaluation techniques

In direct comparisons, sales or offers of properties similar to those evaluated to identify similarities and differences between these properties were collected, analyzed, and adjusted for comparable prices to justify differences in the characteristics of the property evaluated. The benchmarks used include property rights, financing and sales conditions, post-purchase costs, market conditions, location, physical characteristics, best use and urban regulations in place.

In the cost approach was used depreciated replacement cost method given the specialized nature of certain buildings (warehouses). Therefore, the net replacement cost was determined on the basis of the updated catalog price index with update indices or on the basis of worksheets. The degree of attrition was determined taking into account upgrades on finishes and installations, capital repairs and building development stages.

Tangible assets and real estate investments have been evaluated taking into account the best use of these assets. Based on the analysis of location information and property characteristics identified in the market analysis, it has been found that, in general, best use is the one available at the time of the assessment.

The definition of control

According to the Group's accounting policies, control is the power to govern financial and operating policies of an entity to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. However, the Group believes that it has not control over an entity which meets the following conditions:

• The entity is bankrupt and the creditors' meeting are not controlled by the Group;

• The entity has negative net assets and the Group's residual interest in it is insignificant.

If an entity previously controlled by the Group, meets these criteria, date of loss of control is deemed to be the date of commencement of bankruptcy proceedings.

Adjustments for impairment of goodwill, trademarks and other rights - listings of customers

The Group has performed depreciation tests for cash-generating units (goodwill, trademarks and other rights - customer lists) for which no impairment indices have been identified. Depreciation tests were performed by an independent evaluator using evaluation models in accordance with the ANEVAR Assessment Standards.

Goodwill

The impairment test of goodwill involved comparing the recoverable amount (determined as the higher of fair value less costs to sell and value in use) of the cash-generating unit "Biofarm" with the book value of the cash-generating unit, which will include the goodwill acquired.

This test showed that the recoverable amount of the cash-generating unit "Biofarm" determined by the value in use at 31 December 2017 was 398,561,781 lei (31 December 2016: 326,556,079 lei) and the book value of 186,515,444 lei (31 December 2016: 187,417,854 lei). The analysis of the results shows that the recoverable amount is higher than the net book value, as there is no impairment of goodwill.

In determining recoverable amount, external sources of information from the same sector of activity, specific to the cash-generating unit "Biofarm" were taken into account. Estimates of future cash flows are based on extrapolated budgets over a five-year period. The discount rate applied to future cash flows was 9.4%, and the perpetuity growth rate used to extrapolate future cash flows was 1.5%.

To assess the sensitivity of recoverable amount, the main hypotheses taken into account are presented in the following table:

Variable modification at 31 decembrie 2017	**Variation in recoverable amount**
Increase EBITDA margin by 15%	470,661,938
Decrease EBITDA margin by 15%	326,461,625
Increase WACC by 2%	320,029,214
Decrease WACC by 2%	530,317,985
Perpetuity growth rate by 1%	434,449,987
Perpetuity decrease rate by 1%	370,738,341

The Group analyzed the main sensitivity assumptions in determining the recoverable amount and in no case the book value is less than the recoverable amount, therefore there is no risk of recognizing impairment of goodwill.

Adjustments for Impairment of Goodwill, Trademarks and Other Rights - Lists of customers

Trademarks and other rights- lists of customers

For impairment testing of trademarks and customer lists was estimated fair value less costs to sell.

The method used by the evaluator to evaluate trademarks is the royalty method because the credibility of the method is high, based on royalty rates on the market for similar intangible assets. The application of this method shows that the fair value of the trademarks at December 31, 2017 was 56,689,734 lei (31 December 2016: 70,993,789 lei) and the selling costs amounted to 1,553,532 lei (31 December 2016 : 1,419,876 lei), resulting in no trademark depreciation.

In order to evaluate the customer lists, the method used by the valuator is the method of multi-periodic excess economic benefits, which showed that the fair value of the customer lists at December 31, 2017 amounted to RON 70,097,995 (December 31, 2016: RON 42,020,255) costs of sale amounted to RON 1,401,960 (December 31, 2016: RON 840,405), with the result that there was no depreciation of the customer lists.

7. Operating segments

The Group comprises the following main business segments:
- Financial investments
- Trade of cereals, grains and other products;
- Rental of commercial premises and offices;
- Poultry;
- Production and sale of drugs.

Other activities include hotel operations, glass fiber manufacture, wholesale, production of construction materials, bakery etc.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

7. Operating segments (continued)

În LEI	Financial investments	Trade of cereals, seeds and other products	Lease of commercial and office space	Poultry	Production and marketing of medicine	Other activities	Eliminations	Consolidated
2017								
Income								
Third party income	92,288,245	76,780,146	39,961,301	48,360,550	170,007,519	89,388,946	-	516,786,707
Income between segments	-	235,462	219,118	-	-	17,844,302	(18,298,881)	-
Total income	**92,288,245**	**77,015,608**	**40,180,418**	**48,360,550**	**170,007,519**	**107,233,248**	**(18,298,881)**	**516,786,707**
Result								
Result per segment	56,363,328	(3,070,611)	20,297,433	1,725,228	30,745,990	6,055,453	(13,979,618)	98,137,203
Interest income	635,520	56,039	341,358	3,697	191,148	662,686	(132,896)	1,757,551
Operating profit	**56,998,848**	**(3,014,572)**	**20,638,791**	**1,728,925**	**30,937,137**	**6,718,138**	**(14,111,667)**	**99,895,601**
Financing expenses	-	(39,884)	(3,936)	(137,935)	(5)	(447,064)	132,896	(495,927)
Profit before taxes	**56,998,848**	**(3,054,456)**	**20,634,855**	**1,590,991**	**30,937,132**	**6,271,075**	**(13,978,771)**	**99,399,674**
Tax on profit	(5,993,521)	(910,978)	(922,596)	(110,757)	(6,650,299)	(237,497)	-	(14,825,648)
Net profit	**51,005,327**	**(3,965,434)**	**19,712,259**	**1,480,234**	**24,286,833**	**6,033,578**	**(13,978,771)**	**84,574,026**

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

7. Operating segments (continued)

În LEI	**Financial investments**	**Trade of cereals, seeds and other products**	**Lease of commercial and office space**	**Poultry**	**Production and marketing of medicine**	**Other activities**	**Eliminations**
31 december 2017							
Assets							
Assets on segments	866,564,397	92,004,350	261,870,807	55,100,630	328,558,709	177,294,581	1,781,393,474
Not allocated assets	-	-	-	-	-	-	4,212,566
Total assets							**1,785,606,040**
Liabilities							
Liabilities on segments	91,857,792	15,264,909	31,514,124	12,775,259	43,888,232	20,147,060	215,447,377
Not allocated liabilities	-	6,908,536	-	4,358,735	-	7,744,514	19,011,785
Other liabilities							**234,459,162**
Other information							
Equity expenses	6,512	1,505,170	3,449,497	1,631,921	16,520,581	2,551,410	25,665,092
Depreciation of tangible and intangible assets	71,579	4,150,213	1,143,205	2,102,755	17,770,238	7,395,485	32,633,474
Impairment losses on property, plant and equipment recognized in profit or loss	-	(93,149)	(173,915)	265,528	-	(53,065)	(54,601)
Other non-monetary expenses / (income)	(4,362,965)	4,770,727	347,017	1,040,724	(6,165,808)	20,269	(4,350,036)

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

7. Operating segments (continued)

În LEI	**Financial investments**	**Trade of cereals, seeds and other products**	**Lease of commercial and office space**	**Poultry**	**Production and marketing of medicine**	**Other activities**	**Eliminations**	**Consolidated**
2016								
Income								
Third party income	88,802,246	60,480,543	25,895,503	45,882,895	152,894,354	82,496,097	-	456,451,638
Income between segments	782,702	373,252	201,411	-	-	16,551,130	(17,908,495)	-
Total income	**89,584,948**	**60,853,795**	**26,096,914**	**45,882,895**	**152,894,354**	**99,047,227**	**(17,908,495)**	**456,451,638**
Result								
Result per segment	54,326,614	(18,848,113)	950,705	403,076	23,413,865	6,174,176	(11,343,664)	55,076,660
Interest income	955,890	40,072	372,229	138	400,603	734,403	(92,381)	2,410,955
Operating profit	**55,282,504**	**(18,808,042)**	**1,322,934**	**403,215**	**23,814,469**	**6,908,580**	**(11,436,046)**	**57,487,615**
Financing expenses	-	(213,780)	(6,124)	(102,083)	(536)	(415,204)	92,381	(645,346)
Profit before taxes	**55,282,504**	**(19,021,822)**	**1,316,810**	**301,132**	**23,813,933**	**6,493,376**	**(11,343,664)**	**56,842,269**
Tax on profit	(4,896,320)	743,409	(62,121)	(61,300)	(5,962,938)	(1,514,745)	-	(11,754,015)
Net profit	**50,386,184**	**(18,278,413)**	**1,254,689**	**239,832**	**17,850,995**	**4,977,785**	**(11,342,817)**	**45,088,254**

7. Operating segments (continued)

In LEI	**Financial investments**	**Trade of cereals, seeds and other products**	**Lease of commercial and office space**	**Poultry**	**Production and marketing of medicine**	**Other activities**	**Consolidated**
31 December 2016							
Assets							
Assets on segments	725,054,061	92,478,520	249,836,067	49,707,909	319,740,926	165,235,459	1,602,052,942
Investments in associates	-	-	-	-	-	-	-
Not allocated assets	-	-	-	-	-	-	2,440,207
Total assets							**1,604,493,149**
Liabilities							
Liabilities on segments	101,199,545	10,492,067	29,666,810	13,249,769	40,650,366	18,972,452	214,231,008
Not allocated liabilities	-	9,560,969	-	3,307,179	-	7,410,227	20,278,375
Other liabilities							**234,509,383**
Other information							
Equity expenses	21,608	393,444	4,759,780	4,876,021	19,782,425	4,456,764	34,290,042
Depreciation of tangible and intangible assets	65,473	5,726,242	1,756,508	1,947,049	18,064,152	7,341,984	34,901,408
Impairment losses on property, plant and equipment recognized in profit or loss	-	3,190,593	(261,018)	-	-	(7,411,183)	(4,481,608)
Other non-monetary expenses / (income)	7,500,742	(10,045,539)	3,735,444	(447,012)	(3,754,925)	(229,117)	(3,240,407)

8. Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

During 2017 and 2016 no subsidiaries were purchased.

(b) Disposal of subsidiaries

During 2017 and 2016 the Group has not lost control of any of its subsidiaries previously considered within the scope of consolidation.

9. Operating revenues

In LEI	**2017**	**2016**
Revenue from sale of goods and services (a)	392,468,166	343,700,585
Investment income (b)	44,800,725	69,364,790
Net gains from financial instruments (c)	50,644,293	28,224,714
Total	**487,913,184**	**441,290,089**

(a) Income from sale of goods and services

In LEI	**2017**	**2016**
Sale of goods	87,204,444	64,529,964
Sale of production	270,278,020	246,781,232
Services	32,628,447	30,710,725
Operating grants	2,357,255	1,678,664
Total	**392,468,166**	**343,700,585**

(i) Sale of production is mainly represented by sales of Biofarm S.A. of medicines to pharmaceutical distributors in the amount of 168,290,921 lei (2016: 148,760,627 lei), sales of Avicola S.A. of consumption eggs and chickens worth 37,354,569 lei (2016: 33,920,852 lei) and the sales of Firos S.A. of construction materials worth 34,285,563 lei (2016: 30,460,714 lei) (see Note 7).

9. Operating revenues (continued)

(b) Investment income

In LEI	**2017**	**2016**
Dividend income	21,036,276	46,627,576
Rental income	21,620,171	19,985,038
Interest income on deposits and current accounts	1,500,726	2,162,491
Interest income on loans and receivables	136,095	132,672
Interest income on investments held to maturity	120,730	115,792
Income from re-invoicing utilities related to real estate investments	386,727	341,221
Total	**44,800,725**	**69,364,790**

Dividend income is recorded on a gross basis. Tax rates on dividends for the financial year ended 31 December 2017 were 5% and zero (2016: 16% and zero).

The rental income is generated by leases of real estate space. These relate mainly to buildings owned by the Group and classified on 31 December 2017 and 31 December 2016 as real estate investment (see Note 20).

(c) Net gains related to financial instruments

In LEI	**2017**	**2016**
Net gain from sale of financial assets available for sale *(i)*	11,915,976	37,377,933
Net gain from revaluation of financial assets held for trading - shares	4,663,136	122,856
Net gain / (net loss) from revaluation of financial assets held for trading - structured products	34,200,471	(2,816,766)
Net loss from revaluation of financial assets designated at fair value through profit or loss - units	(135,290)	(6,459,309)
Total	**50,644,293**	**28,224,714**

(i) Historical cost of financial assets available for sale valuated at cost at the time of sale was 26,095,338 lei (2016: 48,073,794 lei) and the gain on sale was 2,553,912 lei (2016: 17,796,846 lei).

Historical cost of financial assets available for sale at fair value at the time of sale was 30,875,484 lei (2016: 55,010,070 lei) and the gain on sale was 8,004,050 lei (2016: 7.864.631 lei).

The historical cost of financial assets measured at fair value through profit or loss at the time of sale was 30,849,695 lei (2016: 57,290,108 lei), and the gain on sale was 1.358.014 lei (2016: 11,716,456 lei).

10. Other revenues and gains

În LEI	**2017**	**2016**
Net gain from the sale of tangible assets and real estate investments	12,855,927	3,114,335
Net gain on sale of tangible assets held for sale	356,079	-
Net gain on fair value revaluation of real estate investments (Note 20)	3,924,378	449,660
Change in the fair value of biological assets (Note 23 (i))	6,766,177	8,144,271
Other operating income	5,809,698	4,430,370
Net loss from exchange rate fluctuation	(838,736)	(977,087)
Total	**28,873,523**	**15,161,549**

11. Changes in inventory and capitalized production

	2017	**2016**
Changes in inventories	(1,999,628)	(6,242,970)
Capitalized production	780,818	654,743
Total	**(1,218,810)**	**(5,588,227)**

12. Operating expenses

Operating expenses

În LEI	**2017**	**2016**
Exependitures on raw materials and commodities (a)	181,794,014	159,521,661
Third party expenses (b)	93,958,184	85,819,647
Expenditures with salaries and other personnel costs	73,224,030	68,635,387
Depreciation and impairment of property (Nota 21, 22)	32,578,873	30,419,801
Total	**381,555,101**	**344,396,496**

At 31 December 2017, the Group has an average number of employees of 1,348 (31 December 2016: 1,414).

(a) Expenses with raw materials, materials and commodities

In LEI	**2017**	**2016**
Raw materials	112,940,986	108,965,856
Commodities	68,853,028	50,555,805
Total	**181,794,014**	**159,521,661**

12. Operating expenses (continued)

(b) Expenses with third parties

In LEI	**2017**	**2016**
Management fees	18,707,525	17,858,250
Transport	5,032,919	4,679,360
Other fees	3,261,880	2,667,756
Maintenance and repairs	2,789,136	2,991,893
Communications expenses	997,387	975,750
Protocol, advertising and publicity	31,336,562	28,821,953
Trading costs	209,462	525,486
Banking services	415,551	449,601
Custody fees	252,399	218,650
Other services	30,955,363	26,630,948
Total	**93,958,184**	**85,819,647**

13. Loss from impairment of assets

Losses from impairment of assets

În LEI	**2017**	**2016**
Loss from impairment of available-for-sale financial assets (Nota 17 b)	954,946	7,463,958
Loss from impairment of other assets *)	2,682,422	16,865,910
Net loss form impairment of tangible assets available for sale (Note 19)	2,032,729	-
Total	**5,670,097**	**24,329,868**

*) The loss on impairment of other assets consists mainly of the repayments of adjustments for impairment of loans and receivables amounting to 6,696,174 lei (2016: 8,183,282 lei) (Note 17c)) and depreciation adjustments for depreciation of inventories value of 4,401,466 lei (2016: 3,917,403 lei).

14. Other expenses

Other expenses

În LEI	**2017**	**2016**
Expenditure on utilities	13,537,088	13,637,038
Expenditure on other taxes	6,263,335	4,850,849
Rent expensses	1,532,506	1,795,271
SRC members remuneration	1,445,817	1,423,017
Provisions for risk and expense provisions	1,100,382	510,726
Other operating expenses	4,567,970	2,432,530
Total	**28,447,098**	**24,649,431**

15. Income tax

In LEI	2017	2016
Current income tax	15,299,463	8,847,199
Income from deferred tax	(473,815)	2,906,817
Total	**14,825,648**	**11,754,016**

Reconciliation of profit before tax to income tax expense in profit or loss:

Proft before taxes	**99,399,674**	**56,842,270**
Tax under statutory tax rate of 16%	**15,903,948**	**9,094,763**
Income tax effect on:		
The dividends tax rates	923,602	2,010,724
Amounts relating to incomes	1,734,845	1,052,359
Amounts relating to expenses	-	-
Deductions	(6,513,825)	(3,362,832)
Nondeductible expenses	13,121,425	16,665,146
Taxable income	(7,275,473)	(17,143,352)
Other reversals of temporary differences	(473,815)	2,906,817
Sponsorship amounts within legal limits	(386,983)	(154,937)
Fiscal losses	(2,208,076)	685,327
Income tax	**14,825,648**	**11,754,016**

Starting with 2015 financial year, in determining taxable profit of the Company's, revenues and expenses are taken into consderation according to IFRS accounting regulations net of non-taxable income and deductible expenses are added according to the Fiscal Code.

16. Cash and deposits with banks

In LEI	31 decembrie 2017	31 decembrie 2016
Cash	414,959	209,042
Current accounts with banks	18,211,803	18,881,597
Bank deposits with initial maturity less than 3 months	40,325,233	18,335,013
Bank deposits with initial maturity more than 3 months and less than one year	77,951,025	137,620,121
Blocked deposits	229,291	337,815
Related Claims	390,563	459,351
Total cash and deposits with banks	**137,522,874**	**175,842,939**

Current accounts and bank deposits, other than those locked, are permanently available to the Group and are not restricted.

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for the financial exercise ended at 31 December 2017

17. Financial assets and liabilities

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

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Financial assets held for trading - shares *(i)*	560,922	16,242,205
Financial assets held for trading - structured products *(ii)*	98,683,282	64,226,991
AFinancial assets designated at fair value through profit or loss - units (iii)	4,732,149	4,267,439
Total	**103,976,353**	**84,736,635**

(i) As at 31 December 2017 and 31 December 2016, financial assets at fair value through profit or loss are represented by shares issued by companies listed on the Bucharest Stock Exchange.

On 1 December 2017, the Company reclassified from financial assets held for trading - shares in financial assets available for sale at fair value, shares issued by four companies (SNTGN Transgaz SA, SCDFEE Electrica SA, SNGN Romgaz SA, Conpet SA) at fair value of 46,874,468 lei. In the case of these companies, the dividend policy and the existing potential for appreciation of medium and long-term quotations lead to a change in the original strategy, in the context of banks offering low interest rates on bank deposits. At 31 December 2017 their value is 45,917,526 lei

(ii) During 2017, the Company invested in bonds issued by OPUS Chartered Issuance SA with a one-year maturity and with an acquisition cost of 29,205,275 lei, equivalent to 6,389,253 euro for a number of 501 units. The acquisition of this type of securities is part of the investment policy of SIF Muntenia S.A. diversification of the investment portfolio. Titles follow the evolution of the price of a basket of shares of SIF Banat Crişana S.A. (52%) and SIF Moldova S.A. (48%), the holder of which entitles them to the dividend, but their holding without giving the investor as well the right to vote for the investor for the SIF1 and SIF2 shares. OPUS Chartered Issuance S.A. is a public limited liability company registered in the Grand Duchy of Luxembourg as an unregulated securitization company, the transaction dealership being represented by Morgan Stanley International Plc.

As at 31 December 2017, the Company assessed these securities using an evaluation model that takes into account the Bloomberg closing price (163,810 euro / certificate).

During 2016, the Company invested in bonds issued by OPUS Chartered issuance SA with a maturity of two years and an acquisition cost of 44,621,357 lei, equivalent of 10,000,080 Euro for a total of 1,140 units. The purchase of such securities in the investment policy is part of SIF Muntenia S.A. diversification of the investment portfolio. The titles follow the evolution price of a basket of shares of SIF Moldova S.A. (a quota of 9.17%) and SIF Oltenia S.A. (a quota of 90.83%), giving the holder the right to dividend, but without conferring voting rights for the investors in SIF 2 and SIF5. OPUS Chartered issuance SA is a public limited liability registered in Luxembourg as securitization unregulated company, the transaction dealer being represented by Morgan Stanley International Plc.

On 31 December 2017, the Company has assessed these securities using a valuation model which considers the quotation closing price published by Bloomberg 117,170 Euro / certificate) (31 December 2016: 87,758 euro/certificate) and an adjustment factor which mainly considers the risk of market liquidity of the underlying and effect its quotation on securities by their issuer. Adjustment factor determined previously mentioned decrease in fair value of these instruments 2,270,568 lei registered on account of profit or loss in 2016, not resumed in 2017.

17. Financial assets and liabilities

(a) Financial assets at fair value through profit or loss (continued)

(iii) As at 31 December 2017, the fund units issued by the open-end investment funds Bond Flexible BCR EURO, Raiffeisen RON FLEXI, Raiffeisen EURO PLUS, Money Market BCR LEI have a value of 4,732,149 lei (31 December 2016: 4,267,439 lei).

(b) Financial assets available for sale

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Shares at fair value *(i)*	480,799,410	368,326,810
Fund units at fair value *(iii)*	179,731,361	112,564,460
Total financial assets available for sale - measured at fair value	660,530,771	480,891,270
Shares at cost *(ii)*	79,774,096	80,990,941
Total	**740,304,867**	**561,882,211**

(i) The fair value valuation of the shares was done by multiplying the number of shares at balance sheet date to the closing price on the last trading day of the reporting period or by obtaining the assessment reports carried out by independent evaluators.

On 31 December 2017 and 31 December 2016 the category shares at fair value mainly includes the value of shares held in BRD - Groupe Societe Generale, Banca Transilvania SA, SIF Banat-Crisana SA, SIF Oltenia SA.

(ii) The value at 31 December 2017 of the shares valued at the cost of 79,774,096 RON (31 December 2016: 80,990,941 RON) is determined by their cost in the amount of RON 250,033,802 (31 December 2016: 279,033,726) less adjusted for depreciation in the amount of RON 170,259,707 (December 31, 2016: RON 198,042,785). Depreciation adjustments for the financial year 2017 amounted to 954,946 lei (2016: 7,463,958 lei).

(iii) At 31 December 2017, the Group owns fund units at fair value of which: open-end investment funds (Certinvest Prudent, Certinvest Dinamic, Star Next, Star Focus, Active Dynamic, Prosper Invest) worth RON 22,258,176 and funds closed-end investments (Certinvest Properties RO, BET-FI Index Invest, Multicapital Invest, Active Plus, Omnitrend, Star Value and Optim Invest) worth 157,900,739 lei.

Based on the regulations issued by the FSA, the fund units are valued based on net asset value, calculated by the fund manager using closing quotes for financial instruments. If the group notes that for the holdings of a fund there is not an active market, the assessment calls for public information on fund holdings (financial statements, audit reports, portfolio structure, etc.) and the net asset value. Based on net asset obtain a corrected NAV adjustments deemed necessary at the net asset value after analyzing public information mentioned above.

Provisions for impairment in value on 31 December 2017 in the amount of 427,554 lei (31 December 2016: 1,028,920 lei) are recognized mainly for FII Certinvest Properties RO (31 decembrie 2016: FDI STK Europe, FII Omnihedge and FII Certinvest Properties RO).

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for the financial exercise ended at 31 December 2017

17. Financial assets and liabilities (continued)

(b) Financial assets available for sale (continued)

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

in LEI	**Shares at fair value**	**Shares at cost**	**Fund units**	**Total**
1 January 2016	**355,904,881**	**114,572,797**	**52,774,388**	**523,252,066**
Net change during the period (i)	(22,039,075)	(4,027,325)	(16,081,577)	(42,147,977)
Transfer between categories (ii)	24,687,372	(24,687,372)	72,817,171	72,817,171
Restatement (iii)	-	-	-	-
(Losses) / Impairment losses	(2,596,799)	(4,867,159)	-	(7,463,958)
Changes in fair value	12,370,431	-	3,054,478	15,424,909
31 December 2016	**368,326,810**	**80,990,941**	**112,564,460**	**561,882,211**
Net change during the period (i)	21,673,402	(2,102,960)	13,100,429	32,670,871
Transfer between categories (ii)	(1,841,061)	1,841,061	-	-
Reclassification (iii)	46,874,468	-	-	46,874,468
Impairment losses	-	(954,946)	-	(954,946)
Changes in fair value	45,765,791	-	54,066,472	99,832,263
31 December 2017	**480,799,410**	**79,774,096**	**179,731,361**	**740,304,867**

17. Financial assets and liabilities (continued)

(b) Financial assets available for sale (continued)

(i) Inputs of shares in 2017 are: purchases of shares from a regulated market such as OMV Petrom S.A., BRD Groupe Societe General S.A., Vrancart S.A., SIF Oltenia S.A., Banca Transilvania S.A.
Sales of shares in 2017 are: sales of portfolio securities such as: Cemacon S.A., SIF Oltenia S.A., Felix S.A., Savoy Complex SA, Rombeton S.A., Emat S.A., Comcereal S.A., Sibex Depositary S.A., Cicero Typography S.A. SNGN Romgaz S.A., company disregistrations such as: Navol S.A., SIN S.A .
Fund units purchases during 2017 are subscriptions, such as FII Optim Invest.
Sales of fund units during the year 2017 represent redemptions such as FII Certinvest Properties RO, FDI Certinvest Dinamic, FDI Napoca, FDI Technoglobinvest, FDI Transilvania, FII STK Emergent, FDI STK Europe, FII BT Invest 1, FII Omnihedge, FDI Erste Balanced, FDI Erste Equity.
Inputs of shares during 2016 are: participation in share capital increases of existing companies in the portfolio, such as: Vrancart S.A., purchases of shares on a regulated market such as OMV Petrom S.A. and BRD Groupe Societe General S.A .

Outflows of shares in 2016 are: sales of securities in the portfolio such as: Banca Transilvania S.A. Teraplast S.A., Globalworth Real Estate Investments Limited, SIF Banat Crişana S.A., Petrotel Lukoil S.A. companies such as: Elements Restaurants S.A., Muntenia Global Finance S.A., Tubal S.A., Matizol S.A., Cercon Arieşul S.A., Energopetrol Construct S.A. withdrawals from companies such as: Energopetrol Com S.A., Timpuri Noi S.A., Galgros Galaţi S.A., Vulturul S.A. Comarnic

During 2016 there were no entries of fund units.

Sales of fund units in 2016 represent redemptions, such as: FII STK Emergent, FDI BRD Bonds, FDI Raiffeisen Confort, FDI Raiffeisen Confort EURO, FDI Certinvest Bonds, IFI BET-FI Index Invest.

(ii) During the years ended as of 31 December 2017 and 31 December 2016 the market of certain shares held by the Company became active, so it was possible to determine their fair value. Also, the market shares of certain shares held by the Company became inactive, so fair value can no longer be reliably determined.

(iii) On 1 December 2017, the Company reclassified a total of four companies (SNTGN Transgaz SA, SCDFEE Electrica SA, SNGN Romgaz SA, Conpet SA) from financial assets held for trading - shares in financial assets available for sale at fair value fair of RON 46,874,468 (see Note 15 a) (*i*)).

On 1 April 2016, the Company reclassified from financial assets designated at fair value through profit or loss - fund units in available-for-sale financial assets valued at fair value of eight funds (FDI Active Dynamic, FII Active Plus, FDI Multicapital Invest, FII Omnitrend, FII Star Value, FII STK Emergent, FDI Star Next and FDI Star Focus) at a fair value of RON 72,817,171.

17. Financial assets and liabilities (continued)

(c) Loans and receivables

As of 31 December 2017 and 31 December 2016 the Group had the following loans and receivables:

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Trade receivables	159,536,867	144,116,827
Corporate bonds - RON	911,693	5,032,013
Corporate bonds - EUR	5,863,691	1,132,094
Other receivables	27,256,207	23,498,762
Minus adjustments for impairment of loans and receivables	(66,985,429)	(60,289,255)
Total	**126,583,029**	**113,490,441**

Adjustments for impairment of loans and receivables as of 31 December 2017 include adjustments recorded by subsidiaries for customers and various debtors amounting to RON 66,985,429 (31 December 2016: 56,202,836) and adjustments recorded by the Company for bonds held in the portfolio amounting to 4,086,419 lei at 31 December 2016.

Movement of adjustments for impairment is presented in the table below:

1 January 2016	**52,105,973**
Establishment of adjustments for impairment of loans and receivables (Note 13)	8,183,282
31 December 2016	**60,289,255**
Establishment of adjustments for impairment of loans and receivables (Note 13)	6,696,174
31 December 2017	**66,985,429**

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17. Financial assets and liabilities (continued)

(d) Accounting classifications and fair values

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

In LEI	**Tradable**	**Designated at fair value**	**Available for sale**	**Cost or amortized cost**	**Total book value**	**Fair value**
31 December 2017						
Cash and deposits with banks	-	-	-	137,522,874	**137,522,874**	**137,522,874**
Financial assets at fair value through profit or loss	99,244,204	4,732,149	-	-	**103,976,353**	**103,976,353**
Financial assets available for sale	-	-	660,530,771	79,774,096	**740,304,867**	**740,304,867**
Loans and receivables	-	-	-	126,583,029	**126,583,029**	**126,583,029**
Total financial assets	**99,244,204**	**4,732,149**	**660,530,771**	**343,879,999**	**1,108,387,123**	**1,108,387,123**
Dividend payment	-	-	-	(57,014,924)	**(57,014,924)**	**(57,014,924)**
Other financial liabilities*	-	-	-	(80,562,746)	**(80,562,746)**	**(80,562,746)**
Loans	-	-	-	(19,011,785)	**(19,011,785)**	**(19,011,785)**
Total financial liabilities	**-**	**-**	**-**	**(156,589,455)**	**(156,589,455)**	**(156,589,455)**

* Other financial liabilities include trade payables and other payables, less advances received from customers in advance earnings, provisions for risks and charges and investment subsidies.

To estimate the fair value of financial assets and liabilities measured at cost or amortized cost, the Group used the following estimates and made the following significant judgments: for elements such as cash and cash equivalents, other financial assets and liabilities that are issued or held for a very short-term loans as well as loans and receivables that generally do not bear interest or bear fixed interest, the Group approximating their fair value with their cost; for loans and receivables, the Group has used valuation techniques such as the nature of cash flows using observable market input data (as such, valuation was performed using Level 3 techniques).

17. Financial assets and liabilities (continued))

(d) Accounting classifications and fair values (continued)

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

In LEI	**Tradable**	**Designated at fair value**	**Available for sale**	**Cost or amortized cost**	**Total book value**	**Fair value**
31 December 2016						
Cash and deposits with banks	-	-	-	175,842,939	**175,842,939**	**175,842,939**
Financial assets at fair value through profit or loss	80,469,196	4,267,439	-	-	**84,736,635**	**84,736,635**
Financial assets available for sale	-	-	480,891,270	80,990,941	**561,882,211**	**561,882,211**
Loans and receivables	-	-	-	113,490,441	**113,490,441**	**113,490,441**
Total financial assets	**80,469,196**	**4,267,439**	**480,891,270**	**370,324,321**	**935,952,226**	**935,952,226**
Dividend payment	-	-	-	(83,804,789)	**(83,804,789)**	**(83,804,789)**
Other financial liabilities*	-	-	-	(71,344,489)	**(71,344,489)**	**(71,344,489)**
Loans	-	-	-	(20,278,375)	**(20,278,375)**	**(20,278,375)**
Total financial liabilities	**-**	**-**	**-**	**(175,427,653)**	**(175,427,653)**	**(175,427,653)**

* Other financial liabilities include trade payables and other payables, less advances received from customers in advance earnings, provisions for risks and charges and investment subsidies.

To estimate the fair value of financial assets and liabilities measured at cost or amortized cost, the Group used the following estimates and made the following significant judgments: for elements such as cash and cash equivalents, other financial assets and liabilities that are issued or held for a very short-term loans as well as loans and receivables that generally do not bear interest or bear fixed interest, the Group approximating their fair value with their cost; for loans and receivables, the Group has used valuation techniques such as the nature of cash flows using observable market input data (as such, valuation was performed using Level 3 techniques).

18. Inventory

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Goods in stock	10,853,085	10,306,665
Raw materials and packaging	23,830,868	19,490,220
Finished goods and work in progress	10,216,009	8,951,823
Total	**44,899,962**	**38,748,708**

During the year 2017, an appreciation of the inventories value was recognized as income of 4,401,466 lei. During the year 2016, an impairment of the value of the inventories was recognized as an expense in the amount of 3,917,403 lei.

19. Fixed assets held for sale

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Balance as at 1 January	**9,336,953**	**-**
Transfer to tangible assets d (Note 22) *(i)*	-	9,336,953
Sales	(1,451,621)	-
Net loss from valuations	(2,032,729)	-
Balance as at 31 December	**5,852,603**	**9,336,953**

(i) In 2016, certain land and buildings that are no longer used by Semrom Muntenia S.A. subsidiary were transferred from the category of fixed assets to the fixed assets held for sale, and there is a decision on their sale, transfer amounting to RON 9,336,953.

20. Real estate investments

Reconciliation of book value of the real estate investments

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Balance as at 1 January	**205,696,019**	**164,657,571**
Acquisitions *(i)*	5,503,294	1,209,439
Transfer from tangible assets (Note 22) *(ii)*	10,622,337	42,005,563
Transfer to tangible assets (Note 22)	(50,726)	(1,157,364)
Sales	(9,597,664)	(1,468,850)
Changes in fair value	3,924,379	449,660
Balance as at 31 December	**216,097,639**	**205,696,019**

Real estate investment include land and buildings held to be rented to third parties.

(i) Purchases of real estate investment during 2017 represent mainly buildings and land owned by CI-CO S.A. in the amount of 4,606,874 lei.(2016: buildings and land owned by Ci-CO S.A in the amount of 1,209,439 lei).

(ii) During 2017, certain plots of land and buildings that have been leased or are held for capital increase (Bucur SA transfer in the amount of 3,320,018 lei, Unisem SA transfer in value of 344,101 lei) have been transferred from the category of tangible assets to real estate investments, Semrom Muntenia SA transfer of 2,742,498 lei and Firos SA transfer in the amount of 4,215,720 lei).

During 2016, certain land and buildings that have been leased or are held for capital increase (Bucur SA transfer in value of 22,182,257 lei, Unisem SA transfer in value of 7.106.537 lei, Semrom Muntenia S.A. transfer in value of 7,526,197 lei, Firos S.A. transfer in value of 4,390,660 lei and Semrom Oltenia S.A. transfer in value of 799,912 lei) have been transferred from the category of property, plant and equipment to real estate investments.

At 31 December 2017 and 31 December 2016, the Group does not have any real estate investments purchased under finance leases.

In 2017, the rental income from real estate investments amounted to 21,561,575 lei (in 2016: 19,812,023 lei). Direct operating expenses with real estate investments that generated rental income in 2017 amounted to 1,754,249 lei (in 2016: 768,959 lei*)*

21. Intangible assets

In LEI	**Goodwill**	**Other intangible assets**	**Trademarks and other rights**	**Total**
Cost				
At 1 January 2016	9,642,107	5,606,592	90,365,139	**105,613,838**
Acquisitions	-	113,316	-	**113,316**
Sales	-	(57,096)	-	**(57,096)**
La 31 decembrie 2016	**9,642,107**	**5,662,812**	**90,365,139**	**105,670,058**
Acquisitions	-	839,136	-	**839,136**
Sales	-	(234,871)	-	**(234,871)**
At 31 December 2017	**9,642,107**	**6,267,077**	**90,365,139**	**106,274,323**
Accumulated depreciation and impairment losses				
At 1 January 2016	-	3,711,244	13,554,771	**17,266,015**
Depreciation expense	-	795,809	9,036,514	**9,832,323**
Sales	-	(57,096)	-	**(57,096)**
Impairment losses	-	768,034	-	**768,034**
La 31 decembrie 2016	**-**	**5,217,991**	**22,591,285**	**27,809,276**
Depreciation expense	-	487,361	9,036,514	**9,523,875**
Sales	-	(108,088)	-	**(108,088)**
Impairment losses	-	(307,216)	-	**(307,216)**
At 31 December 2017	**-**	**5,290,048**	**31,627,799**	**36,917,847**
Net book value				
At 31 December 2016	**9,642,107**	**444,821**	**67,773,854**	**77,860,782**
At 31 December 2017	**9,642,107**	**977,029**	**58,737,340**	**69,356,476**

Goodwill acquired in a business combination with Biofarm S.A. through acquisition in stages, amounting to 9,642,107 lei represents a payment made by SIF Muntenia S.A. in anticipation of future economic benefits from assets that can not be individually identified and recognized separately.

22. Tangible assets

În LEI	Land	Buildings	Equipment and other fixed assets	Tangible assets in progress	Total
Cost or revaluated value					
At 1 January 2016	115,002,199	124,316,689	193,040,249	41,636,627	**473,995,764**
Inputs	389,485	148,170	7,443,173	26,195,899	**34,176,726**
Revaluations	(1,434,051)	4,083,352	-	-	**2,649,301**
Transfers to real estate investments	(21,470,998)	(20,726,076)	-	-	**(42,197,075)**
Transfers to non-current assets held for sale	(5,173,715)	(4,163,238)	-	-	**(9,336,953)**
Transfers from tangible assets in progress	169,019	2,703,725	1,121,531	(3,994,275)	**-**
Outputs	(2,128,259)	(2,239,974)	(3,325,461)	(705,348)	**(8,399,043)**
At 31 December 2016	**85,353,679**	**104,122,648**	**198,279,491**	**63,132,903**	**450,888,722**
Inputs	196,360	2,776,829	6,484,429	15,368,338	**24,825,956**
Revaluations	5,676,448	(3,980,199)	-	-	**1,696,249**
Transfers to real estate investments	(8,799,335)	(1,045,768)	-	(726,508)	**(10,571,611)**
Transfers to non-current assets held for sale	-	-	-	-	**-**
Transfers from tangible assets in progress	-	28,005	2,879,416	(2,907,421)	**-**
Outputs	(603,431)	(383,184)	(5,087,987)	(1,079,279)	**(7,153,881)**
At 31 December 2017	**81,823,721**	**101,518,331**	**202,555,349**	**73,788,033**	**459,685,435**

The value of tangible assets in progress, amounting to 15,368,338 lei (2016: 26,195,899 lei) consist primarily of the investment of the subsidiary Biofarm S.A. for a new medicine factory.

21. Tangible assets (continued)

În LEI	**Land**	**Buildings**	**Equipment and other fixed assets**	**Tangible assets in progress**	**Total**
Accumulated depreciation and impairment losses					
At 1 January 2016	**4,586,326**	**16,504,524**	**121,753,932**	**326,501**	**143,171,283**
Depreciation expense	62,516	7,509,307	17,426,994	-	**24,998,817**
Revaluations	-	(8,630,065)	-	-	**(8,630,065)**
Transfers to real estate investments	(68,442)	(1,280,434)	-	-	**(1,348,876)**
Inputs in the consolidation perimeter	-	-	-	-	**-**
Outputs	-	(216,773)	(2,699,541)	-	**(2,916,314)**
Depreciation losses	-	(4,460,054)	(3,324,346)	(42)	**(7,784,442)**
At 31 December 2016	**4,580,400**	**9,426,505**	**133,157,039**	**326,459**	**147,490,403**
Depreciation expense	65,079	5,655,085	17,389,435	-	**23,109,599**
Revaluations	(112,479)	(9,211,674)	-	-	**(9,324,153)**
Transfers to real estate investments	-	-	-	-	**-**
Outputs	-	(277,103)	(4,279,456)	-	**(4,556,559)**
Depreciation losses	-	16,347	200,644	(126,707)	**90,284**
At 31 December 2017	**4,533,000**	**5,609,160**	**146,467,663**	**199,752**	**156,809,574**
Net book value					
At 31 December 2016	**80,773,279**	**94,696,143**	**65,122,451**	**62,806,444**	**303,398,318**
At 31 December 2017	**77,290,722**	**95,909,171**	**56,087,687**	**73,588,281**	**302,875,860**

21. Tangible assets (continued)

Impairment losses recognized in profit or loss have been classified as amortization and depreciation expense.

The carrying value of tangible assets mortgaged or pledged as collateral under loan agreements entered into by Group entities or trade payables on 31 December 2017 amounts to 12,372,872 lei (31 December 2016: 15,938,830 lei).

23. Other assets

In LEI	**31 decembrie 2017**	**31 decembrie 2016**
Advances to suppliers	9,785,065	5,534,952
Biological assets (i)	17,589,664	17,971,128
Receivables on deferred tax (see note 27)	4,212,566	2,440,207
Subsidies to be received	1,495,072	1,319,328
VAT to be recovered	2,799,799	3,980,317
Investments held to maturity	2,254,211	2,254,211
Total	**38,136,377**	**33,500,143**

23. Other assets (continued)

(i) The situation of biological assets at 31 December 2017 and 31 December 2016 is presented in the tables below:

Biological assets as at 1 January 2016	**13,227,676**
Increases through acquisitions	355,977
Reductions through sales	(2,708,321)
Changes in fair value of biological assets	8,073,404
Net effect births / mortality	(977,608)
Balance as at 31 December 2016	**17,971,128**
Of which: Current	-
Long term	17,971,128
Biological assets as at 1 January 2017	**17,971,128**
Increases through acquisitions	433,555
Reductions through sales	(7,551,724)
Changes in fair value of biological assets	6,802,114
Net effect births / mortality	(65,409)
Balance as at 31 December 2017	**17,589,664**
Of which: Current	-
Long term	17,589,664

Biological assets of the Group at 31 December 2017 and 31 December 2016 primarily include poultry owned by Avicola Bucharest S.A. On 31 December 2017 there were approximately 491,120 pieces (31 December 2016: 496,750 pieces). During the years 2017 and 2016, manufacturing activity was conducted in the following areas: selection of light breeds, reproduction of light breeds, the production of chickens for egg consumption, of chickens for meat and combined feed.

The Group is exposed to the following risks incidental to poultry activity:

Environmental risk

The group carries out the activity of poultry, an activity with environmental impact, for which it has applied for environmental permit. The group obtained environmental permits for the Mihăileşti secondary establishment and integrated environmental permit for all work points, valid until 26 November 2025, revised in 26 June 2017, which also includes the processing of liquid egg.

Risk related to fluctuating supply and demand

The Group is exposed to price risk and volume of sales of biological assets. Where possible, this risk is reduced by aligning the number of flocks to the existing demand.

4. Dividends and distributed reserves payment

In LEI	31 December 2017	31 December 2016
Dividend payment for 2012	-	42,064,246
Dividend payment for 2014	22,651,175	23,066,128
Dividend payment for 2015	16,467,894	18,674,415
Dividend payment for 2016	17,895,855	-
Total payment of dividends and distributed reserves	**57,014,924**	**83,804,789**

For the dividends not collected within 3 years from the date of the declaration, the General Meeting of Shareholders approved their conversion to equity.

25. Trade payables and other payables

In LEI	31 December 2017	31 December 2016
Debts to suppliers	68,445,605	61,092,103
Payables to staff	2,483,463	2,625,952
Salary payables	1,787,255	1,715,398
Other taxes	493,592	963,347
Advances received from customers	2,199,321	382,653
Income in advance	500,728	1,080,151
Income tax	1,883,755	50,762
VAT to be paid	211,909	406,657
Financial leasing (a)	1,113,587	762,038
Provisions for risks and expenses (b)	8,115,175	7,014,793
Investment subsidies (c)	1,760,043	1,109,199
Other liabilities	4,143,580	3,728,232
Total	**93,138,013**	**80,931,285**
of which with maturity in more than 1 year:		
Financiar Leasing	766,404	477,275

25. Trade payables and other payables (continued)

(a) Financial leasing

In LEI	Net present value of future minimum payments	Interest	Future minimum payments
Financial leasing at 31 December 2017			
Less than one year	347,183	36,618	383,801
Bewteen one and five years	766,404	40,357	806,760
More than five years	-	-	-
Total	**1,113,587**	**76,975**	**1,190,561**

In LEI	Net present value of future minimum payments	Interest	Future minimum payments
Financial leasing at 31 December 2016			
Less than one year	284,763	22,447	307,210
Bewteen one and five years	477,275	18,934	496,209
More than five years	-	-	-
Total	**762,038**	**41,381**	**803,419**

(b) Provisions for liabilities and expenses

At 31 December 2017 and 31 December 2016, the Group conducted an analysis to identify the need for making provisions for various risks and expenses based on estimates to date on the costs required to settle current obligations in future financial years. Given all the information held by the Group, in consultation with its lawyers, the management estimates that the litigation provision is sufficient at 31 December 2017 and 31 December 2016.

In LEI	31 decembrie 2017	31 decembrie 2016
Provisions for other litigation *(i)*	2,553,414	2,493,975
Provisions for guarantees granted *(ii)*	622,724	773,189
Other provisions	4,939,036	3,747,629
Total	**8,115,174**	**7,014,793**

25. Trade payables and other payables (continued)

(b) Provisions for liabilities and expenses (continued)

(i) The provisions for litigation mainly relate to disputes involving Group companies. On 31 December 2017 and 31 December 2016, the provision for litigation amounting to 2,493,975 lei are mainly for the dispute related to the subsidiary Semrom Muntenia S.A. representing the supply of wrong services for a corn quantity amounting to 1,729,746 lei.

(ii) Provisions for granted guarantees represent risk provisions constituted by the Romanian Credit Guarantee Fund for Private Entrepreneurs for the bail portfolio

(c) Investments subsidies

The structure of subsidies on investment companies is as follows:

In LEI	**31 December 2017**	**31 December 2016**
Avicola Bucureşti S.A.	1,709,168	1,524,770
Other companies	50,875	88,661
Total	**1,760,043**	**1,613,431**

Investment subsidies received by Avicola Bucuresti S.A. refer to the financing agreement concluded in 2006 by Avicola Bucuresti S.A. with SAPARD Agency for granting non-refundable financial aid to modernize Codlea and Mihăileşti farms. Estimated total value of the modernization is 7,024,000 lei, of which 3,512,000 lei represent the maximum financed granted amount. In 2013 Avicola Bucuresti S.A. received non-refundable funding under EAFRD project. As of 31 December 2017 the amount financed was of 1,972,251 lei.

26. Loans

Information on borrowings of the Group companies outstanding at 31 December 2017 are presented in the table below:

Company	Bank	Currency	Interest rate	Final maturity	Balance as of 31 december 2017
Firos	Garanti Bank	EUR	variable	2018	1,444,507
Firos	Banca Feroviara	LEI	variable	2018	5,600,007
Semrom Oltenia	Banca Comerciala Română	LEI	variable	2020	3,472,488
Semrom Oltenia	Banca Comerciala Română	LEI	variable	2018	3,436,048
Avicola	Credite Europe Bank	LEI	variable	2018	3,010,299
Avicola	Credite Europe Bank	LEI	variable	2018	91,635
Avicola	Credite Europe Bank	LEI	variable	2019	1,256,801
Mindo	Credit Agricole Bank	LEI	fixed	2018	700,000
					19,011,785

Information on borrowings of the Group companies outstanding at 31 December 2016 are presented in the table below:

Company	Bank	Currency	Interest rate	Final maturity	Balance as of 31 december 2016
Firos	Garanti Bank	EUR	variable	2018	1,297,605
Firos	Banca Feroviara	LEI	variable	2018	5,414,308
Semrom Oltenia	Banca Comerciala Română	LEI	variable	2016	4,252,488
Semrom Oltenia	Banca Comerciala Română	LEI	variable	2018	3,551,309
Avicola	Credite Europe Bank	LEI	variable	2017	2,489,628
Avicola	Credite Europe Bank	LEI	variable	2017	34,627
Avicola	Credite Europe Bank	LEI	variable	2019	782,924
Mindo	Credit Agricole Bank	LEI	fixed	2017	698,314
Semrom Muntenia	Idea Bank	LEI	variable	2017	1,757,172
					20,278,375

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for the financial exercise ended at 31 December 2017

27. Receivable and payable on the deferred income tax

Deferred tax assets and liabilities on 31 December 2017 are generated by the elements detailed in the following tables:

In LEI	**Temporary differences**	**Deferred tax income**
31 December 2017		
Payables related to deferred tax income (16%)		
Financial assets available for sale	7,348,800	1,175,808
Loans and receivables	41,331,438	6,613,030
Inventory	-	-
Real estate investments	-	-
Tangible assets	(25,006,938)	(4,001,110)
Provisions	2,655,238	424,838
Total payables related to deferred tax income (Nota 23)	**26,328,538**	**4,212,566**

In LEI	**Temporary differences**	**Deferred tax income**
31 December 2017		
Payables related to deferred tax income (16%)		
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale	(205,883,488)	(32,941,358)
Loans and receivables	40,470,206	6,475,233
Inventory	3,830,613	612,898
Biological assets and agricultural products	54,369	8,699
Real estate investments	(29,814,894)	(4,770,383)
Tangible assets	(221,515,956)	(35,442,553)
Provisions	4,768,900	763,024
Total payables related to deferred tax income	**(408,090,250)**	**(65,294,440)**
Net liabilities related to deffered tax income		**(61,081,874)**

27. Receivable and payable on the deferred income tax (continued)

Deferred tax assets and liabilities on 31 December 2016 are generated by the elements detailed in the following tables:

In LEI	**Temporary differences**	**Deferred tax income**
31 December 2016		
Payables related to deferred tax income (16%)		
Financial assets available for sale	9,471,469	1,515,435
Loans and receivables	45,946,569	7,351,451
Inventory	5,369,481	859,117
Real estate investments	-	-
Tangible assets	(50,146,606)	(8,023,457)
Provisions	4,610,381	737,661
Total payables related to deferred tax income (Nota 23)	**15,251,294**	**2,440,207**

În LEI	**Temporary differences**	**Deferred tax income**
31 December 2016		
Payables related to deferred tax income (16%)		
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale	(103,467,569)	(16,554,811)
Loans and receivables	24,899,888	3,983,982
Inventory	3,536,625	565,860
Biological assets and agricultural products	(296,019)	(47,363)
Real estate investments	(28,201,488)	(4,512,238)
Tangible assets	(207,267,725)	(33,162,836)
Provisions	1,452,950	232,472
Total payables related to deferred tax income	**(309,343,338)**	**(49,494,934)**
Net liabilities related to deferred tax income		**(47,054,727)**

Deferred tax assets not recognized

Certain deferred tax receivables have not been recognized because it is not probable that future taxable profit will be recorded that the Group can use to get the benefits.

In 20175 deferred tax receivables amounting to 9,599,412 lei related to fiscal losses were not recognized.

In 2016 deferred tax receivables amounting to 22,035,235 lei related to fiscal losses were not recognized.

Notes to consolidated financial statements

for the financial exercise ended at 31 December 2017

27. Receivable and payable on the deferred income tax (continued)

Variation of receivables and liabilities related to deferred income tax is as follows:

In LEI	**1 January 2016**	Recognized in profit or loss	Recognized in other comprehensive income	**31 December 2016**	Recognized in profit or loss	Recognized in other comprehensive income	**31 December 2017**
Financial assets at fair value through profit or loss	**4,448,538**	(4,448,538)	-	-	-	-	-
Financial assets available for sale	**(11,175,123)**	1,473,791	(5,379,169)	**(15,080,500)**	(764,778)	(15,961,397)	**(31,806,676)**
Loans and receivables	**11,178,245**	194,725	-	**11,372,970**	1,752,830	-	**13,125,800**
Inventory	**883,370**	541,607	-	**1,424,977**	(812,079)	-	**612,898**
Biological assets and agricultural	**(22,332)**	(25,031)	-	**(47,363)**	56,062	-	**8,699**
Tangible assets and investment property	**(42,687,656)**	(691,183)	(2,319,692)	**(45,698,531)**	24,050	1,460,436	**(44,214,045)**
Provisions	**925,910**	47,810	-	**973,720**	217,730	-	**1,191,450**
Fiscal loss	-	-	-	-	-	-	-
	(36,449,048)	**(2,906,817)**	**(7,698,861)**	**(47,054,727)**	**473,815**	**(14,500,961)**	**(61,081,874)**
Receivables related to deferred tax income (Note 23)	**3,063,235**			**2,440,207**			**4,212,566**
Liabilities related to deferred tax income	**(39,512,283)**			**(49,494,934)**			**(65,294,440)**
	(36,449,048)			**(47,054,727)**			**(61,081,874)**

28. Share capital and reserves

(a) Share capital

Group’s shareholders structure as of 31 December 2017 and 31 December 2016 is:

2017	Number of shareholders	Number of shares	Amount (LEI)	Percentage (%)
Natural persons	5,954,783	484,362,855	48,436,286	60%
Legal persons	191	322,673,660	32,267,366	40%
Total	**5,954,974**	**807,036,515**	**80,703,652**	**100%**

2016	Number of shareholders	Number of shares	Amount (LEI)	Percentage (%)
Natural persons	5,960,982	499,220,852	49,922,085	62%
Legal persons	208	307,815,663	30,781,567	38%
Total	**5,961,190**	**807,036,515**	**80,703,652**	**100%**

All shares are ordinary shares, were subscribed and paid in full on 31 December 2017 and 31 December 6 no changes in the number of issued shares. The number of shares authorized to be issued is equal to the number of shares issued. During the years 2017 and 2016 there were no changes in the number of shares issued.

Reconciliation of share capital in accordance with IFRS with the Articles of Incorporation is presented in the following table:

În LEI	31 decembrie 2017	31 decembrie 2016
Share capital according to Establishment Deed	80,703,652	80,703,652
Hyperinflation effect - IAS 29	803,294,017	803,294,017
Restated share capital	**883,997,669**	**883,997,669**

(b) Own shares

As of 31 December 2017 and 31 December 2016 Group's subsidiaries did not own shares of SIF Muntenia.

28. Share capital and reserves (continued)

(c) Legal reserves

According to legal requirements, the Group creates legal reserves in the amount of 5% of gross profit recorded by the statutory up to the level of 20% of the share capital according to the Articles of Incorporation. Legal reserves can not be distributed to shareholders. Legal reserves are presented in the consolidated statement of changes in equity along with the accumulated loss and amount to 34,511,644 lei as of 31 December 2017 (31 December 2016: 30,609,031 lei).

(d) Reserves from revaluation of financial assets available for sale

This reserve includes cumulative net changes in the fair values of financial assets available for sale from the date of their classification in this category and to the date they have been derecognized or impaired.

Revaluation reserves of financial assets available for sale are recorded net of related deferred tax. The value of deferred tax recognized directly by diminishing equity is presented in Note 27.

(e) Dividends

The company declared in 2017 dividends amounting to 32,281,461 lei for the year 2016, respectively 0,04 lei / share. Biofarm S.A., Bucovina S.A., Unisem S.A., FRGC IFN, Gecsatherm S.A., CI-CO S.A. and Firos S.A. distributed from the net profit of 2016 on dividends the amount of 29,917,402 lei out of which for the uncontrolled interests the amount of 9,631,177 lei

During 2016, the Company declared dividends amounting to 36,316,643 lei for the year 2015, respectively 0,045 lei / share. Biofarm S.A., Bucovina S.A., Voluthema Property Developer S.A., FRGC IFN, Gecsatherm S.A., CI-CO S.A. and Firos S.A. distributed on dividends from the net profit of 2015 the amount of 19,593,560 lei out of which for the uncontrolled interests the amount of 8,374,167 lei.

During 2017, the Group prescribed dividends amounting to 42,064,242 RON for the year 2012 (in the year 2016: 63,407,818 lei for the year 2011 and the amounts due to the shareholders according to the decision of the AGOA on 7 July 2012), according to the decision of the General Meeting of Shareholders

29. Earnings per share

The calculation of basic earnings per share was carried out based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

In LEI	**31 December 2017**	**31 December 2016**
Profit attributable to ordinary shareholders	71,888,595	37,505,301
Weighted average number of ordinary shares	807,036,515	807,036,515
Basic earnings per share	**0.09**	**0.05**

Diluted earnings per share equals basic earnings per share, as the Group does not record potential ordinary shares.

30. Commitments and contingent liabilities

(a) Litigation

The Group is subject to a number of lawsuits arising in the normal course of business. The Group's management believes, based on consultations with his lawyers, that these actions will not have significant adverse effects on economic performance and financial position of the Group.

(b) Contingencies related to environment

Environmental regulations are under development in Romania and the Group did not record any obligations at 31 December 2017 and 31 December 2016 for any anticipated costs, including legal fees and consulting studies of site design and implementation of remedial plans concerning environmental elements. The Group's management does not consider the costs associated with any environmental problems as significantive.

(c) Transfer pricing

Romanian tax legislation includes the principle of "market value", according to which transactions between affiliated parties must be carried out at market value, respecting the principles of transfer pricing. Local taxpayers conducting transactions with affiliated parties must prepare and make available to the tax authorities in Romania, at their written request, the dossier for transfer pricing documentation within the timeframe granted by the authorities (large taxpayers who carry out transactions with affiliated persons above the limits established by the legislation are subject to the annual compilation of the transfer pricing file starting with the transactions of the year 2016). Failure to submit a transfer pricing documentation or submitting an incomplete file may result in penalties for non-compliance.

However, irrespective of the existence of the file, in addition to the content of the transfer pricing documentation, tax authorities may interpret transactions and circumstances different from management's interpretation and may therefore impose additional tax liabilities resulting from the adjustment of transfer prices (materialized in Revenue increases, deductible expenses reductions, thereby increasing the taxable income tax base).

The current context is one in which tax authorities focus on making adjustments in terms of transfer pricing, these adjustments many times being significant, even if the transactions were documented. The Group believes that it will not suffer any losses in case of a fiscal check to verify transfer pricing. However, the impact of different interpretations of tax authorities can not be estimated reliably. This may be significant for the Group's financial position and / or operations.

(d) Contingencies related to guarantees

Guarantee contracts concluded by the Group bears a credit risk off balance sheet. Many of these commitments mature without generating liabilities of the Group. Off-balance sheet exposures do not represent future cash flows. In parallel, partner banks register for loans collaterals represented by mortgages, pledges without dispossession of securities and collaterals given by other guarantee funds.

If the loss event occurs and the guarantee is paid, the Group is part of the list of creditors to recover amounts from the borrowers to the extent that they exceed the claim filed by the partner bank. The balance of guarantees granted on 31 December 2017 is 28,444,774 lei (31 December 2016: 33,400,016 lei). Specific provisions are recorded for the risks identified in relation to balance sheet items such as guarantees for loans granted by partner banks.

As of 31 December 2017, the subsidiary Biofarm S.A. did not have an ownership title over the land in use in Logofăt Tăutu Str. This land is not included in the financial statements because the title deeds have not yet been obtained, notifications under Law no.10 / 2001 being in place.

31. Transactions and balances with parties under special relations

(i) Company Administration

S.A.I. Muntenia Invest S.A. – Administrator of the Company

The Company operates under an administration contract signed with the company Societatea de Administrare a Investiţiilor Muntenia Invest S.A. The majority shareholder of Societatea de Administrare a Investiţiilor Muntenia Invest S.A. is SIF Banat-Crisana holding 99.98% of the share capital on 31 December 2017 (31 December 2016: 99.96%). The Board of Directors of SIF Banat Crisana S.A. may change the Board of Directors of SAI Muntenia Invest S.A., Company's manager.

Transactions performed between the Company and its Administrator were the following:

In LEI	**31 December 2017**	**31 December 2016**
Receivables and liabilities		
Liabilities for management fee	(2,757,525)	(1,908,250)
Trade receivables	584	-
In LEI	**2017**	**2016**
Revenues and expenses		
Management fees	(18,707,525)	(17,858,250)
Rent income	66,000	66,000

(ii) Key management personnel

31 December 2017

- Board members of S.A.I. Muntenia Invest S.A.: Florica Trandafir, Adrian Simionescu and Mihăilescu Dorina Teodora.
- Members of the executive management of S.A.I. Muntenia Invest S.A: Nicușor Marian Buică - General Director, Florica Trandafir - Corporate Director and Mircea Constantin - Strategy Director.
- Members of the Shareholders Representatives Council

The group did not receive and did not give guarantees in favor of any party having special relations with.

31. Transactions and balances with parties under special relations

(ii) Key management personnel (continued)

Transactions with key management personnel

In LEI	**31 December 2017**	**31 December 2016**
Other transactions		
Remmuneration of Shareholders Representtaives Committees members	1,445,817	1,308,160
Remmuneration of BoD members and directors	9,428,712	9,207,478

(iii) Group subsidiaries

The percentage of voting rights resulting from the calculation of direct and indirect holdings:

Denomination of the company	**Percentage of voting rights as of 31 December 2017**	**Percentage of voting rights as of 31 December 2016**
Avicola Bucureşti S.A.	99.40%	99.40%
Bucur S.A.	67.98%	67.98%
Casa de Bucovina - Club de Munte S.A.	68.93%	68.94%
CI-CO S.A.	97.34%	97.34%
Firos S.A.	99.69%	99.69%
FRGC IFN S.A.	53.60%	53.60%
Gecsatherm	50.00%	50.00%
Mindo S.A.	98.02%	98.02%
Muntenia Medical Competences SA	98.94%	98.94%
Semrom Muntenia S.A.	90.68%	90.68%
Semrom Oltenia S.A.	88.50%	88.50%
Unisem S.A.	76.97%	76.97%
Voluthema Property Developer S.A.	99.81%	99.81%
Biofarm S.A.	50.98%	50.98%

31. Transactions and balances with parties under special relations (continued)

(iii) Group subsidiaries

On 31 December 2014, the subsidiary Muntenia Medical Competences S.A. recorded a net asset value, determined as the difference between total assets and its total debts (according to financial information prepared in accordance with the IFRS principles of measurement and presentation) less than half of the subscribed capital, which led to her entry to the general procedure of insolvency. On 6 January 2016 the Reorganization Plan of Muntenia Medical Competences S.A. was approved by the SGA, and on 18 January 2016 by the Assembly of Creditors. Although no creditor has submitted complaints until the deadline for lodging appeals, however, on 24 February 2016 the court took note of the meeting notes made by the creditor Mona SRL requesting invalidation of the reorganization plan. Although a new hearing to defense was requested, this request was rejected. Thus, on 9 March 2016 Arges Special Court issued its judgment no.308 that denied the Reorganization Plan and ordered bankruptcy. Following this ruling, Muntenia Medical Competences S.A., SIF Muntenia S.A. and SMDA Insolvency SPRL asked the Court of Appeal Pitesti suspension of fund settlement set and confirm the reorganization plan. On 24 March 2016 Pitesti Court of Appeal ordered the provisional suspension of the sentence no.308 / 9 March 2016 to resolve the suspension request made in the appeal. On 14 September 2016, the Court of Appeal communicated the final civil judgment No. 487/2016 confirming the reorganization plan.

On 27 December 2017, the enforceable decision for the termination of the insolvency procedure was published in the Insolvency Procedures Bulletin No.24273.

For the subsidiary Semrom Oltenia S.A. the maturity of financing facilities, reducing the value of equity as a result of financial performance recorded, lead to the need for an additional contribution of own funds to ensure subsidiary’s business continuity.

The ability of these subsidiaries to continue work still depend on the support of shareholders and / or financing.

(iv) Affiliates of the Group

At 31 December 2017 and 31 December 2016 the Group did not hold participations in affiliates.

(*v) Transactions with affiliates of subsidiaries*

In LEI	**31 December 2017**	**31 December 2016**
Receivables and liabilities		
Other receivables	433,576	800,825

In LEI	**2017**	**2016**
Revenues and expenses		
Purchase of goods and services	5,662,947	6,666,778
Sale of goods and services	14,799,777	18,248,104

32. Fund units

Fund units as of 31 December 2017 and 31 December 2016 are:

Financial assets available for sale	**31 December 2017**	**31 December 2016**
FÎI Certinvest Properties RO	427,554	722,007
FÎI STK Emergent	-	1,416,142
FÎI BT Invest 1	-	7,562,519
FDI Transilvania	-	4,167,347
FDI Napoca	-	5,647,736
FÎI Multicapital Invest	11,715,581	9,072,484
FÎI Fondul de acțiuni privat Transilvania	-	852,107
FÎI Omnihedge	-	262,183
FÎI BET-FI Index Invest	5,243,704	3,891,293
FÎI Omnitrend	24,603,382	10,456,086
FDI STK Europe	-	1,064,585
FDI Certinvest Prudent	342,538	339,439
FDI Certinvest Dinamic	472,556	946,955
FDI Star Next	1,228,865	1,047,205
FDI Star Focus	953,305	879,416
FDI Prosper Invest	1,280,959	1,092,039
FÎI Active Plus	50,253,467	32,407,650
FÎI Star Value	15,083,452	11,254,550
FDI Active Dinamic	17,979,952	17,537,418
FÎI Optim Invest	50,573,598	-
FDI Erste Balanced	-	1,844,976
FDI Erste Equity	-	1,129,242
Total	**180,158,915**	**113,593,380**
Impairment losses (Nota 17.b)	(427,554)	(1,028,920)
Financial assets available for sale (Note 17.b)	**179,731,361**	**112,564,460**

Financial assets at fair value through profit or loss	**31 December 2017**	**31 December 2016**
FDI Bond Flexible BCR EURO	1,948,806	1,844,741
FDI Raiffeisen RON FLEXI	1,037,207	1,028,189
FDI Raiffeisen EURO PLUS	272,644	262,250
FDI Money Market BCR LEI	1,473,491	1,132,259
Financial assets at fair value through profit or loss (Note 17.a)	**4,732,149**	**4,267,439**

33. Subsequent events

On March 14, 2018, Mrs. Dorina Teodora Mihăilescu was authorized by ASF through Permission No. 83, elected in GMS Muntenia Invest SA SA. from 27 December 2017 on the position of a member of the Board of Directors of SAI Muntenia Invest S.A. for a period of 4 years from the date of appointment.

Muntenia Medical Competences S.A.: A new Board of Directors, consisting of Ovidiu Nicolae Palea, Cristina Gabriela Gagea, Crinu Iliuţă Nuţă, was elected in the AGA on February 16, 2018. The Articles of incoroporation has been fully updated to comply with legislative changes and reflect the specificities of the company's business.

Unisem S.A.: By a decision of the AGM on January 8, 2018, a new Board of Directors was appointed following the expiry of the mandate of the former, consisting of Mircea Constantin (chairman), Bogdan Ilie Popescu and Laurenţiu Parghel. The Board of Directors appointed Mr. Andrei Nicolae Mihailov as General Manager.

Voluthema Property Developer S.A .: The decrease in the share capital was registered with the ONRC on January 10, 2018, the shareholding shares of the shareholders remained unchanged.

CI-CO SA: SIF Muntenia paid the contribution of 4,190,550 lei representing 1,676,220 new shares within the set deadline, thus finalizing the submission of the contribution to which it committed itself.

ADMINISTRATOR,
SAI MUNTENIA INVEST S.A.
Nicușor Marian BUICĂ
General Director

PREPARED BY,
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