SIF Muntenia S.A.

Interim Financial Statements
as at 30 June 2019

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

UNAUDITED

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Statement of profit and loss and other items of comprehensive income

for the financial period ended 30 June 2019

In LEI	*Note*	**30 June 2019**	**30 June 2018**
Income			
Dividend income	*6*	46,416,022	34,378,069
Interest income	*7*	733,540	297,460
Other operational income		530,441	375,413
Gain on investment			
Net gain from foreign exchange differences		150,655	2,000
Net gain from revaluation of financial assets at fair value through profit and loss	*8*	26,222,891	13,326,698
Expenses			
Net income from the reversal of adjustments for the impairment of assets	*9*	146,159	1,608,302
Administrative expenses			
Management fees	*23*	(8,700,000)	(8,700,000)
Expenses with remuneration of the Board of the Shareholders Representatives and with staff salaries	*23*	(250,031)	(642,005)
Other opereational expenses	*10*	(1,491,493)	(1,427,912)
Interest rate expenses related to the lease contract liability	*15 ii)*	(21,985)	-
Profit before tax		**63,736,199**	**39,218,025**
Profit tax	*11*	(2,536,347)	(5,123,369)
Net profit for the period		**61,199,852**	**34,094,656**
Other elements of comprehensive income			
Elements that may not be restated to profit or loss			
Revaluation at fair value of financial assets at fair value through other elements of comprehensive income, net of defferred tax		105,421,189	22,414,765
Reserve related to financial assets at fair value through other elements of comprehensive income, transferred to retained earnings		3,398,263	7,064,688
Other elements of comprehensive income		**108,819,452**	**29,479,453**
Total comprehensive income for the period		**170,019,304**	**63,574,109**
Earnings per share			
Basic	*20*	0.076	0.042
Diluted	*20*	0.076	0.042

Statement of profit and loss and other items of comprehensive income

for the financial period ended 30 June 2019

The financial statements were approved and authorised to be issued by the Board of Directors on 8 August 2019 and were signed on its behalf by SAI Muntenia Invest S.A., administrator of SIF Muntenia S.A., by:

ADMINISTRATOR,	PREPARED BY,
SAI MUNTENIA INVEST S.A.	SAI MUNTENIA INVEST S.A.
Nicușor Marian BUICĂ	Irina MIHALCEA
General Director	Chief Accountant

Notes on pages 8 to 56 are part of the interim financial statements.

Statement of financial position

as at 30 June 2019

In LEI	*Note*	**30 June 2019**	**31 December 2018**
Assets			
Cash and current accounts	*12*	1,795,535	1,079,966
Deposits with banks	*13*	60,300,568	29,381,709
Financial assets at fair value through profit or loss	*14a*	724,959,243	710,614,051
Financial assets at fair value through other items of comprehensive income	*14b*	710,066,047	585,329,963
Financial assets measured at amortized cost	*14c*	11,332,475	10,171,781
Other assets	*15*	13,411,739	9,100,213
Total assets		**1,521,865,607**	**1,345,677,683**
Liabilities			
Dividends to be paid	*16*	43,805,394	66,635,384
Deferred income tax liabilities	*17*	31,213,348	19,427,363
Other liabilities	*18*	2,608,644	4,461,325
Total liabilities		**77,627,386**	**90,524,072**
Equity			
Share capital	*19a*	80,703,652	80,703,652
Hyperinflation effect- IAS 29	*19a*	803,294,017	803,294,017
Reported result		435,545,133	355,279,975
Reserves from revaluation of financial assets at fair value through other items of comprehensive income	*19b*	124,695,419	15,875,967
Total equity		**1,444,238,221**	**1,255,153,611**
Total liabilities and equity		**1,521,865,607**	**1,345,677,683**

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Statement of changes in equity (continued)

for the financial period ended 30 June 2019

In LEI	Share capital	Reserves from revaluation of financial assets at fair value through other items of comprehensive income	Retained earnings	Total
Balance as at 31 December 2018	**883,997,669**	**15,875,967**	**355,279,975**	**1,255,153,611**
Comprehensive result				
Profit for the period	-	-	61,199,852	61,199,852
Other items of comprehensive income				-
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	105,421,189	-	105,421,189
Reserve relating to financial assets at fair value through other items of comprehensive income transferred to retained earnings	-	3,398,263	(3,398,263)	-
Total comprehensive result of the period	**-**	**108,819,452**	**57,801,589**	**166,621,041**
Transactions with the shareholders, recognised directly in equity				
Prescribed dividends	-	-	22,463,569	22,463,569
Dividends to be paid	-	-	-	-
Total transactions with the shareholders, recognised directly in equity	**-**	**-**	**22,463,569**	**22,463,569**
Balance as at 30 June 2019	**883,997,669**	**124,695,419**	**435,545,133**	**1,444,238,221**

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Statement of changes in equity (continued)

for the financial period ended 30 June 2019

In LEI	Share capital	Reserves from revaluation of financial assets at fair value through other items of comprehensive income	(Accumulated Loss) / Retained earnings	Total
Balance ast at 31 December 2017	**883,997,669**	**371,561,473**	**(50,931,247)**	**1,204,627,895**
Comprehensive result				
Profit of the period	-	-	34,094,656	34,094,656
Other items of the comprehensive result				
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	22,414,765	-	22,414,765
Reserve relating to financial assets at fair value through other items of comprehensive income transferred to retained earnings	-	7,064,688	(7,064,688)	-
Transfer of reserve for financial assets available for sale in retained earnings as a result of the adoption of IFRS 9, net of deferred tax	-	(362,417,197)	369,748,516	7,331,319
Total comprehensive result of the period	**-**	**(332,937,744)**	**396,778,484**	**63,840,740**
Transactions with the shareholders, recognised directly in equity				
Prescribed dividends	-	-	-	-
Dividends to be paid	-	-	(28,004,167)	(28,004,167)
Total transactions with the shareholders, recognised directly in equity	**-**	**-**	**(28,004,167)**	**(28,004,167)**
Balance as at 30 June 2018	**883,997,669**	**38,623,729**	**317,843,070**	**1,240,464,468**

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Statement of cash flow

for the financial period ended 30 June 2019

In LEI	*Note*	30 June 2019	30 June 2018
Operating activites			
Profit before tax		63,736,199	39,218,025
Adjustments:			
Net income from the reversal of adjustments for the impairment of assets	*9*	(146,159)	(1,608,302)
Net gain on revaluation of financial assets at fair value through profit or loss	*8*	(26,222,891)	(13,326,698)
Dividend income	*6*	(46,416,022)	(34,378,069)
Interest income	*7*	(733,540)	(297,460)
Net gain from foreign exchange differences		(150,655)	(2,000)
Interest expense related to the lease contract liability	*10*	21,985	-
Other adjustments		94,686	36,852
Changes in assets and liabilities related to operating activities			
Changes in financial assets at fair value through profit or loss		11,842,067	8,214,047
Changes in financial assets at fair value through other items of comprehensive income		(6,975,229)	(11,123,860)
Changes in financial assets measured at amortized cost		(999,999)	133,784
Changes of other assets		(1,253,376)	(4,777,312)
Changes of other debts		(2,711,943)	(164,560)
Net placements in deposits with maturity over three months	*13*	(14,592,500)	(8,990,000)
Dividends received		41,970,172	30,831,329
Interest received		700,229	330,620
Paid profit tax		-	(8,438,961)
Net cash resulting from / (used in) operating activities		**18,163,024**	**(4,342,566)**
Investment activities			
Payments for purchases of tangible and intangible assets		(177)	(116)
Net cash used in investment activities		**(177)**	**(116)**
Financing activities			
Dividends paid, including dividends tax paid		(1,111,437)	(1,425,842)
Leasing payments, including interest	*15ii)*	(70,652)	-
Net cash used in financing activities		**(1,182,089)**	**(1,425,842)**
Net increase / (decrease) in cash and cash equivalents		**16,980,758**	**(5,768,524)**
Effect of exchange rate changes on cash and cash equivalents		(1,495)	(1,235)
Cash and cash equivalents on 1st January		20,401,928	19,074,391
Cash and cash equivalent as at 30 June		**37,381,191**	**13,304,632**

Notes on pages 8 to 56 are part of the interim financial statements.

Statement of cash flow (continued)

for the financial period ended 30 June 2019

At 30 June, cash and cash equivalents comprise

In LEI	*Note*	**30 June 2019**	**30 June 2018**
Cash in the petty cash	*13*	2,384	2,846
Current accounts in banks	*13*	1,793,151	1,691,587
Bank deposits with less than three months initial maturity	*14*	35,585,656	11,610,199
Cash and cash equivalents		**37,381,191**	**13,304,632**

At 1 January cash and cash equivalents comprise

In LEI	**1 January 2019**	**1 January 2018**
Cash in the petty cash	575	4,776
Current accounts in banks	1,079,391	6,569,615
Bank deposits with less than three months initial maturity	19,321,962	12,500,000
Cash and cash equivalents	**20,401,928**	**19,074,391**

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Notes to financial statements

for the financial period ended 30 June 2019

1. Reporting entity

SIF Muntenia S.A. (the "Company") is an undertaking for collective investments trust established in 1996 through the reorganization and transformation of the Private Property Fund IV Muntenia, pursuant to Law no. 133/1996 for the transformation of the Private Property Funds into financial investment companies, which operates in Romania in accordance with Law 31/1990 and Law 297/2004 on the capital market and Law 24/2017 on issuers of financial instruments and market operations. The Company is headquartered in 16, Splaiul Unirii, Sector 4, Bucharest, România.
The main field of activity of the Company, according to the Articles of Incorporation dated 26 April 2018, updated according to the Shareholders General Extraordinary Meeting Resolution number 1 as of 26 April 2018 is:

• making financial investments in order to maximize the value of own shares in accordance with the regulations in force;

• management of the investment portfolio and the exercise of all rights associated with the instruments in which it is invested;

• risk management;

• other ancillary and adjacent activities in accordance with the regulations in force.

The company operates under a management contract concluded with Societatea de Administrare a Investiţiilor Muntenia – Invest S.A. On 21 December 2017, the FSA certified the registration of SAI Muntenia Invest S.A. as an alternative investment fund manager (AIFM) 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 SIF4, starting with 1 November 1999.

Depozitarul Central S.A. Bucureşti keeps evidence of shares and shareholders, according to law. BRD – Groupe Société Générale S.A. – company authorised by the FSA provides depositary services for the Company's assets.

The interim financial statements for the period ended 30 June 2019 have not been audited or reviewed.

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 as further modified and supplemented ("FSA Rule no. 39/2015"). Pursuant to the FSA Rule No. 39/2015, the International Financial Reporting Standards are those adopted according to the procedure laid down in Regulation (EC) No. 1606/2002 ("IFRS adopted by the European Union").

These financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate in the foreseeable future.

Starting 1 January 2018, the Company complied with the classification criteria as an investment entity in accordance with IFRS 10 "Consolidated Financial Statements."
Applying this exemption from consolidation implies that an investment firm should not consolidate its subsidiaries or apply IFRS 3 "Business combinations" when it obtains control over another entity. Instead, it must assess an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments".

In the period ended 30 June 2019, the Company continues to be an investment entity as there were no changes in meeting the classification criteria as an investment entity.

2. Basis of preparation (continued)

(b) Presentation of financial statements

Interim financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements", IAS 34 "Interim Financial Reporting", and IFRS 12 "Presentation of Interests in Other Entities". The Company has adopted a presentation based on liquidity in the statement of financial position and a presentation of income and expenditure according to their nature in the statement of profit or loss and other comprehensive income, 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 valuation

Interim financial statements are prepared using the fair value convention for financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other items of comprehensive income.

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

The methods used for measuring the fair value are presented in Note 3(e)(iv) and Note 5.

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

Preparation of Interim 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 accounting policies, as well as the reported values 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.

The underlying judgments and assumptions are regularly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both the current period and future periods.

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

3. Significant accounting policies

Significant accounting policies set out below have been applied consistently to all periods presented in these interim financial statements.

3. Significant accounting policies (continued)

(a) Subsidiaries and associated entities

Subsidiaries are entities controlled by the Company. Control exists when the Company 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 consider potential voting rights that are exercisable or convertible at that time.

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

List of subsidiaries and associates on 30 June 2019 and 31 December 2018 are presented in Note 23. In these interim financial statements, the Company classifies participations in subsidiaries as financial assets at fair value through profit or loss (as of 1 January 2018, following the adoption of IFRS 9 and the application of IFRS 10 on the exception to consolidation).

(b) 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 financial position statement 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 the end of the financial period of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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. Foreign exchange differences related to non-monetary financial assets, denominated in foreign currency and classified at fair value through other items of comprehensive income, are included in a distinctive reserve account.

The exchange rates of major foreign currencies were:

Currency	30 June 2019	31 December 2018	Variation
Euro (EUR)	1: LEU 4.7351	1: LEU 4.6639	+ 1.53%
US Dollar (USD)	1: LEU 4.1587	1: LEU 4.0736	+ 2.09%

(c) Accounting of the hyperinflation effect

Under 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 end of the reporting period (non-monetary items are restated using a general price index from 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 Company ceased to be hyperinflationary with effect for financial periods starting 1 January 2004. Therefore, the provisions of IAS 29 have been adopted in the preparation of financial statements until 31 December 2003.

(d) Cash and cash equivalents

Cash and cash equivalents comprise: cash, current accounts and deposits with banks (including blocked deposits and interest received on cash deposits).

3. Significant accounting policies (continued)
(d) Cash and cash equivalents (continued)

When preparing the cash flow statement, the following have been considered as cash and cash equivalents: cash, current accounts at banks and deposits with an original maturity of less than 90 days (excluding blocked deposits).

((e) Finacial assets and liabilities

(i) Classification

The Company adopted IFRS 9 "Financial Instruments" with the date of initial application 1 January 2018.
This Standard supersedes the provisions of IAS 39 “Financial Instruments: Recognition and Measurement” on classification and valuation of financial assets and replaces the model for estimating adjustments for impairment of financial assets with an expected loss-based model.

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 Company classifies financial instruments held in the following categories:

Financial assets measured at amortized cost

A financial asset is measured at *amortized cost* if it meets both of the conditions below and it 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.

The Standard takes over the provisions of IAS 39 on the recognition and derecognition of financial instruments.

Financial assets at fair value through other items of comprehensive income

A financial asset is measured at *fair value through other comprehensive income* only if it meets both of the following conditions and it 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 cash 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.

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

Financial assets at fair value through profit or loss

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 Company 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.

3. Significant accounting policies (continued)
(e) Finacial assets and liabilities (continued)

(ii) Recognition

Financial assets and financial liabilities are recognized on the date on which the Company becomes party to the contractual terms of the respective instrument. Financial assets and liabilities are measured at initial recognition at fair value.

(iii) Compensations

Financial assets and liabilities are offset and the net result is presented in the 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 the achievement of the asset and settlement of the liabilities is intended simultaneously.

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 Company.

(iv) Valuation

Valuation at amortized cost

The amortized cost of a financial asset or liability is the amount at which the 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.

Valuation at fair value

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

The Company 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 there are available and regularly quoted prices.

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 Company 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 Company 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.

Under the regulations issued by the Financial Supervisory Authority, fund units are valued at the unit value of the net asset, calculated by the fund manager using closing quotation for the financial instruments held by the funds. If the Company notes that there is no active market for the Fund's holdings, it uses public information about the fund's holdings (financial statements, audit reports, portfolio structure, etc.), obtaining a NAV per SHARE corrected with the adjustments deemed necessary to the net asset value following the analysis of the aforementioned public information.

3. Significant accounting policies (continued)
(e) Finacial assets and liabilities (continued)

(v) Identifying and evaluating impairment

Financial assets measured at amortized cost

IFRS 9 replaces the pattern of incurred loss in IAS 39 with the expected loss pattern.

The expected loss of credit is the difference between all contractual treasury flows that are owed to the Company and all cash flows that the Company expects to receive, discounted at the original effective interest rate.

A financial asset or group of financial assets is impaired as a result of credit risk in the event that one or more events occured that have a negative impact on the estimated future cash flows of the assets.

The Company assesses whether the credit risk for a financial asset has increased significantly since its initial recognition, on the basis of information available without cost or undue effort, which is an indicator of significant credit risk increases since initial recognition

The Company recognizes in profit or loss the amount of changes in expected credit loss over the life of the financial assets as impairment gain or loss.

Gains or losses from impairment are determined as the difference between the carrying amount of the financial asset and the present value of future cash flows using the effective interest rate of the financial asset at its original date.

The Company recognizes favorable changes in expected credit losses during the entire lifetime as an impairment gain, even if expected credit loss during the entire lifetime is less than the amount of expected credit loss that was included in the cash flows estimated at the initial recognition.

(vi) Derecognition

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

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

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

(vii) Gains and losses on disposal

Gains or losses on the disposal of a financial asset or financial liability measured at fair value through profit or loss are recognized in the current profit or loss.

In the derecognition of equity instruments designated as financial assets at fair value through other comprehensive income, gains or losses representing favorable or unfavorable valuation differences, identified in revaluation reserves, are recognized in other comprehensive income (reported result representing the surplus realized - IFRS 9).

Upon derecognition of financial assets, the retained earnings as of the date of transition to IFRS 9 is transferred to a reported result representing the surplus realized.

A gain or loss on a financial asset that is measured at amortized cost is recognized in current profit or loss when the asset is derecognised.

3. Significant accounting policies (continued)

(f) Other financial assets or liabilities

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

(g) Tangible assets

(i) Recognition and valuation

Tangible assets recognized as an asset are initially measured at cost. The cost of a tangible assets item 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 under the conditions 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 assets, the costs of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees.

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

- Lands;
- Constructions;
- Equipment, technical equipment and machinery;
- Vehicles;
- Furniture and other tangible assets.

The Company does not owe land and buildings.

Tangible assets are stated at cost, less accumulated depreciation and theadjustments for impairment.

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

(ii) Depreciation

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

- Equipment, plant and machinery	3-20 years
- Vehicles	3-6 years
- Furniture and other tangible assets	3-15 years

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

(iii) Sale / scrapping of tangible assets

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

(h) Assets representing rights to use underlying assets under a leasing contract

(i) Recognition

As of 1 January 2019, in accordance with IFRS 16 "Leases", a contract is, or contains a lease if it transmits the right to control the use of an asset identified for a period of time in exchange for a consideration.

3. Significant accounting policies (continued)

(h) Assets representing rights to use underlying assets under a leasing contract (continued)

(i) Recognition (continued)

As a lessee, based on the lease agreement for the registered office space, the Company has recognized an asset related to the right of use of the underlying asset and a lease liability arising from this contract.

As a lessor, the financial statements remain unaffected by the introduction of the new standard.

Exceptions to IFRS 16 may be:
• lease contracts with a rental period of 12 months or less and which do not include acquisition options, and
• leases where the underlying asset has a low value.

The Company found the non-fulfillment of the criteria for the application of the exceptions, so, on 1 January 2019, restated the lease contract as a lessee under IFRS 16.

(ii) Valuation

The Company, as a lessee, initially evaluates at cost the asset related to the right of use. The cost of the asset related to the right of use consists of the amount of the initial valuation of the liability arising from the lease, the lease payments made starting with 1 January 2019 (the date of entry into force of IFRS 16), or the date of commencement or before this date, the initial direct costs borne by the lessee, an estimate of the costs to be borne by the lessee less any lease stimulus received.

The Company, as a lessee, also assesses the liability arising from the lease contract at the present value of the lease payments that are not disbursed at that date. Updating is done using the default interest rate in the lease contract if that rate can be determined immediately. If this rate can not be determined immediately, the marginal lending rate of the lessee shall be used.

The carrying amount of the asset measured on the cost model is the cost of the initial valuation less any accumulated depreciation and any accumulated impairment losses and it is adjusted for any revaluation of the liability arising from the lease.

The liability arising from the lease is subsequently assessed by increasing the carrying amount to reflect the debt-related interest, the reduction in the carrying amount to reflect the lease payments and the revaluation of the carrying amount as a result of the contract changes (example of the changes: duration of the contract, lease payments, options to buy the asset, interest rate, termination of the contract).

(iii) Depreciation

The underlying asset is depreciated using the straight line method. If the ownership right is not transferred or there is no purchase option on the underlying asset until the end of the asset life, the asset is depreciated from the commencement date of the contract until the first date between the end of the useful life and the end of the term of the contract, also including the options of extention or termination of the contract.

(iv) Derecognition

The asset related to the right of use is derecognised on the termination date and is reflected by decreasing the carrying amount of the asset related to the right of use and the recognition in profit or loss of gains/losses associated with the modification of the leasing contract.

3. Significant accounting policies (continued)

(i) Impairment of assets other than financial

The carrying amount of the Company's assets that are not financial, 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 is estimated for the respective assets.

An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash independently of other assets and other groups of assets. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

The recoverable amount of an asset or cash-generating unit is the maximum of its value in use and its fair value less costs to sell the asset or unit. To determine 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 loss recognized in prior periods is assessed at each reporting date to determine whether it decreased or no longer exists. The impairment loss shall be reversed if there 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.

(j) Share capital

Ordinary shares are recognized in equity.

(k) Provisions for risks and expenses

Provisions are recognized in the statement of financial position when an obligation arises for the Company in connection with a past event and it is likely that in the future it will be necessary to consume economic resources to extinguish this obligation and a reasonable estimate of the obligation can be made. 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.

(l) Interest income and interest expenses

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts 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.
The amount of interest on the liability arising from the lease is determined using a discount rate that may be the interest rate in the contract or the marginal lending rate of the lessee and it is recognized in profit or loss.

(m) Dividend income

Dividend income is recognized in profit or loss on the date on which the right to receive this income is established.
If dividends are 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 increasing the participation therein. The Company 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 a current income tax expense.

3. Significant accounting policies (continued)

(n) 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.

Short-term employee benefits comprise salaries and bonuses. Short-term employee benefits are recognized as an expense when services are rendered. The Company recognizes a provision for the amounts expected to be paid as premiums in short-term cash if the Company currently has a legal or constructive obligation to pay those amounts as a result of past service rendered by employees and whether that obligation can be estimated reliably.

(ii) Defined contribution plans

All employees of the Company are insured and have the legal obligation to contribute (through social contributions) to the Romanian State Pension Scheme (a defined contribution plan of the State).

Starting with 2018, the Company retains, declares and pays, on behalf of its employees, the contribution to social security and the contribution to health insurance according to the provisions of the Fiscal Code modified by GEO no.79 / 2017.

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

(iii) Long term employees benefits

The Company's net obligation in respect of services related to long-term benefits is the amount of future benefits that employees have earned in return for services rendered by them in the current and prior periods.

The Company has no obligation to grant benefits to employees at retirement date.

(o) Tax on profit

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 elements of comprehensive income if the tax is related to capital items.

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

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

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 nor fiscal profit, and 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 be applicable to temporary differences upon their resumption, based on the legislation in force on the reporting date or issued on the reporting date and which will enter into force thereafter.

3. Significant accounting policies (continued)

(o) Tax on profit (continued)

Deferred tax assets and liabilities are offset only if there is a legal right to offset current liabilities and assets with tax and whether they are related to the tax collected by the same fiscal authority for the same entity subject to taxation or for different fiscal authorities that want to settle current tax receivables and liabilities using a net basis, 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 are likely to be realized and be used to cover the tax loss. The receiable is reviewed at the end of 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.

Starting 2018, the fiscal result is determined on the basis of items of income and expense in the Statement of profit or loss, plus items similar to income, and less items similar to expenses as shown in retained earnings, as a result of the adoption of IFRS 9.

For the period ended as at 30 June 2019 and at 30 June 2018, the income tax rate was 16%. The tax rate related to taxable dividend income for the period ended as at 30 June 2019 and at 30 June 2018 was of 5%.

(p) Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share is determined by dividing profit or loss attributable to ordinary equity shareholders of the Company's 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.

(q) 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. Dividends not collected for three years, after expiry of prescription period are recorded directly in equity being treated as contributions from shareholders according to the decision of the General Shareholders Meeting.

(r) Subsequent events

Events occured after the end of the reporting period are those events favorable and unfavorable, that occur between the end of the reporting period and the date the financial statements are authorized for issue.
Subsequent events that provide additional information about the Company's position to the date of ending the reporting period (adjusting events) are reflected in the financial statements.
Events after the end of the reporting period that require no adjustments are shown in the notes, when considered significant.

(s) Affiliates

Different entities or persons are considered to be in special relationship with the Company also if one of the parties, either through ownership or through contractual rights, family relationships or other similar situations, can directly or indirectly control the other party or may influence it significantly in making financial or operational decisions.
Transactions between affiliated parties represent a transfer of resources or liabilities between affiliated parties whether or not they involve a price.

3. Significant accounting policies (continued)

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

A number of new standards, amendments and interpretations to standards are not yet effective as of the financial statements date and have not been applied in preparing these financial statements:

IFRS 17 Insurance Contracts (effective date: annual periods beginning on or after 1 January 2021)

IFRS 17 replaces IFRS 4, which was introduced as an interim standard in 2004. IFRS 4 granted companies the exemption from accounting for insurance contracts using national accounting standards resulting in different approaches. IFRS 17 requires that all insurance contracts be accounted for consistently, to the benefit of both investors and insurance companies. Insurance liabilities will be accounted for using the current value instead of the historical cost.

The Company does not consider that this Standard will have a material impact on the financial statements because it does not operate in the insurance sector.

4. Significant risks management

Investment activity exposes the Company to a variety of risks associated with financial instruments owned and financial markets in which it operates. The main risks the Company is exposed to are:
- market risk (price risk, currency risk and interest rate risk);
- credit risk;
- liquidity risk;
- risk related to taxation;
- operational risk.

The overall risk management strategy seeks to maximize Company's profit reported to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Company.

The company 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 defined as the risk of recording a loss or not achieving the expected profit, as a result of price fluctuations, interest rates and foreign exchange rates.

The company is exposed to the following market risk categories:

(i) Price risk

The Company is exposed to risks associated with variation in the price of financial assets at fair value through profit or loss and of financial assets at fair value through other items of comprehensive income.

Of the total shares with an active market held by the Company, on 30 June 2019, 58% (30 December 2018: 50%) were investments in companies that were part of the BET index of the Bucharest Stock Exchange, index weighted by market capitalization and designed to reflect the overall trend of prices of the most liquid sixteen 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 and of approvings trading limits on the Romanian capital market for speculative purposes.

4. Significant risks management (continued)

(a) Market risk

(i) Price risk

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 after tax at 30 June 2019 with 68,220,519 lei (31 December 2018: 66,842,195 lei), a negative variation 10 % having an equal net impact and of opposite sign.

A positive variation of 10% in the price of financial assets at fair value through other items of comprehensive income would lead to an increase in equity, net of profit tax at 30 June 2019 with 62,054,890 lei, a negative variation 10% having an equal net impact and of opposite sign.

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

In LEI	**30 June 2019**	**%**	**31 December 2018**	**%**
Financial, banking and insurance	498,864,542	43%	417,021,602	40%
Real estate, rentals and other services	75,979,595	7%	86,852,178	8%
Wholesale, retail, tourism and restaurants	111,845,610	10%	95,307,972	9%
Building materials industry	80,902,735	7%	68,733,152	7%
Agriculture, livestock, fishing	25,097,680	2%	25,097,680	2%
Metallic construction and metal products	39,183,163	3%	55,019,204	5%
Pharmaceutical and medical industry	207,381,940	18%	195,695,049	19%
Chemical and petrochemical industry	-	0%	11,512,234	1%
Energy industry	63,823,162	5%	46,704,803	5%
Mining industry	31,278,302	3%	-	0%
Others	34,280,356	3%	30,888,789	3%
TOTAL	**1,168,637,085**	**100%**	**1,032,832,663**	**100%**

As can be noticed from the above table, on 30 June 2019 the Company had mainly shares in companies active in financial, banking and insurance sector, accounting for 43% of the total portfolio, increasing from 40% as registered as at 31 December 2018. On the other hand, 18% of the equity portfolio at 30 June 2019, decreasing from 19% as registered as at 31 December 2018 represents holdings in companies in the pharmaceutical and medical industry.

Fund units held by the Company are exposed to price risk, having different degrees of risk investments themselves (bank deposits, bonds, other fixed income instruments, equities, etc.).

There are also exposed to price risk the bonds held by the Company at OPUS Chartered Issuances S.A. and Banca Transilvania S.A., classified within the categpry of financial assets at fair value through proft or loss, amounting to 89,958,016 lei (31 December 2018: 87,254,836 lei), see note 14.

(ii) Interest rate risk

The company faces interest rate risk exposure due to exposure to unfavorable interest rate fluctuations. The change in market interest rates directly affects income and expenses related to financial assets and liabilities bearing floating interest rates and the market value of the interest-bearing instruments (for example, the bonds).

4. Significant risks management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 June 2019 and 31 December 2018, most of the Company's assets and liabilities are not interest bearing. As a result, the Company is not directly affected significantly by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested in short-term interest rates. However, lowering the yield on the market can affect the evaluation value of assets held by the Company.

Of total financial assets of the Company, the only variable interest-bearing assets are represented by bonds issued by Banca Transilvania SA, whose interest will be reset within 1-6 months to previous maturity. For more information on contractual maturity of interest-bearing financial assets of the Company, see note 4 (c) Liquidity risk.

The Company does not use derivative financial instruments to protect itself against interest rate fluctuations. The impact on net profit of the Company 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 ± 9,916 lei (31 December 2018: ± 9, 767 lei).

(iii) Currency risk

Currency risk is the risk of loss or failure to achieve estimated profit as a result of unfavorable exchange rate fluctuations. The Company is exposed to fluctuations in exchange rates, but has not formalized a policy of currency hedging. Most of the Company's financial assets and liabilities are denominated in local currency, other currencies in which operations are performed are EUR and USD.

Financial assets and liabilities denominated in LEI and foreign currencies as of 30 June 2019 and 31 December 2018 are presented in the following tables.

4. Significant risks management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued

30 June 2019

In LEI	**Book value**	**LEI**	**USD**	**EUR**
Financial assets				
Cash and cash equivalents	**1,795,535**	1,793,422	810	1,303
Deposits with banks	**60,300,568**	60,300,568	-	-
Financial assets at fair value through profit and loss	**724,959,243**	635,001,227	-	89,958,016
Financial assets at fair value through other items of comprehensive income	**710,066,047**	710,066,047	-	-
Financial assets measured at amortized cost	**11,332,475**	1,005,121	-	10,327,354
Other liabilities	**12,751,720**	12,751,720	-	-
TOTAL	**1,521,205,588**	**1,420,918,105**	**810**	**100,286,673**
Financial liabilities				
Dividends payment	**43,805,394**	43,805,394	-	-
Other liabilities	**2,608,644**	2,029,739	-	578,905
TOTAL	**46,414,038**	**45,835,133**	**-**	**578,905**

4. Significant risks management (continued)

(a) Market risk (continued)

(iii) Currency risk (continued

31 December 2018

In LEI	**Book value**	**LEI**	**USD**	**EUR**
Financial assets				
Cash and cash equivalents	**1,079,966**	1,071,309	703	7,954
Deposits with banks	**29,381,709**	29,381,709	-	-
Financial assets at fair value through profit and loss	**710,614,051**	623,359,215	-	87,254,836
Financial assets at fair value through other items of comprehensive income	**585,329,963**	585,329,963	-	-
Financial assets measured at amortized cost	**10,171,781**	-	-	10,171,781
Other assets	**8,956,361**	8,956,361	-	-
TOTAL	**1,345,533,831**	**1,248,098,557**	**703**	**97,434,571**
Financial liabilities				
Dividends payment	**66,635,384**	66,635,384	-	-
Other liabilities	**4,461,325**	4,461,325	-	-
TOTAL	**71,096,709**	**71,096,709**	-	-

The net impact on Company's profit of a change of ± 5% of the RON/ EUR currency rate together with a modification of ± 5% of the RON/ USD currency rate as of 30 June 2019, all other variables remaining constant, is of ± 4, 212,074 lei (31 December 2018: ± 4,092,282 lei).

(b) Credit risk

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

The Company's maximum exposure to credit risk amounts to 80,792,887 Lei as at 30 June 2019 and to 43,128,359 lei as at 31 December 2018 and may be analyzed as follows:

4. Significant risks management (continued)

(b) Credit risk (continued)

In LEI	**30 June 2019**	**31 December 2018**
Exposures of current accounts and deposits with banks (Note 12 and Note 13)		
Banca Transilvania S.A.	7,473,147	3,424
Libra Internet Bank S.A.	85,736	7,213,518
Banca Comercială Română S.A.	384	526
BRD - Groupe Societe Generale S.A.	1,655,668	8,333,421
Credit Europe Bank S.A.	27,140,521	6,521,727
Marfin Bank S.A.	198	5,973
Banca Comercială Feroviară S.A.	2,942	5,201
Banca Comercială Intesa Sanpaolo Bank	25,383,074	8,022,723
Other commercial banks	352,049	354,587
Total	**62,093,719**	**30,461,100**
Financial assets measured at amortized cost (Note 14 c))		
Impact Developer&Contractor S.A. Bonds	4,735,100	4,663,900
Medimfarm S.A. Bonds	5,396,996	5,315,843
Capital Leasing IFN S.A. Bonds	1,000,000	-
Other bonds and related interest	200,379	192,038
Total	**11,332,475**	**10,171,781**
Financial assets measured at amortized cost classified according to maturity:		
- current (Medimfarm S.A., Impact Developer&Contractor S.A., Capital Leasing IFN S.A. Bonds and related interest)	11,332,475	10,171,781
Total	**11,332,475**	**10,171,781**

4. Significant risks management (continued)

(b) Credit risk (continued)

In LEI	**30 June 2019**	**31 December 2018**
Various Debtors and Commercial Receivables (Note 15)		
Consol S.A.	2,051,503	2,056,149
Banca Română de Scont S.A.	1,283,228	1,283,228
Autoritatea Administrării Activelor Statului	1,153,625	1,153,625
Timpuri Noi S.A.	2,529,526	2,529,526
Transchim S.A	-	2,250,243
Siderca S.A	410,334	410,334
Dividends to be received	3,201,491	811,658
Other various debtors	5,382,768	3,018,111
Impairment of trade receivables and various debtors	(8,645,782)	(11,017,397)
Total	**7,366,693**	**2,495,478**

Various debtors and trade receivables classified according to maturity:

- current (various debtors and dividends to be received)	7,366,693	2,495,478
- outstanding, adjustments of gross values (various debtors and dividends to be received)	8,645,782	11,017,397
- adjustments for various debtors (Consol S.A., Banca Română de Scont S.A., Autoritatea Administrării Activelor Statului, Siderca S.A., Timpuri Noi S.A.) and outstanding dividends to be received	(8,645,782)	(11,017,397)
Total	**7,366,693**	**2,495,478**
Total exposure	**80,792,887**	**43,128,359**

4. Significant risks management (continued)

(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 Company.

The structure of assets and liabilities was analyzed based on the period remaining as of the financial position statement date to contractual maturity date, both for the period ended as at 30 June 2019, and for the financial exercise ended 31 December 2018 is as follows:

30 June 2019

În LEI	**Book value**	**Below 3 months**	**Between 3 and 12 months**	**More than 1 year**	**Without default maturity**
Financial assets					
Cash and cash equivalents	**1,795,535**	1,793,151	-	-	2,384
Deposits with banks	**60,300,568**	60,288,594	-	-	11,974
Financial assets at fair value through profit or loss	**724,959,243**	1,373,175	1,137,330	87,447,511	635,001,227
Financial assets at fair value through other items of comprehensive income	**710,066,047**	-	-	-	710,066,047
Financial assets measured at amortized cost	**11,332,475**	186,307	14,072	11,132,096	-
Other assets	**12,751,720**	12,751,720	-	-	-
Total financial assets	**1,521,205,588**	**76,392,947**	**1,151,402**	**98,579,607**	**1,345,081,632**
Financial liabilities					
Dividends payment	**43,805,394**	43,805,394	-	-	-
Other liabilities	**2,608,644**	2,054,376	77,976	476,292	-
Total financial liabilities	**46,414,038**	**45,859,770**	**77,976**	**476,292**	**-**
Liquidity surplus	**1,474,791,550**	**30,533,177**	**1,073,426**	**98,103,315**	**1,345,081,632**

4. Significant risks management (continued)

(c) Liquidity risk (continued)

31 December 2018

In LEI	**Book value**	**Below 3 months**	**Between 3 and 12 months**	**More than 1 year**	**Without default maturity**
Financial assets					
Cash and cash equivalents	**1,079,966**	1,079,391	-	-	575
Deposits with banks	**29,381,709**	29,369,735	-	-	11,974
Financial assets at fair value through profit or loss	**710,614,051**	38,881	548,342	86,667,613	623,359,215
Financial assets at fair value through other items of comprehensive income	**585,329,963**	-	-	-	585,329,963
Financial assets measured at amortized cost	**10,171,781**	9,552	182,486	9,979,743	-
Other assets	**8,956,361**	8,956,361	-	-	-
Total financial assets	**1,345,533,831**	**39,453,920**	**730,828**	**96,647,356**	**1,208,701,727**
Financial liabilities					
Dividends payment	**66,635,384**	66,635,384	-	-	-
Other liabilities	**4,461,325**	4,461,325	-	-	-
Total financial liabilities	**71,096,709**	**71,096,709**	**-**	**-**	**-**
Liquidity surplus / (deficit)	**1,274,437,122**	**(31,642,789)**	**730,828**	**96,647,356**	**1,208,701,727**

Taking into consideration the statistical data relating to the previous years regarding shareholders' demand for dividends in the year following the distribution, the Management of the Company considers that their share is insignificant from the undistributed dividends on 31 December 2018.

(d) Taxation risk

Romanian tax legislation provides detailed and complex rules that undergone several changes in recent years. Interpretation of the text and the practical implementation of tax laws may vary with the risk that certain transactions are interpreted differently by the tax authorities as compared to the Company’s treatment.

In terms of profit tax, there is a risk of different interpretation by the tax authorities of the fiscal rules applied according to 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 also to other legal and regulatory issues of interest to these agencies. It is posible that the Company may be subject to tax audits on the extent of issuing new tax regulations.

4. Significant risks administration (continued)

(f) Operational risk

Operational risk is the risk of incurring losses or not reaching the estimated profits due to internal factors such as inappropriate conduct of internal activities, the existence of inadequate personnel or systems or due to external factors such as economic conditions, changes in capital market, technological progress. Operational risk is inherent in all activities of the Company.

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 financial or reputational losses.

(g) Capital adequacy

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

5. Significant accounting estimates and judgments

The Management discusses the development, selection, presentation and application of significant accounting policies and estimates. All these are approved at the meetings of the Board of Directors of SAI Muntenia Invest S.A.

These presentations supplement the information on financial risk management (see Note 4). Significant accounting judgments for applying the Company's accounting policies include:

Key sources of uncertainty of estimation

Impairment of assets measured at amortized cost

Assets carried at amortized cost are evaluated for impairment in accordance with accounting policy described in Note 3 (e) (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, the management makes certain estimates related to the financial position of the counterparty. Each asset is individually analyzed. Accuracy of the adjustments depends on estimates 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 in accounting policy described in Note 3 (e) (v). 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 of the degree of liquidity, the degree of concentration, uncertainty of market factors, assumptions of price and other risks affecting the respective financial instrument.

Fair value hierarchy

The Company uses the following hierarchy for fair value measurement 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, prices quoted on inactive markets) 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 data and for which unobservable input parameters can have a significant effect on the assessment of the 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

5. 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 Company determines fair value by using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Assumptions and variables used in valuation techniques include fisk-free interest rates and reference rates, margins for credit risk and other premiums used in estimating discount rates, yields on bonds and equity, exchange rates, indices price of capital, volatilities and correlations predicted. The purpose of valuation techniques is to determine the fair value of financial instruments which reflect the price at the reporting date, the price that would be determined under objective conditions by market participants.

The Company uses recognized valuation models to determine the fair value of simple financial instruments using only observable market data and require few estimates and analysis from management. Observable prices and input parameters in the model are usually available in the market for capital instruments. Their availability reduces the need for estimates and analysis from management and the 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 Company uses valuation models which are usually derived from known models of evaluation. Some or all significant input data 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 higher degree of management analysis and estimation to determine fair value. Analysis and estimate from management affect, in particular, the selection of a suitable evaluation model, the determination of future cash flows of a financial instrument, the determination of the probability of default by the counterparty and of payments in advance and the selection of appropriate discount rates.

The table below uses financial instruments recorded at fair value according to the method of assessment.

30 June 2019

In LEI	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	224,843,543	-	500,115,700	724,959,243
Financial assets at fair value through other items of comprehensive income	582,035,658	85,550,057	42,480,332	710,066,047
	806,879,201	**85,550,057**	**542,596,032**	**1,435,025,290**

31 Decembet 2018

În LEI	**Nivel 1**	**Nivel 2**	**Nivel 3**	**Total**
Financial assets at fair value through profit or loss	212,145,472	-	498,468,579	710,614,051
Financial assets available for sale at fair value	493,298,015	53,199,450	38,832,498	585,329,963
	705,443,487	**53,199,450**	**537,301,077**	**1,295,944,014**

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

For the period ended as at 30 June 2019, the Company presented financial assets at fair value through profit or loss on level 3 of the fair value hierarchy, instruments held in bonds amounting to 89,958,016 Lei, closed-end fund units in the amount of 150,368,839 lei and shares held in eleven companies whose fair value of 259,788,845 Lei was determined using evaluation models in accordance with the ANEVAR Valuation Standards.

For the period ended 30 June 2019, the Company presented financial assets at fair value through other comprehensive income on level 3 of the fair value hierarchy, shares held in several companies whose fair value of 42,480,332 Lei was determined using models of assessment according to the ANEVAR Assessment Standards and professional reasoning, using different evaluation models, taking into account the credibility, quantity and quality of the available information.

For the financial period ended as at 31 December 2018, the Company presented financial assets at fair value through profit or loss on fair value hierarchy level 3, instruments held in bonds amounting to 86,206,075 Lei, closed-end fund units amounting to 152,473,659 Lei and shares held in eleven companies whose fair value amounting to 259,788,845 Lei was determined using valuation models according to ANEVAR Valuation Standards..

For the financial period ended as at 31 December 2018, the Company presented financial assets at fair value through other items of the comprehensive income on level 3 of the fair value hierarchy, the shares held at several companies whose fair value of 38,832,498 Lei was determined using valuation models in accordance with the ANEVAR Valuation Standards and professional judgment by using different evaluation models, taking into account the credibility, quantity and quality of available information.
The principal assumptions used in the valuation model for financial assets at fair value - shares as at 31 December 2018, together with related amounts are presented in the following table:

Assumptions used in the valuation model	**Value of the indicator used in the valuation as at 31 December 2018**
The annual change in EBITDA	0% - 6%
Perpetual variation of revenues and expenses	2.00%
Weighted average cost of capital (WACC)	8,2% - 12,8%

Although the Company considers its fair value estimates as appropriate, using other methods or assumptions could result in different values of fair value. For the fair values recognized following the use of a significant number of unobservable inputs (Level 3) modifying one or more assumptions with other reasonable alternative assumptions would have an influence on the statement of profit or loss and other comprehensive income, as follows:

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

Changing variable at the valuation as at 31 December 2018	Impact on the profit and loss account	Impact on other elements of comprehensive result
Increase of EBITDA with 3%	8,916,881	175,230
Decrease of EBITDA with 3%	(8,015,666)	(140,127)
Increase of WACC with 0,5%	(9,618,161)	(70,101)
Decrease of WACC with 0,5%	10,857,744	70,111
Increase of perpetuity of revenues and expenses with 0,5%	6,380,338	-
Decrease of perpetuity of revenues and expenses with 0,5%	(5,628,733)	-

Considering the available information for estimating the fair value of certain shares held in companies classified as financial assets at fair value through other items of comprehensive income the market approach method was used, ie the comparison of the company under assessment with similar companies traded on a market, and the determination its value by using a multiplier (EBITDA or equity) and applying a discount for lack of liquidity.

Under the evaluation model for financial assets at fair value through profit or loss - fund units and bonds, a positive change of fair value of 10% leads to a increase in profit after tax of 20,187,456 Lei at 30 June 2019 (31 December 2018: 20,049,098 Lei), a negative change of 10% having an equal net impact and of opposite sign.

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

Reconciliation of evaluations at fair value classified on Level 3 of the fair value hierarchy

In LEI	**Financial assets at fair value through profit or loss**	**Financial assets measured at fair value through other items of comprehensive income**
31 December 2017	**98,683,282**	**404,672,354**
Restatement according to the adoption of IFRS 9	152,229,481	(152,229,481)
Restatement according to IFRS 10	252,442,873	(252,442,873)
Transfers to level 3	-	37,991,410
Gains or losses for the period included in profit or loss	(32,951,091)	
Gains or losses for the period included in other items of comprehensive income	-	841,088
Acquisitions, participations to share capital	69,052,850	-
Sales	(40,988,817)	-
31 December 2018	**498,468,579**	**38,832,498**
Transfers to level 3	1,013,129	-
Transfers from level 3	-	(160,178)
Gains or losses for the period included in profit or loss	12,489,376	-
Gains or losses for the period included in other items of comprehensive income	-	5,461,558
Sales	(11,855,384)	(1,653,546)
30 June 2019	**500,115,700**	**42,480,332**

Classification of financial assets and liabilities

The Company's accounting policies provide the basis so that the assets and liabilities to be classified, initially, in various accounting categories. For the classification of assets and liabilities at fair value through profit or loss, the Company has determined to have met one or more criteria as presented in note 3 (e) (i). Details of the classification of financial assets and liabilities of the Company are presented in Note 21.

6. Dividend income

Dividend income is recorded on a gross basis. Tax rates on dividends for the financial period ended as at 30 June 2019 was of 5% and zero (financial period ended as at 30 June 2018: 5% and zero). Details on the main counterparts of dividend income is presented below:

In LEI	**30 June 2019**	**30 June 2018**
Banca Transilvania S.A.	21,686,672	15,216,374
BRD GSG S.A.	8,993,229	5,948,757
Voluthema Property Developer S.A.	-	5,790,747
SNGN Romgaz S.A.	5,123,116	-
SIF Oltenia S.A.	2,610,000	-
CI-CO S.A.	1,681,847	2,088,019
Firos S.A.	1,407,788	-
FIA Certinvest Actiuni	1,086,384	-
OMV Petrom S.A.	929,265	614,345
Alro S.A.	452,984	-
SNTGN Transgaz S.A.	450,528	943,904
Casa de Bucovina Club de Munte S.A.	-	447,601
Gecsatherm S.A.	-	430,292
Bursa de Valori București S.A.	395,525	592,340
Gecsat S.A.	330,501	686,511
ICPE S.A.	-	385,492
Conpet S.A.	265,825	286,251
Others	1,002,357	947,435
Total	**46,416,022**	**34,378,069**

7. Interest income

In LEI	**30 June 2019**	**30 June 2018**
Income from interest on deposits and current bank accounts	405,913	164,406
Interest income on financial assets measured at amortized cost	327,627	133,054
Total	**733,540**	**297,460**

8. Net gain from revaluation of financial assets at fair value through profit or loss

In LEI	30 June 2019	30 June 2018
Net gain on revaluation of financial assets at fair value through profit or loss - shares	11,055,021	26,930,019
Net gain / (Net loss) on revaluation of financial assets at fair value through profit or loss - bonds	2,738,813	(3,943,188)
Net gain / (Net loss) on revaluation of financial assets at fair value through profit or loss - fund units	12,429,057	(9,660,133)
Total	**26,222,891**	**13,326,698**

9. Net income from the reversal of adjustments for the impairment of assets

In LEI	30 June 2019	30 June 2018
Reversed losses from impairment of other assets (Note 15)	2,371,615	1,608,302
Expenses with the receivables write-off	(2,225,456)	-
Total	**146,159**	**1,608,302**

(i) During the financial period ended 30 June 2019, the Company derecognized the receivable held at Transchim S.A. amounting to 2,139,847 lei, as a result of the closing of the bankruptcy procedure.

10. Other operating expenses

In LEI	30 June 2019	30 June 2018
Expenditure on external benefits	374,269	356,897
Expenditure on commissions	711,300	726,450
Custody fees	135,969	142,909
Trading costs	85,224	74,570
Protocol, advertising and advertising expenses	80,156	82,916
Expenses with depreciation of the asset representing rights to use the underlying assets (Note 15 *(ii)*)	57,114	-
Other operating expenses *(i)*	47,461	44,170
Total	**1,491,493**	**1,427,912**

(i) Other operating expenses include expenditure with transportation, telecommunications, other taxes and fees, etc.

11. Income tax

In LEI	**30 June 2019**	**30 June 2018**
Current income tax		
Current income tax 16%)	1,022,472	3,668,989
Dividend tax (5%)	2,067,556	1,215,678
	3,090,028	**4,884,667**
Deferred income tax		
Adjustments for impairment of other assets	(553,681)	238,702
	(553,681)	**238,702**
Total	**2,536,347**	**5,123,369**

Reconciliation of profit before taxation with the income tax expense:

In LEI	**30 June 2019**	**30 June 2018**
Profit before tax	**63,736,199**	**39,218,025**
Tax under statutory tax rate of 16% (2018: 16%)	10,197,792	6,274,884
Effect on income tax of:		
Dividends tax rates	2,067,556	1,215,678
Items similar to income resulting from the adoption of IFRS 9	-	7,437,025
Items similar to expenditures following the adoption of IFRS 9	(474,666)	(430,754)
Non-deductible expenses	2,831,125	1,557,179
Non-taxable income	(11,283,321)	(11,169,346)
Amounts representing sponsorship within legal limits	(248,458)	-
Recording and reversal of temporary differences	(553,681)	238,702
Income tax	**2,536,347**	**5,123,369**

12. Cash and current accounts

In LEI	**30 June 2019**	**31 December 2018**
Cash in the petty cash	2,384	575
Current accounts at banks	1,793,151	1,079,391
Total	**1,795,535**	**1,079,966**

Current accounts opened with banks are permanently available to the Company and are not restricted or encumbered.

13. Deposits with banks

In LEI	**30 June 2019**	**31 December 2018**
Bank deposits with an initial maturity less than 3 months *(i)*	35,585,656	19,321,962
Bank deposits with an initial maturity more than 3 months and less than 1 year *(i)*	24,592,500	10,000,000
Receivables attached	110,438	47,773
Blocked deposits	11,974	11,974
Total deposits with banks	**60,300,568**	**29,381,709**

(i) Bank deposits are permanently available to the Company and are not restricted or encumbered.

14. Financial assets

a) Financial assets at fair value through profit or loss

In LEI	**30 June 2019**	**31 December 2018**
Bonds *(i)*	89,958,016	87,254,836
Shares *(ii)*	458,571,038	447,502,700
Fund units *(iii)* (Note 24)	176,430,189	175,856,515
Total	**724,959,243**	**710,614,051**

14. Financial assets (continued)

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

(i) During 2017, the Company invested in bonds issued by OPUS Chartered Issuances SA with a one-year maturity, an acquisition cost of 29,205,275 lei, equivalent to 6,389,253 EUR for a number of 501 units and a fix annual interest amounting to 200.00 EUR per bond. The acquisition of this type of securities is part of the investment policy of SIF Muntenia S.A. to diversify the investment portfolio.

In September 2018, the maturity of this title issued by OPUS Chartered Issuances SA was extended for a period of two years.

As at 30 June 2019, the Company evaluated these securities using a valuation model that takes into account the Bloomberg closing price of 13,618.84 EUR/certificate (31 December 2018: 12,522.18 EUR/certificate).

During 2016, the Company invested in bonds issued by OPUS Chartered Issuances SA with a maturity of two years, an acquisition cost of 44,621,357 lei, equivalent of 10,000,080 EUR for a total of 1,140 units and a fix annual interest amounting to 200.00 EUR per bond. The purchase of such securities in the investment policy is part the investment policy of SIF Muntenia S.A. to diversify the investment portfolio.

In September 2018, the maturity of this title issued by OPUS Chartered Issuances SA was extended for a period of two years.

As at 30 June 2019, the Company evaluated these securities using a valuation model that takes into account the Bloomberg closing quotation of 10,635.45 EUR/certificate (31 December 2018: 11,041.68 EUR/certificate) as well as an adjustment factor that mainly concerns the liquidity risk in the underlying asset market and its effect on the price of the securities issued by the issuer. The aforementioned adjustment factor determined the decrease in the fair value of these securities by 2,270,568 lei, recorded on the basis of the profit or loss in 2016 and not reversed in the financial period ended as at 30 June 2019.

The bonds held with Banca Transilvania were also classified in this category, bonds containing contractual clauses regarding the option to convert them into shares and, from the analysis of contractual terms, cash flows are not exclusively payments of the principal and the interest on the principal due, which are related to a basic lending agreement (Note 25).

On 30 June 2019, the fair value of the bonds is 1,215,455 lei (31 December 2018: 1,048,761 lei).

(ii) Staring with 1 January 2018, the Company adopted IFRS 9 and applied IFRS 10 on the exception to consolidation (Note 25 and Note 26). Applying this exception implies that an investment entity must measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 (Note 2 a). On 30 June 2019, the fair value of the subsidiaries is 457,746,440 Lei (31 December 2018: 446,913,400 Lei).

The shares held at Purcari Wineries Public Company Limited that were acquired during the period ended as at 31 December 2018 were also classified in this category. The fair value of this holding is 824,598 lei as at 30 June 2019 (31 December 2018: 589,300 Lei).

The fair value measurements of shares was made by multiplying the number of shares held with the closing price on the last trading day of the reporting period or by obtaining valuation reports prepared by independent valuers.

14. Financial assets (continued)

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

(iii) As at 30 June 2019, the Company owns fund units valuated at fair value, of which: open-end investment funds (Star Next, Star Focus, Prosper Invest, Active Dinamic) amounting to 20,635,241 lei and closed-end investment funds/alternative investment funds (BET-FI Index Invest, Multicapital Invest, Active Plus, Star Value, Optim Invest, Certinvest Actiuni and Romania Strategy Fund) amounting to 155,794,948 lei.

b) Financial assets at fair value through other items of comprehensive income

In LEI	**30 June 2019**	**31 December 2018**
Shares valuated at fair value *(i)*	710,066,047	585,329,963
Total	**710,066,047**	**585,329,963**

(i) The fair value was determined at the closing price on the last trading day of the reporting period or it was determined using valuation models according to ANEVAR Valuation Standards. As at 30 June 2019 and 31 December 2018, the shares category measured at fair value includes mainly the value of the shares held in BRD - Groupe Societe Generale S.A., Banca Transilvania S.A., SIF Banat-Crişana S.A., SIF Oltenia S.A., SNGN Romgaz S.A..

14. Financial assets (continued)

b) Financial assets at fair value through other items of comprehensive income (continued)

The movement of financial assets at fair value through other items of comprehensive income during the financial period ended as at 30 June 2019 is presented in the following table:

In LEI	Shares valuated at fair value	Shares valuated at cost	Fund units	Total
31 December 2018	**585,329,963**	**-**	**-**	**585,329,963**
Net change during the period (i)	6,975,228	-	-	6,975,228
Changes in fair value	117,760,856	-	-	117,760,856
30 June 2019	**710,066,047**	**-**	**-**	**710,066,047**

The movement of financial assets at fair value through other items of comprehensive income during the financial period ended as at 30 June 2018 is presented in the following table:

In LEI	Shares valuated at fair value	Shares valuated at cost	Fund units	Total
31 December 2017	**905,239,333**	**79,726,697**	**179,731,361**	**1,164,697,391**
Reclassification as at 1 January 2018 following the adoption of IFRS 9 (Note 25)	79,726,697	(79,726,697)	(179,731,361)	(179,731,361)
Reclassification as at 1 January 2018 due to IFRS 10 (Note 25)	(425,431,656)	-	-	(425,431,656)
Net change during the period (i)	11,123,860	-	-	11,123,860
Changes in fair value	26,745,175	-	-	26,745,175
30 June 2018	**597,403,409**	**-**	**-**	**597,403,409**

14. Financial assets (continued)

b) Financial assets at fair value through other items of comprehensive income (continued)

(i) Inputs of shares during the period ended as at 30 June 2019 represent: purchases of shares on a regulated market: BRD - Groupe Societe Generale S.A. and Banca Transilvania S.A.

Outputs of shares during the period ended as at 30 June 2019 represent: sales of shares in the portfolio from the following issuers: SN Nuclearelectrica S.A., Minerva S.A., Primcom S.A., Alro S.A., Banca Transilvania S.A., OMV Petrom S.A., Galeriile Victoria S.A. and Chimopar S.A., shares in the de-registered companies: Foraj Sonde București Internațional S.A. and Transchim S.A.

Inputs of shares during the period ended as at 30 June 2018 represent: acquisition of shares on a regulated market, such as: SNGN Romgaz S.A., BRD Group Societe Generale S.A., Macofil S.A., Banca Transilvania S.A. and OMV Petrom S.A., participation in the share capital increase of Bursa de Valori Bucuresti S.A. and ICPE S.A..

Outputs of shares during the period ended as at 30 June 2018 represent: sales of shares in the portfolio from the following issuers: Conpet S.A., Alumil Rom Industry S.A., Primcom S.A, Complex Cabana Ciucaș S.A., shares in de-registered companies: Urbis Armături Sanitare S.A., Metaplast S.A., Tehnopam S.A., Sibex Sibiu Stock Exchange S.A., Suinprod S.A., Sticlă S.A. withdrawals from companies: Depozitarul Sibex S.A., Pavcom S.A., decrease of share capital: Gecsat S.A.

c) Financial assets measured at amortized cost

In LEI	**30 June 2019**	**31 December 2018**
Corporate bonds - other currencies	10,327,354	10,171,781
Corporate bonds - LEI	1,005,121	-
TOTAL	**11,332,475**	**10,171,781**
of which with maturity in more than a year:		
Corporate bonds - other currencies	10,132,096	9,979,743
Corporate bonds - LEI	1,000,000	-

As at 30 June 2019, the Company holds unlisted bonds issued by Medimfarm S.A., Capital Leasing IFN S.A. and listed bonds issued by Impact Developer & Contractor S.A.

As at 31 December 2018, the Company holds unlisted bonds issued by Medimfarm S.A. and listed bonds issued by Impact Developer & Contractor S.A..

15. Other assets

In LEI	**30 June 2019**	**31 December 2018**
Various debtors	12,810,985	12,701,217
Dividends to be received	3,201,491	811,658
Current income tax receivables (i)	5,385,027	6,460,883
Assets representing rights to use underlying assets under a lease contract (ii)	561,618	-
Tangible assets	70,739	104,392
Other assets	27,662	39,460
Adjustments for impairment of various debtors	(7,878,482)	(10,261,634)
Adjustments for impairment of dividends receivables	(767,301)	(755,763)
Total	**13,411,739**	**9,100,213**
Of which, with credit risk (Note 4 b)):	7,366,693	2,495,478

Evolution of impairment of various debtors and dividends receivables is the following:

In LEI	
as at 1 January 2019	**(11,017,397)**
Reversal of Impairment Adjustments (Note 9)	2,371,615
as at 30 June 2019	**(8,645,782)**

As at 30 June 2019 the current tax expense was 1,022,472 lei (Note 11), and during the period ended 30 June 2019, offsets of fiscal debts amounting to 53,384 lei were made, resulting in a receivable with the current profit tax as at 30 June 2019 of 5,385,027 lei.

As at 31 December 2018 current tax expense was 518,169 Lei (Note 11), and the income tax paid in the financial year ended as at 31 December 2018 amounted to 6,979,052 Lei, resulting in a current tax liability as at 31 December 2018 of 6,460,883 lei.

(ii) As of 1 January 2019, the Company has adopted IFRS 16, for which it has recognized in the statement of financial position assets and liabilities related to the restatement of the lease contract as a lessee.

The company concluded in 2014 a lease contract for the right to use the space in 16, Splaiul Unirii, sector 4, Bucharest, as a tenant. The Company has estimated the initial value of the asset related to the right to use at an amount equal to the current debt at the time of the transaction resulting from this contract of 618,732 RON (equivalent in foreign currency: 132,664 euro)

The accumulated depreciation of this asset up to 30 June 2019 is 57,114 lei (Note 10), resulting in a net book value of 561,618 lei. Under IFRS 16, for this contract, the Company recognized interest expense of 21,986 lei. The total cash outflows related to the contract amounted to 70,652 lei.

16. Dividends to be paid

In LEI	**30 June 2019**	**31 December 2018**
Dividend to be paid for 2014 profit	-	22,463,569
Dividend to be paid for 2015 profit	16,114,058	16,187,630
Dividend to be paid for 2016 profit	14,589,731	14,697,869
Dividend to be paid for 2017 profit	13,101,605	13,286,316
Total dividends to be paid	**43,805,394**	**66,635,384**

For dividends not claimed within more than 3 years from the date of the declaration, the Shareholders General meeting of the Company approved their transfer to equity (retained earnings).

17. Liabilities related to deferred income tax

Liabilities with deferred tax as at 30 June 2019 are generated by items detailed in the table below:

In LEI	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through other items of comprehensive income	203,729,209	-	203,729,209
Impairment adjustments and other provisions	-	8,645,782	(8,645,782)
Total	**203,729,209**	**8,645,782**	**195,083,427**
Net temporary differences - 16% quota			195,083,427
Deferred income tax liabilities			**31,213,348**

Liabilites related to deferred income tax as at 31 December 2018 are generated by items detailed in the table below:

In LEI	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through other items of comprehensive income	132,438,415	-	132,438,415
Impairment adjustments and other provisions	-	11,017,397	(11,017,397)
Total	**132,438,415**	**11,017,397**	**121,421,018**
Net temporary differences - 16% quota			121,421,018
Deferred income tax liabilities			**19,427,363**

17. Liabilities related to deferred income tax (continued)

The balance of the deferred tax directly recognized through decrease of equity amounts to 26,315,903 lei as at 30 June 2019 (31 December 2018: 13,976,237 lei), being entirely generated by financial assets at fair value through other items of comprehensive income.

18. Other liabilities

In LEI	**30 iunie 2019**	**31 decembrie 2018**
Suppliers - invoices to be received	1,751,417	1,976,475
Taxes and fees	17,805	722,582
Domestic suppliers	3,105	1,500,908
Liabilties related to the leasing contract (Note 15 *ii)*)	578,905	-
Other liabilities	257,412	261,360
Total	**2,608,644**	**4,461,325**

19. Equity and reserves

(a) Share capital

The shareholding structure of the Company is the following:

31 December 2018	**Shareholders number**	**Number of shares**	**Amount (LEI)**	**(%)**
Individuals	5,949,001	501,485,470	50,148,547	62.14
Legal persons	192	305,551,045	30,555,105	37.86
Total	**5,949,193**	**807,036,515**	**80,703,652**	**100**

All shares are ordinary shares, were subscribed and paid in full by 31 December 2018. All shares have equal voting rights and a nominal value of 0.1 lei/share. The number of shares authorized to be issued is equal to the shares issued.

During the period ended as at 30 June 2019 there were no changes in the number of issued shares.

The presentation of the shareholding structure on 30 June 2019 is irrelevant.

Reconciliation of equity in accordance with IFRS with the Articles of Association is presented in the following table:

In LEI	**30 June 2019**	**31 December 2018**
Share capital according to the Articles of Association	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**

19. Equity and reserves (continued)

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

This reserve includes cumulative net changes in the fair values of financial assets at fair value through other items of comprehensive income from the date of classification in this category and to the date they have been derecognized.

Revaluation reserves of financial assets at fair value through other items of comprehensive income are recorded net of related deferred tax. The value of deferred tax recognized directly by decrease in equity is presented in Note 17.

(c) Retained earnings representing surplus from revaluation reserves - IFRS 9

When derecognizing equity instruments designated as financial assets at fair value through other comprehensive income, (see Note 14 b) *(i)*), the gains / losses on these instruments are reclassified to retained earnings from revaluation reserves.

In the period ended 30 June 2019, as a result of applying accounting policies compliant with IFRS 9 and detailed in note 3 (e) (vii), the Company recognized the net gain on disposal of financial assets in retained earnings. The surplus realized by the Company as a result of the disposal of financial assets at fair value through other elements of the comprehensive income was in the amount of 8,400,022 lei. In addition, as a result of the disposal of financial assets at fair value through profit or loss, the amount of 7,421,023 Lei was transferred from the retained earnings to retained earnings representing realized surplus.

In the financial year ended 31 December 2018, as a result of the application of the accounting policies in accordance with IFRS 9 and detailed in Note 3 e) (*vii*), the Company recognized in the reported result the net gain from the transfer of the financial assets. The surplus realized by the Company as a result of the transfer of the financial assets at fair value through other elements of the comprehensive income amounted to 58,908,982 lei. In addition, as a result of the transfer of financial assets at fair value through profit or loss, the amount of 13,883,054 lei was transferred from the deferred result to the deferred result representing the surplus realized.

Amounts recognized in reserves from the revaluation of financial assets at fair value through other comprehensive income shall not be reclassified to profit or loss on derecognition of those instruments.

(d) Legal reserves

According to legal requirements, the Company creates legal reserves in a quota of 5% of gross profit statutory recorded up to a level of 20% of the share capital according to the Articles of Association. Legal reserve value as at 30 June 2019 is of 16,140,730 lei (31 December 2018: 16,140,730 lei).

Legal reserves can not be distributed to shareholders. The value of legal reserves was included in the financial position statement under “Retaied earnings” line.

(e) Dividends

On 22 April 2019, by Resolution no. 3, the General Meeting of Shareholders approved the distribution of the entire profit obtained in 2018 to "Other reserves", in order to start a Redemption Program of a number of 37,036,515 shares. Therefore, during 2019, the Company will not distribute dividends.

During the year 2018, the Company distributed dividends amounting to 28,004,167 lei, respectively 0,0347 lei/share from the profit of 2017.

During the period ended 30 June 2019, the Company prescribed dividends amounting to 22,463,569 lei related to the profit of 2014, according to the Resolution no.5 of the General Meeting of Shareholders on 22 April 2019.

20. Earnings per share

The calculation of basic earnings per share was made on the basis of net profit and the weighted average number of ordinary shares:

In LEI	**30 June 2019**	**30 June 2018**
Net profit	61,199,852	34,094,656
Weighted average number of ordinary shares	807,036,515	807,036,515
Basic earnings per share	**0.076**	**0.042**

Diluted earnings per share is equal to basic earnings per share as the Company has not registered potential ordinary shares.

21. Financial assets and liabilities

Accounting classifications and fair values

The table below summarizes the carrying amounts and fair values of financial assets and liabilities of the Company as at 30 June 2019:

In LEI	**Fair value through profit or loss**	**Fair value through other items of comprehensive income**	**Amortized cost**	**Total book value**	**Fair value**
Cash and cash equivalents	-	-	1,795,535	**1,795,535**	**1,795,535**
Deposits with banks	-	-	60,300,568	**60,300,568**	**60,300,568**
Financial assets at fair value through profit or loss	724,959,243	-	-	**724,959,243**	**724,959,243**
Financial assets at fair value through other items of comprehensive income	-	710,066,047	-	**710,066,047**	**710,066,047**
Financial assets measured at amortized cost	-	-	11,332,475	**11,332,475**	**12,439,379**
Other financial assets	-	-	12,751,720	**12,751,720**	**12,751,720**
Total financial assets	**724,959,243**	**710,066,047**	**86,180,298**	**1,521,205,588**	**1,522,312,492**
Dividends to be paid	-	-	(43,805,394)	**(43,805,394)**	**(43,805,394)**
Other financial liabilities	-	-	(2,608,644)	**(2,608,644)**	**(2,608,644)**
Total financial liabilities	**-**	**-**	**(46,414,038)**	**(46,414,038)**	**(46,414,038)**

In order to estimate the fair value of financial assets and liabilities measured at amortized cost, the Company used the following estimates and made the following judgments: for significant elements such as cash and cash equivalents, other financial assets and liabilities that are issued or held on a very short term and generally do not bear interest or bear fixed interest, the Company approximated fair value with their costs; as for the financial assets measured at amortized cost, the Company used valuation techniques such as discounted cash flows, using observable market inputs (as such, the evaluation was performed using Level 3 techniques).

21. Financial assets and liabilities
Accounting classifications and fair values (continued)

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

In LEI	**Fair value through profit or loss**	**Fair value through other items of comprehensive**	**Amortized cost**	**Total book value**	**Fair value**
Cash and cash equivalents	-	-	1,079,966	**1,079,966**	**1,079,966**
Deposits with banks	-	-	29,381,709	**29,381,709**	**29,381,709**
Financial assets at fair value through profit or loss	710,614,051	-	-	**710,614,051**	**710,614,051**
Financial assets at fair value through other items of comprehensive income	-	585,329,963	-	**585,329,963**	**585,329,963**
Financial assets measured at amortized cost	-	-	10,171,781	**10,171,781**	**11,351,123**
Other financial assets	-	-	8,956,361	**8,956,361**	**8,956,361**
Total financial assets	**710,614,051**	**585,329,963**	**49,589,817**	**1,345,533,831**	**1,346,713,173**
Dividends to be paid	-	-	(66,635,384)	**(66,635,384)**	**(66,635,384)**
Other financial liabilities	-	-	(4,461,325)	**(4,461,325)**	**(4,461,325)**
Total financial liabilities	**-**	**-**	**(71,096,709)**	**(71,096,709)**	**(71,096,709)**

In order to estimate the fair value of financial assets and liabilities measured at amortized cost, the Company used the following estimates and made the following judgments: for significant elements such as cash and cash equivalents, other financial assets and liabilities that are issued or held on a very short term and generally do not bear interest or bear fixed interest, the Company approximated fair value with their costs; as for the financial assets measured at amortized cost, the Company used valuation techniques such as discounted cash flows, using observable market inputs (as such, the evaluation was performed using Level 3 techniques).

22. Commitments and contingent liabilities

(a) Litigations

The company is subject to a number of court proceedings resulting from the normal course of business. The Company's management believes, based on consultations with its lawyers, that these actions will not have a significant adverse effect on the Company's financial results and financial position

(b) Contingencies related to the environment

Environmental regulations are under development in Romania and the Company did not record any obligations at 30 June 2018 and 31 December 2018 for any anticipated costs, including legal fees and consulting studies of site, design, implementation of remedial plans concerning environmental elements. The Company's management does not consider the costs associated with any environmental problems as significant.

(c) Transfer pricing

Romanian tax legislation contains rules on transfer pricing between related parties since 2000. The current legislative framework defines the "market value" for transactions between affiliates and the methods of transfer pricing. As a result, it is expected that the tax authorities shall initiate thorough checks of transfer pricing, to ensure that the result of fiscal and/or customs value of imported goods are not distorted by the effect of prices in relations with affiliates. The Company can not assess the outcome of such verification.

23. Transactions and balances with parties under special relations

The Company identified during the development of its activity the following parties under special relationships:

(i) Company's Management

The Company operates under a management contract signed with cu Societatea de Administrare a Investiţiilor Muntenia Invest S.A..The majority shareholder of the Administration Company Societatea de Administrare a Investiţiilor Muntenia Invest S.A is SIF Banat-Crisana S.A., holding 99.98% of the share capital on 30 June 2019.

The transactions carried out between the Company and the Administrator were the following:

In LEI

Loans and receivables	**30 June 2019**	**31 December 2018**
Trade receivables	-	207
Liabilities related to the management fee	(1,450,000)	(2,900,000)
Revenues and expenses	**30 iunie 2019**	**30 iunie 2018**
Management fee	(8,700,000)	(8,700,000)
Rental revenues	33,000	33,000

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

(ii) Key management personnel

30 June 2019

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

Transactions with the Company's personnel:

Other transactions	**30 June 2019**	**30 June 2018**
Expenses with the remuneration of Shareholders Representatives Council members, of which:	220,236	612,854
- gross remuneratios paid to the members	215,388	595,407
- social security and social protection expenditure	4,848	17,447
-number of members	3	3
Expenses with salaries, of which:	29,795	29,151
- gross salaries paid or to be paid	28,782	28,513
- social security and social protection expenditure	1,013	638
- number of employees	2	2

As at 30 June 2019, the Company has an actual number of 2 employees and 3 members of the Shareholders Representatives Council. The Shareholders Representatives Council Members were appointed during the SGOA of SIF Muntenia dated 25 June 2018.

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

(iii) Subsidiaries (companies where SIF Muntenia holds control)

All subsidiaries of the Company as at 30 June 2019 and 31 December 2018 are based in Romania. For them, the ownership percentage of the Company is no different from the percentage of number of votes held. The fair value of holdings in subsidiaries and the percentage owned are presented in the table below:

Denomination of the subsidiary	Fair value ast at 30 June 2019	Fair value ast at 31 December 2018	Percentage held as at 30 June 2019	Percentage held as at 31 December 2018
Avicola Bucureşti S.A.	25,097,680	25,097,680	99.40%	99.40%
Bucur S.A.	17,548,755	15,850,489	67.98%	67.98%
Casa de Bucovina - Club de Munte S.A.	8,092,820	8,000,870	67.17%	66.87%
CI-CO S.A.	44,387,862	44,387,862	97.34%	97.34%
Firos S.A.	43,692,108	43,692,108	99.69%	99.69%
FRGC IFN S.A.	9,447,499	9,447,499	53.60%	53.60%
Gecsatherm S.A.	11,934,999	11,934,999	50.00%	50.00%
Mindo S.A.	4,496,105	4,496,105	98.02%	98.02%
Muntenia Medical Competences S.A.	32,421,852	32,421,852	99.76%	99.76%
Germina Agribusiness S.A. (Semrom Muntenia S.A.)	38,059,064	38,059,064	90.68%	90.68%
Semrom Oltenia S.A.	14,680,815	14,680,815	88.49%	88.49%
Unisem S.A.	21,195,789	21,195,789	76.91%	76.91%
Voluthema Property Developer S.A.	14,375,072	14,375,072	69.11%	69.11%
Biofarm S.A.	172,316,020	163,273,196	50.98%	50.98%
Total	**457,746,440**	**446,913,400**	**-**	**-**

(iv) Associates of the Comapany

As at 30 June 2019 and 31 December 2018, the Company does not hold participations in associated entities.

(v) Transactions and balances with subsidiaries of the Company

Transactions entered into by the Company with parties having special relations were conducted in the normal course of business. The Company did not receive and did not give guarantees in favor of any party under special relations.

Transactions with Company's subsidiaries

Loans and receivables	**30 June 2019**	**31 December 2018**
Trade receivables	10,974	10,974
Trade liabilities	(42)	(42)

Revenues and expenses	**30 June 2019**	**30 June 2018**
Acquisition of goods and services	(79,099)	(64,661)

24. Fund units

Fund units as at 30 June 2019 and 31 December 2018 are:

Financial assets at fair value through profit or loss	**30 June 2019**	**31 December 2018**
FÎI Multicapital Invest	10,830,660	9,840,566
FÎI BET-FI Index Invest	5,426,109	4,720,204
FÎI Omnitrend	-	12,307,175
FDI Star Next	1,269,622	1,144,265
FDI Star Focus	975,254	912,095
FDI Prosper Invest	1,443,287	1,313,577
FÎI Active Plus	43,446,775	40,508,542
FÎI Star Value	14,798,479	13,281,296
FDI Active Dinamic	16,947,078	15,292,715
FÎI Optim Invest	28,813,804	26,598,891
FIA Certinvest Acțiuni	23,596,001	23,159,669
FIA Romania Strategy Fund	28,883,120	26,777,520
Total	**176,430,189**	**175,856,515**
Financial assets at fair value through profit or loss (Note 14.a) ***(iii)*** **)**	**176,430,189**	**175,856,515**

25. Adoption of IFRS 9 Standard

IFRS 9 has affected the classification and measurement of financial assets held as at 1 January 2018 as follows:

A. Bonds that were classified as loans and receivables and measured at amortized cost in accordance with IAS 39 were measured at amortized cost (bonds issued by Impact Developer & Contractor - Note 14 c)) or at fair value through profit or loss (bonds issued by Banca Transilvania - Note 14 (a) (iv)) in accordance with IFRS 9, depending on the analysis of contractual terms in which cash flows are not only principal payments and interest on the principal due.

Bonds that were measured at fair value through profit or loss in accordance with IAS 39 continue to be measured at fair value through profit or loss and in accordance with IFRS 9.

B. Shares that were classified as available for sale in accordance with IAS 39 were measured in accordance with IFRS 9 at fair value through other comprehensive income according to particular circumstances (apart from holdings in subsidiaries). These securities are mainly held for long-term periods and were designated as at fair value through other comprehensive income on 1 January 2018.

Shares held in subsidiaries are measured at fair value through profit or loss as a result of the application of IFRS 10 on the exception to consolidation for which an investment in a subsidiary is measured at fair value through profit or loss in accordance with IFRS 9 (Note 26).

C. Fund units that were 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.

The impact of these changes following the adoption of IFRS 9 as of 1 January 2018 represents a decrease in the Company's equity of 116,419 lei.

Deferred tax on fund units calculated up to the date of transition to IFRS 9, amounting to 7,437,026 Lei, was reversed resulting in an increase in equity and was recognized in current income tax during the financial year ended 31 December 2018.

Notes to financial statements

for the financial period ended 30 June 2019

25. Adoption of IFRS 9 Standard (continued)

Initial classification in accordance with IAS 39 and the new IFRS 9 classification of financial assets and liabilities held by the Company on 1 January 2018:

Financial assets	Note	Classification according to IAS 39	The carrying amount in accordance with IAS 39 as of 31 December 2017	Classification according to IAS 9	The carrying amount in accordance with IAS 9 as of 31 December 2018
Shares (Equity Instruments)	15b	Available-for-sale financial assets (AFS)	984,966,030	Financial assets at fair value through other comprehensive income (FVOCI)	559,534,374
				Financial assets at fair value through profit or loss (FVTPL) - subsidiaries	425,431,656
Fund units (Debt Instruments)	15b	Available-for-sale financial assets (AFS)	179,731,361	Financial assets at fair value through profit or loss (FVTPL)	179,731,361
Structured products (Debt Instruments)	15a	Financial assets at fair value through profit or loss (FVTPL) - held for trading (HFT)	98,683,282	Financial assets at fair value through profit or loss (FVTPL)	98,683,282
Corporate bonds (Debt Instruments)	15c	Loans and receivables	5,863,691	Financial assets measured at amortized cost	4,669,243
				Financial assets at fair value through profit or loss (FVTPL)	1,078,031
Commercial liabilities and other liabilities	17	Other financial assets	7,682,571	Other financial assets	7,682,571
Cash and bank deposits	13, 14	Cash and cash equivalalents	22,132,795	Cash and cash equivalalents	22,132,795
TOTAL FINANCIAL ASSETS			**1,299,059,730**		**1,298,943,313**

25. Adoption of IFRS 9 Standard (continued)

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Financial assets	Note	Classification acc. to IAS 39	Book value acc. to IAS 39 as at 31 December 2017	Classification acc. to IAS 9	Book value acc. to IAS 9 as at 1 January 2018
Dividends to be paid	18	Financial liabilities measured at cost	54,323,451	Financial liabilities measured at amortized cost	54,323,451
Other financial liabilities	20	Financial liabilities measured at cost	10,770,267	Financial liabilities measured at amortized cost	10,770,267
TOTAL FINANCIAL LIABILITIES			**65,093,718**		**65,093,718**

26. Applying IFRS 10 on the exception to consolidation

The Company has reviewed the applicability of IFRS 10 provisions regarding the measurement criteria of SIF Muntenia as an investment entity from 1 January 2018.

An investment entity is an entity that:
• Obtains funds from one or more investors in order to provide investment management services to those investors;
• Engages in front of its investors that the purpose of its business is to invest funds only for earnings from capital appreciation, investment income, or both; and
• Quantifies and evaluates the performance of most of its investments based on fair value.

An investment entity also has the following typical features:
• Owns more than one investment;
• Has more than one investor;
• Has investors that are not related parties of the entity.

The analysis of the Company was based on the following aspects:

Communicating business objectives to investors

The Company presents and submits to the investors' approval the program of activities, the strategic administration programs and the income and expenditure budget at the General Meeting of Shareholders.
The Company provide investors with quarterly, half-yearly and annual reports with information on the outcome of the actions undertaken to raise capital and earnings from investments, by analyzing the evolution of the equity portfolio, earnings from investments and dividend income. Thus, through communications to its shareholders, the Company demonstrates that the purpose of its business is to pursue solely the increase in the value of capital and investment income.

Exit strategies (disinvestment) for investment held

An investment entity differentiates itself from other entities by not planning to keep its investments for an indefinite period, but keeping them for a limited period.

The Administration Program for 2019 describes the various disinvestment strategies for the shares and units held by SIF Muntenia and presents a specific time horizon for disinvestment.

The Company pursues the objectives of the exit strategy presented to investors. The exit strategy will be amended and / or completed each year, if appropriate, depending on the economic context in which the Company operates.

Activities carried out by the Company with its subsidiaries

The Company analyzed the transactions between the Company and its subsidiaries and the transactions between subsidiaries. The analysis shows that the Company does not obtain benefits from transactions with its subsidiaries that represent a significant source of income for the Company and are not available to other parties not related to these entities and that transactions between subsidiaries are not a substantial part of the economic activity none of the subsidiaries.

26. Applying IFRS 10 on the exception to consolidation (continued)

In the category of transactions between the Company and its subsidiaries only the operation of space rental from Voluthema Property Developer S.A is included. The space rental operation does not imply for the Company the holding of an exclusive right to lease the space owned by Voluthema Property Developer S.A. and is conducted under conditions that are available to customers who are not affiliated with Voluthema Property Developer S.A. or the SIF Muntenia Group and is not a substantial part of the Company's or subsidiary's economic activity.

During the period ended 30 June 2019, the share of expenses made with Voluthema Property Developer S.A.'s space in the Company's total expenses is 0.19%.

Transactions between subsidiaries take place under the same conditions as for non-affiliated entities or SIF Muntenia Group in order to obtain benefits that improve the value of capital and investment income, these subsidiaries carrying out economic activities in the same sectors of activity.

Transactions between subsidiaries are not a substantial part of the economic activity for any of these subsidiaries.

As of 1 January 2018, together with the change into an investment entity, in order to ensure that its subsidiaries do not engage in activities contrary to the investment entity statute, the Company examines the transactions and the conditions under which they are carried out, so that these transactions do not result in the Company failing to meet the criteria as an investment entity.

Assessing the Company's investments based on fair value

The Company measures most of the investments at fair value and has taken the necessary measures to determine fair value through alternative valuation techniques in the case of investments where there is no control or significant influence.

Starting 1 January 2018, the date of transition to IFRS 9, more than 99% of the Company's net book value is measured at fair value.

Starting 1 January 2018, the Company has reported to key management personnel, at a higher frequency, information about the fair value of its investments.

Taking into account the above, the Company meets the requirements of being an investment entity during the analyzed period.

As an investment entity, the Company has ceased to consolidate its subsidiaries as of 1 January 2018 and has disclosed the gain or loss arising from the derecognition of the subsidiaries' assets and liabilities in the statement of consolidated financial position at 31 December 2017 and the recognition of investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9.

The effect of loss of control over subsidiaries is presented below:

	In LEI
Value of assets and liabilities of subsidiaries in the consolidated financial statements at 31 December 2017	566,153,122
Fair value of the subsidiaries whose consolidation ceases on 1 January 2018	425,431,656
Loss due to loss of control	(140,721,466)

27. Subsequent events

Until the preparation date of these financial statements, no significant subsequent events occurred.

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

PREPARED BY,
SAI MUNTENIA INVEST S.A.
Irina MIHALCEA
Chief Accountant