SIF Muntenia S.A.

Financial Statements
as at 31 December 2019

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

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Statement of profit or loss and other comprehensive income

for the financial exercise ended 31 December 2019

In LEI	***Note***	**2019**	**2018**
Income			
Dividend income	*6*	52,419,044	56,969,732
Interest income	*7*	1,864,804	890,357
Other operational income		696,588	667,435
Gain on investment			
Net gain from foreign exchange differences		241,751	16,448
Net gain / (Net loss) from financial assets at fair value through profit or loss	*8*	95,896,891	(22,162,265)
Expenses			
Net income from reversal of adjustments for impairment of assets	*9*	127,576	13,180,505
Administrative expenses			
Management fees	*23*	(26,141,496)	(17,400,000)
Expenses with remuneration of the Board of Shareholders Representatives and with staff salaries	*23*	(500,152)	(891,801)
Other operational expenses	*10*	(4,158,099)	(4,121,009)
Interest rate expenses related to the lease contract liability	*15 ii)*	(44,029)	-
Profit before tax		**120,402,878**	**27,149,402**
Profit tax	*11*	(8,489,178)	(4,350,019)
Net profit for the financial exercise		**111,913,700**	**22,799,383**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of defferred tax		200,840,858	48,409,891
Reserve related to financial assets at fair value through other comprehensive income, transferred to retained earnings		(13,383,379)	(41,678,200)
Other comprehensive income		**187,457,479**	**6,731,691**
Total comprehensive income for the period		**299,371,179**	**29,531,074**
Earnings per share			
Basic	*20*	0.140	0.028
Diluted	*20*	0.140	0.028

Statement of profit or loss and other comprehensive income

for the financial exercise ended 31 December 2019

The financial statements were approved and authorised to be issued by the Board of Directors on 12 March 2020 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 financial statements.

Statement of financial position

as at 31 December 2019

In LEI	***Note***	**31 December 2019**	**31 December 2018**
Assets			
Cash and current accounts	*12*	2,288,570	1,079,966
Deposits at banks	*13*	48,830,657	29,381,709
Financial assets at fair value through profit or loss	*14 a)*	817,525,382	710,614,051
Financial assets at fair value through other comprehensive income	*14 b)*	798,621,743	585,329,963
Financial assets measured at amortised cost	*14 c)*	11,247,685	10,171,781
Other assets	*15*	1,702,389	9,100,213
Total assets		**1,680,216,426**	**1,345,677,683**
Liabilities			
Dividends to be paid	*16*	43,547,004	66,635,384
Deferred income tax liabilities	*17*	48,821,284	19,427,363
Other liabilities	*18*	13,821,904	4,461,325
Total liabilities		**106,190,192**	**90,524,072**
Equity			
Share capital	*19 a)*	80,703,652	80,703,652
Hyperinflation effect- IAS 29	*19 a)*	803,294,017	803,294,017
Own shares	*19 f)*	(16,345,504)	-
Retained earnings		503,040,623	355,279,975
Reserves from revaluation of financial assets at fair value through other comprehensive income	*19 b)*	203,333,446	15,875,967
Total equity		**1,574,026,234**	**1,255,153,611**
Total liabilities and equity		**1,680,216,426**	**1,345,677,683**

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Statement of changes in equity

for the financial exercise ended 31 December 2019

In LEI	Share capital	Own shares	Reserves from revaluation of financial assets at fair value through other 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 income					
Profit for the financial exercise	-	-	-	111,913,700	111,913,700
Other comprehensive income					-
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	-	200,840,858	-	200,840,858
Reserve relating to financial assets at fair value through other comprehensive income transferred to retained earnings	-	-	(13,383,379)	13,383,379	-
Total comprehensive income of the period	**-**	**-**	**187,457,479**	**125,297,079**	**312,754,558**
Transactions with the shareholders, recognised directly in equity					
Prescribed dividends	-	-	-	22,463,569	22,463,569
Dividends to be paid	-	-	-	-	-
Own shares redeemed	-	(16,345,504)	-	-	(16,345,504)
Total transactions with the shareholders, recognised directly in equity	**-**	**(16,345,504)**	**-**	**22,463,569**	**6,118,065**
Balance as at 31 December 2019	**883,997,669**	**(16,345,504)**	**203,333,446**	**503,040,623**	**1,574,026,234**

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Statement of changes in equity (continued)

for the financial exercise ended 31 December 2019

In LEI	**Share capital**	**Own shares**	**Reserves from revaluation of financial assets at fair value through other 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 income					
Profit for the financial exercise	-	-	-	22,799,383	22,799,383
Other comprehensive income					
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of deferred tax	-	-	48,409,891	-	48,409,891
Reserve relating to financial assets at fair value through other comprehensive income transferred to retained earnings	-	-	(41,678,200)	41,678,200	-
Transfer of reserve related to financial assets available for sale in retained earnings as a result of the adoption of IFRS 9, net of deferred tax	-	-	(362,417,197)	369,737,806	7,320,609
Total comprehensive income for the period	**-**	**-**	**(355,685,506)**	**434,215,389**	**78,529,883**
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 31 December 2018	**883,997,669**	**-**	**15,875,967**	**355,279,975**	**1,255,153,611**

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Statement of cash flow (continued)

for the financial exercise ended 31 December 2019

In LEI	*Note*	2019	2018
Operating activites			
Profit before tax		120,402,878	27,149,402
Adjustments:			
Net income from the reversal of adjustments for the impairment of assets	*9*	(127,576)	(13,180,505)
(Net gain) / Net loss on revaluation of financial assets at fair value through profit or loss	*8*	(95,896,891)	22,162,265
Dividend income	*6*	(52,419,044)	(56,969,732)
Interest income	*7*	(1,864,804)	(890,357)
Net gain from foreign exchange differences		(241,751)	(16,448)
Interest expense related to the lease contract liability	*10*	44,029	-
Other adjustments		10,369,120	1,524,497
Changes in assets and liabilities related to operating activities			
Changes in financial assets at fair value through profit or loss		12,114,302	(11,869,371)
Changes in financial assets at fair value through other comprehensive income		(5,506,297)	17,823,500
Changes in financial assets measured at amortised cost		(1,000,000)	(5,300,000)
Changes of other assets		1,505,747	(4,409,098)
Changes of other debts		(1,483,952)	286,626
Net investments in deposits with maturity over 3 months and less than one year	*13*	(15,729,500)	(6,990,000)
Dividends received		50,375,605	55,507,818
Interest received		2,027,991	765,149
Profit tax paid		-	(8,438,961)
Net cash resulted from operating activities		**22,569,857**	**17,154,785**
Investment activities			
Payments for purchases of tangible and intangible assets		(177)	(7,163)
Receivables from sales of tangible assets		133,725	1,200
Net cash resulted from / (used in) investment activities		**133,548**	**(5,963)**
Financing activities			
Dividends paid, including dividend tax paid		(1,361,399)	(15,815,227)
Payments related to the leasing contract liability, including interest	*15ii)*	(142,717)	-
Redemption of own shares	*19f)*	(16,345,504)	-
Net cash used in financing activities		**(17,849,620)**	**(15,815,227)**
Net increase in cash and cash equivalents		**4,853,785**	**1,333,595**
Effect of exchange rate changes on cash and cash equivalents		(5,643)	(6,058)
Cash and cash equivalents as at 1st January		20,401,928	19,074,391
Cash and cash equivalent as at 31 December		**25,250,070**	**20,401,928**

Statement of cash flow (continued)

for the financial exercise ended 31 December 2019

At 31 December cash and cash equivalents comprise

In LEI	***Note***	**31 December 2019**	**31 December 2018**
Cash in the petty cash	*12*	1,118	575
Current accounts in banks	*12*	2,287,452	1,079,391
Bank deposits with less than three months initial maturity	*13*	22,961,500	19,321,962
Cash and cash equivalents		**25,250,070**	**20,401,928**

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Notes to the financial statements

for the financial exercise ended 31 December 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 in force 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., authorized as an alternative investment fund manager (AIFM) with 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 Financial Supervisory Authority provides depositary services for the Company’s assets.

The statutory audit for the 2019 financial exercise was performed by KPMG Audit SRL. The auditor provided financial audit services exclusively. The financial auditor's fee for the financial exercise ended 31 December 2019 amounts to 436,349 lei.

2. Basis of preparation

(a) Declaration of compliance

The financial statements have been prepared in accordance with ASF Norm no. 39/28 December 2015 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, Sector of Investment and Financial Instruments as further modified and supplemented ("ASF Norm no. 39/2015"). Pursuant to the ASF Norm no. 39/2015, the International Financial Reporting Standards are those adopted according to the procedure laid down under 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 met the classification criteria for an investment entity in accordance with IFRS 10 "Consolidated Financial Statements."

2. Basis of preparation (continued)

(a) Declaration of compliance (continued)

Applying this exemption to consolidation implies that an investment entity 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 financial exercise ended 31 December 2019, the Company continues to be an investment entity, as there were no changes in meeting the classification criteria as an investment entity.

(b) Presentation of financial statements

Financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" 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 expenses 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

The Financial statements are prepared using the fair value convention for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Other financial assets and liabilities and non-financial assets and liabilities are presented at amortised 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). The 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 the 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 financial statements.

(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.

If the Company holds investments classified in the category of financial assets at fair value through other comprehensive income and acquires control through an acquisition in stages, the Company must restate the participation from the category of financial assets at fair value through other comprehensive income to the category of financial assets at fair value through profit or loss. Changes in fair value previously recognized in other items of comprehensive income are recognized on the same basis as if the shareholding had been divested, respectively in the retained earnings.

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

The List of subsidiaries and associates on 31 December 2019 and 31 December 2018 are presented in Note 23. In these 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 date of preparation of the statement of financial position are converted into the functional currency at the exchange rate of that 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.

Conversion 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 comprehensive income, are included in a distinctive reserve account.

The exchange rates of major foreign currencies were:

Currency	31 December 2019	31 December 2018	Variation
Euro (EUR)	1: LEU 4.7793	1: LEU 4.6639	+ 2.47%
American Dollar (USD)	1: LEU 4.2608	1: LEU 4.0736	+ 4.60%

(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).

3. Significant accounting policies (continued)

(c) Accounting of the hyperinflation effect (continued)

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).

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) Financial assets and liabilities

(i) Classification

The Company adopted IFRS 9 "Financial Instruments" with the date of initial application 1 January 2018.

IFRS 9 contains an 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 amortised 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 amortised cost

A financial asset is measured at *amortised 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.

Financial assets at fair value through other 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.

Notes to the financial statements

for the financial exercise ended 31 December 2019

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(i) Classification (continued)

Financial assets at fair value through profit or loss

All financial assets that are not classified at amortised 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 amortised 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.

(ii) Recognition

Financial assets and financial liabilities are recognized on the date the Company becomes a contractual party under the terms of the respective instrument. Financial assets and liabilities are measured at the time of 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 amortised cost

The amortised 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 quoted prices for that instrument are available quickly and regularly.

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 inputs and minimizes the use of unobservable inputs.

The value resulting from using a valuation model is adjusted based on a number of factors, as the valuation techniques do not reliably reflect all the factors considered by market participants when concluding a transaction. The adjustments are recorded in such a way as to reflect the risk models, differences between the sale and purchase quotations, liquidity risks, as well as other factors.

Notes to the financial statements

for the financial exercise ended 31 December 2019

3. Significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

(iv) Valuation

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 observes that there is no active market for the Fund's holdings, it relies on public information regarding 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.

(v) Identifying and evaluating impairment

Financial assets measured at amortised cost

The expected credit loss 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 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 lifetime 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 (retained earnings 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 retained earnings representing the surplus realized.

A gain or loss on a financial asset that is measured at amortised 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 amortised 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, plant and machinery;
- Vehicles;
- Furniture and other tangible assets.

The Company does not own land and buildings.

Tangible assets are recognized at cost, less accumulated depreciation and adjustment 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 on 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.

3. Significant accounting policies (continued)

(h) Leases

(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.

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 lease 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, it restated the lease contract as a lessee according to 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.

(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) Lease debt

At the date of initial recognition of the lease debt, the present value of the lease payments includes fixed payments minus any lease incentives to be received and variable lease payments that depend on an index or rate, initially measured on the basis of the index or rate from the starting date of the contract (eg consumer price indices).

Notes to the financial statements

for the financial exercise ended 31 December 2019

3. Significant accounting policies (continued)

(h) Leases (continued)

(iv) Lease debt (continued)

The present value of the lease payments that are not paid on the date of recognition is determined throughout the duration of a lease taking as well into account the periods covered by options for extension of the contract if the Company has reasonable certainty that it will exercise that option and by the periods covered by the contract termination options if the Company has reasonable certainty that it will not exercise that option.

Utility costs are not a component of the debt arising from the lease, being recognized in profit or loss as invoices are issued.

The debt arising from the lease is subsequently measured by increasing the carrying amount to reflect the interest associated with the debt, reducing the carrying amount to reflect the lease payments made, and reassessing the carrying amount as a result of the changes in the contract (example of changes: duration of the contract, modification of lease payments, asset purchase options, interest rate, 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 lease contract.

(i) Impairment of assets other than financial assets

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 has decreased or no longer exists. The impairment loss is resumed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is resumed only if the asset's carrying amount does not exceed the carrying amount that would have been calculated, net of depreciation and impairment, if the impairment loss had not been recognized.

(j) Share capital

Ordinary shares are recognized in share capital.

3. Significant accounting policies (continued)

(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 lifetime 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.

(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.

Notes to the financial statements

for the financial exercise ended 31 December 2019

3. Significant accounting policies (continued)

(n) Employees benefits (continued)

(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 upon retirement.

(o) Income tax

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

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

Current tax is the expected tax payable on the income 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 or 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.

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 receivable 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 period and it 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 expenses 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 financial exercise ended 31 December 2019 and 31 December 2018, the income tax rate was 16%. The tax rate related to taxable dividend income for the financial exercise ended 31 December 2019 and 31 December 2018 was 5%.

Notes to the financial statements

for the financial exercise ended 31 December 2019

3. Significant accounting policies (continued)

(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 financial exercise are those events favorable and unfavorable, that occur between the end of the financial exercise 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 financial exercise 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.

(t) Standards and new interpretations that are not yet effective

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:

***i)* Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Information to be Provided (Effective Date: annual periods starting 1 January 2020)**

The amendments are compulsory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments provide a temporary exemption from applying the specific requirements on hedge accounting to hedging relationships with the effect that IBOR reform should not generally result in termination of hedge accounting. The main exemptions offered by the amendments refer to the "very likely" requirement, the risk components, the prospective evaluations, the retrospective efficiency test (for IAS 39) and the recycling of the cash flow hedging reserve.

The amendments also require the provision of additional information to investors about their hedging relationships, which are directly affected by these uncertainties.

The Company does not consider that these amendments will have a significant effect on the financial statements.

3. Significant accounting policies (continued)

(t) Standards and new interpretations that are not yet effective (continued)

***ii)* Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and the associate or joint venture (date of entry into force: European Commission has decided to postpone endorsement for an indefinite period)**

The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on the extent to which the assets sold or contributed constitute a business, so that a gain or loss is recognized entirely when a transaction between an investor and the associate or joint venture involves the transfer of an asset or assets that constitute a business (whether it is incorporated in a subsidiary or not), while a gain or loss is partially recognized when a transaction between an investor and an associate or joint venture involves assets that do not constitute a business, even if those assets are incorporated in a subsidiary.

The Company does not consider that these amendments will have a significant effect on the financial statements.

***iii)* Amendments to IFRS 3 Business combinations (effective date: annual periods beginning on 1 January 2020)**

The changes have narrowed and clarified the definition of a business. They also allow for a simplified assessment of whether a set of activities and assets acquired represents a group of assets rather than a business.

The Company does not consider that these amendments will have a significant effect on the financial statements.

***iv)* Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors**

The amendments clarify and align the definition of materiality and provide guidance to help improve consistency in applying this concept whenever used in IFRS standards.

The Company does not consider that these amendments will have a significant effect on the financial statements.

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, interest rate risk and currency 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 comprehensive income.

Of the total shares with an active market held by the Company, on 31 December 2019, 58% (31 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 market risk management framework as well as by approving trading limits on the Romanian capital market for speculative purposes.

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 31 December 2019 with 76,561,070 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 comprehensive income would lead to an increase in equity, net of profit tax at 31 December 2019 with 69,181,490 lei, a negative variation 10% having an equal net impact and of opposite sign.

Notes to the financial statements

for the financial exercise ended 31 December 2019

4. Significant risks management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

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

In LEI	**31 December 2019**	**%**	**31 December 2018**	**%**
Financial, banking	593,226,263	46%	417,021,602	40%
Real estate, rentals and other services	88,170,505	7%	86,852,178	8%
Wholesale, retail, tourism and restaurants	114,474,508	9%	95,307,972	9%
Building materials industry	85,684,010	7%	68,733,152	7%
Agriculture, livestock, fishing	19,605,555	2%	25,097,680	2%
Metallic construction and metal products	51,677,394	4%	55,019,204	5%
Pharmaceutical and medical industry	214,945,128	17%	195,695,049	19%
Chemical and petrochemical industry	-	0%	11,512,234	1%
Energy industry	68,980,139	5%	46,704,803	5%
Mining industry	3,945,812	0%	-	0%
Others	51,537,128	4%	30,888,789	3%
TOTAL	**1,292,246,442**	**100%**	**1,032,832,663**	**100%**

As can be noticed from the above table, on 31 December 2019 the Company held shares mainly in companies active in the financial-banking sector, accounting for 46% of the total portfolio, increasing from 40% as registered as at 31 December 2018. On the other hand, 17% of the shares portfolio at 31 December 2019, decreasing from 19% as registered as at 31 December 2018 represents holdings in companies in the pharmaceutical and medical industry.

Fund units owned by the Company are exposed to price risk, having different degrees of investment risk (bank deposits, bonds, other fixed income instruments, shares, etc.).

The bonds held by the Company at OPUS Chartered Issuances S.A. and Banca Transilvania S.A. are also exposed to price risk, classified within the category of financial assets at fair value through proft or loss, and amount to 111,649,643 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).

As at 31 December 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 significantly affected by the risk of interest rate fluctuations. Cash and cash equivalents are generally invested at short-term interest rates. However, market yield lowering can affect the valuation value of assets held by the Company.

Notes to the financial statements

for the financial exercise ended 31 December 2019

4. Significant risks management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Out of the 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 comoarea to the 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% of the interest rate related to variable interest-bearing assets and liabilities denominated in other currencies in conjunction with a change of ± 5.00% of the interest rate related to variable interest-bearing assets and liabilities denominated in lei is of ± 10,008 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 31 December 2019 and 31 December 2018 are presented in the following tables.

31 December 2019

In LEI	**Book value**	**LEI**	**USD**	**EUR**
Financial assets				
Cash and cash equivalents	**2,288,570**	2,285,379	587	2,604
Deposits with banks	**48,830,657**	48,830,657	-	-
Financial assets at fair value through profit and loss	**817,525,382**	705,875,739	-	111,649,643
Financial assets at fair value through other comprehensive income	**798,621,743**	798,621,743	-	-
Financial assets measured at amortised cost	**11,247,685**	1,007,071	-	10,240,614
Other liabilities	**1,177,034**	1,177,034	-	-
TOTAL	**1,679,691,071**	**1,557,797,623**	**587**	**121,892,861**
Financial liabilities				
Dividends payment	**43,547,004**	43,547,004	-	-
Other liabilities	**13,821,904**	13,287,328	-	534,576
TOTAL	**57,368,908**	**56,834,332**	**-**	**534,576**

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 comprehensive income	**585,329,963**	585,329,963	-	-
Financial assets measured at amortised 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 LEI/EUR currency rate together with a modification of ± 5% of the LEI/USD currency rate as of 31 December 2019, all other variables remaining constant, is of ± 5,097,073 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.

4. Significant risks management (continued)

(b) Credit risk (continued)

The Company's maximum exposure to credit risk amounts to 63,542,828 Lei as at 31 December 2019 and to 43,128,359 lei as at 31 December 2018 and may be analyzed as follows:

In LEI	**31 December 2019**	**31 December 2018**
Exposures from current accounts and deposits with banks (Note 12 and Note 13)		
Banca Transilvania S.A.	16,076,465	3,424
Libra Internet Bank S.A.	70,000	7,213,518
Banca Comercială Română S.A.	101	526
BRD - Groupe Societe Generale S.A.	208,544	8,333,421
Credit Europe Bank S.A.	8,773,050	6,521,727
Vista Bank S.A.	198	5,973
Banca Comercială Feroviară S.A.	7,558	5,201
Banca Comercială Intesa Sanpaolo Bank	25,719,319	8,022,723
Other commercial banks	262,874	354,587
Total	**51,118,109**	**30,461,100**
Financial assets measured at amortised cost (Note 14 c))		
Impact Developer&Contractor S.A. Bonds	4,779,300	4,663,900
Medimfarm S.A. Bonds	5,447,374	5,315,843
Capital Leasing IFN S.A. Bonds	1,000,000	-
Other bonds and related interest	21,011	192,038
Total	**11,247,685**	**10,171,781**
Financial assets measured at amortised cost classified according to maturity:		
- current (Medimfarm S.A., Impact Developer&Contractor S.A., Capital Leasing IFN S.A. Bonds and related interest)	11,247,685	10,171,781
Total	**11,247,685**	**10,171,781**

Notes to the financial statements

for the financial exercise ended 31 December 2019

4. Significant risks management (continued)

(b) Credit risk (continued)

In LEI	**31 December 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	785,883	811,658
Other various debtors	1,627,300	3,018,111
Impairment of trade receivables and various debtors	(8,664,365)	(11,017,397)
Total	**1,177,034**	**2,495,478**

Various debtors and trade receivables classified according to maturity:

- current (various debtors and dividends to be received)	1,177,034	2,495,478
- outstanding, adjustments of gross values (various debtors and dividends to be received)	8,664,365	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	(8,664,365)	(11,017,397)
Total	**1,177,034**	**2,495,478**
Total exposure	**63,542,828**	**43,128,359**

Notes to the financial statements

for the financial exercise ended 31 December 2019

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 financial exercise ended 31 December 2019 and for the financial exercise ended 31 December 2018 is as follows:

31 December 2019

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	**2,288,570**	2,287,452	-	-	1,118
Deposits with banks	**48,830,657**	48,818,683	-	-	11,974
Financial assets at fair value through profit or loss	**817,525,382**	33,241	111,616,402	-	705,875,739
Financial assets at fair value through other comprehensive income	**798,621,743**	-	-	-	798,621,743
Financial assets measured at amortised cost	**11,247,685**	21,011	5,447,374	5,779,300	-
Other assets	**1,177,034**	294,452	882,582	-	-
Total financial assets	**1,679,691,071**	**51,454,839**	**117,946,358**	**5,779,300**	**1,504,510,574**
Financial liabilities					
Dividends payment	**43,547,004**	43,547,004	-	-	-
Other liabilities	**13,821,904**	4,572,751	8,822,253	426,900	-
Total financial liabilities	**57,368,908**	**48,119,755**	**8,822,253**	**426,900**	**-**
Liquidity surplus	**1,622,322,163**	**3,335,084**	**109,124,105**	**5,352,400**	**1,504,510,574**

Notes to the financial statements

for the financial exercise ended 31 December 2019

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 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, existing 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 management (continued)

(f) Operational risk

Operational risk is the risk of incurring losses or not achieving 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.
Policies defined 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:

5. Significant accounting estimates and judgments (continued)

Key sources of uncertainty of estimation

Impairment of assets measured at amortised cost

Assets carried at amortised 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 is 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 described in the accounting policy under 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 methods hierarchy for fair value measurement:

Level 1: prices quoted (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.

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.

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

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.

31 December 2019

In LEI	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	239,577,093	-	577,948,289	817,525,382
Financial assets at fair value through other comprehensive income	689,368,687	41,629,122	67,623,934	798,621,743
	928,945,780	**41,629,122**	**645,572,223**	**1,616,147,125**

31 December 2018

În LEI	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	212,145,472	-	498,468,579	710,614,051
Financial assets at fair value through other comprehensive income	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**

For the financial exercise ended 31 December 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 111,649,643 lei, closed-end fund units in the amount of 185,864,262 lei and shares held in twelve companies whose fair value of 280,434,384 lei was determined using evaluation models in accordance with the ANEVAR Valuation Standards.

For the financial exercise ended 31 December 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 67,623,934 lei was determined using internal valuation models, based valuation models approved by the Board of Directors, taking into account the credibility, quantity and quality of the available information.

For the financial period ended 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.

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

For the financial period ended as at 31 December 2018, the Company presented financial assets at fair value through other 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 various valuation models, taking into account the credibility, quantity and quality of available information.
The main assumptions used in the valuation model for financial assets at fair value - shares as at 31 December 2019, 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 2019	Value of the indicator used in the valuation as at 31 December 2018
Annual change of EBITDA	between -5,5% and 4,5%	0% - 6%
Perpetual variation of revenues and expenses	2.00%	2.00%
Weighted average cost of capital (WACC)	7,4% - 11,8%	8,2% - 12,8%

Although the Company considers its fair value estimates as appropriate, the use of 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:

Changing variable at the valuation as at 31 December 2019	Impact on profit or loss	Impact on other comprehensive income
Increase of EBITDA margin with 3%	7,844,420	982,210
Decrease of EBITDA margin with 3%	(7,713,898)	(1,133,550)
Increase of WACC by 0.5%	(9,206,142)	-
Decrease of WACC by 0.5%	10,745,730	-
Increase of perpetuity of revenues and expenses by 0.5%	6,674,267	-
Decrease of perpetuity of revenues and expenses by 0.5%	(5,670,438)	-

Changing variable at the valuation as at 31 December 2018	Impact on profit or loss	Impact on other comprehensive income
Increase of EBITDA margin with 3%	8,916,881	175,230
Decrease of EBITDA margin with 3%	(8,015,666)	(140,127)
Increase of WACC by 0.5%	(9,618,161)	(70,101)
Decrease of WACC by 0.5%	10,857,744	70,111
Increase of perpetuity of revenues and expenses by 0.5%	6,380,338	-
Decrease of perpetuity of revenues and expenses by 0.5%	(5,628,733)	-

5. Significant accounting estimates and judgments (continued)

Fair value hierarchy (continued)

Considering the information available for estimating the fair value of certain shares held in companies classified as financial assets at fair value through other 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 valuation 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 24,991,168 lei at 31 December 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 valuations 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 at fair value through other comprehensive income**
1 January 2018	**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 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**
Reclasificare conform aplicării IFRS 10	23,200,042	(23,200,042)
Transfers to level 3	1,048,761	21,413,104
Transfers from level 3	-	(106,405)
Gains or losses for the period included in profit or loss	67,210,295	-
Gains or losses for the period included in other comprehensive income	-	35,212,107
Acquisitions, participations to share capital	1,500,000	4,964,340
Sales	(13,479,388)	(9,491,668)
31 December 2019	**577,948,289**	**67,623,934**

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for the financial exercise ended 31 December 2019

5. Significant accounting estimates and judgments (continued)

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 exercise ended 31 December 2019 was of 5% and zero (financial exercise ended 31 December 2018: 5% and zero). Details on the main counterparts of dividend income is presented below:

In LEI	**2019**	**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	7,888,900
Biofarm S.A.	5,023,791	9,545,202
SIF Oltenia S.A.	2,610,000	1,218,000
CI-CO S.A.	1,681,847	2,088,019
Firos S.A.	1,407,788	1,407,788
FIA Certinvest Acțiuni	1,141,077	910,926
OMV Petrom S.A.	929,265	614,345
Alro S.A.	452,984	-
SNTGN Transgaz S.A.	450,528	967,616
Casa de Bucovina Club de Munte S.A.	-	447,601
Bursa de Valori București S.A.	395,525	592,340
Compania de Librării București S.A.	351,748	311,002
Șantierul Naval Orșova S.A.	331,012	240,736
Gecsat S.A.	330,501	686,511
ICPE S.A.	-	385,492
Conpet S.A.	265,825	286,251
Vrancart S.A.	213,564	
SN Nuclearelectrica S.A.	-	806,764
Transilvania Leasing și Credit IFN S.A.	127,498	127,498
Gecsatherm S.A.	124,545	430,292
Others	778,529	1,058,570
Total	**52,419,044**	**56,969,732**

7. Interest income

In LEI	2019	2018
Income from interest on bank deposits and current accounts	1,161,529	440,086
Income from interest on financial assets measured at amortised cost	703,275	450,271
Total	**1,864,804**	**890,357**

8. Net gain / (Net loss) from financial assets at fair value through profit or loss

In LEI	2019	2018
Net gain on financial assets at fair value through profit or loss - shares	23,128,172	17,092,494
Net gain / (Net loss) on financial assets at fair value through profit or loss - bonds	26,018,811	(10,912,370)
Net gain / (Net loss) on financial assets at fair value through profit or loss - fund units	46,749,908	(28,342,389)
Total	**95,896,891**	**(22,162,265)**

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

In LEI	2019	2018
Reversed losses from impairment of other assets (Note 15) *(i)*	2,353,032	13,180,505
Expenses with the receivable write - off *(ii)*	(2,225,456)	-
Total	**127,576**	**13,180,505**

(i) During the financial year ended 31 December 2018, the Company participated in the increase in the share capital of Muntenia Medical Competences S.A., bringing the debt receivable from outstanding and unpaid debts. For this receivable, the impairment adjustments amounting to 8,777,411 lei were resumed. Other impairment adjustments were resumed as a result of the receipt of withdrawal claims from listed companies amounting to 4,402,509 lei.

(ii) During the financial exercise ended 31 December 2019, the Company derecognized the receivable held at Transchim S.A. amounting to 2,139,847 lei, as a result of closing the bankruptcy procedure and deregistration of the company.

Notes to the financial statements

for the financial exercise ended 31 December 2019

10. Other operating expenses

In LEI	**2019**	**2018**
Expenditure on external benefits	1,247,344	1,402,059
Expenditure on commissions	1,522,608	1,461,052
Custody fees	293,072	290,234
Trading costs	100,882	289,027
Protocol, advertising and publicity expenses	228,538	214,535
Expenses with depreciation of the asset representing rights to use the underlying assets (Note 15 (ii))	114,227	-
Other operating expenses *(i)*	651,428	464,102
Total	**4,158,099**	**4,121,009**

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

11. Income tax

In LEI	**2019**	**2018**
Current income tax		
Current income tax 16%)	7,152,010	518,169
Dividend tax (5%)	2,087,914	1,726,897
	9,239,924	**2,245,066**
Deferred income tax		
Financial assets at fair value through other comprehensive income	(1,127,231)	(3,927)
Adjustments for impairment of other assets	376,485	2,108,880
	(750,746)	**2,104,953**
Total	**8,489,178**	**4,350,019**

Notes to the financial statements

for the financial exercise ended 31 December 2019

11. Income tax (continued)

Reconciliation of income before taxation with the income tax expense:

In LEI	**2019**	**2018**
Profit before tax	**120,402,878**	**27,149,402**
Tax under statutory tax rate of 16% (2018: 16%)	19,264,460	4,343,904
Effect on income tax of:		
Dividends tax rates	2,087,914	1,726,897
Items similar to income resulting from the adoption of IFRS 9	-	9,260,378
Items similar to expenditures following the adoption of IFRS 9	(386,223)	(108,127)
Non-deductible expenses	9,783,754	9,408,295
Non-taxable income	(20,746,523)	(22,256,739)
Amounts representing sponsorship within legal limits	(763,458)	(129,542)
Recording and reversal of temporary differences	(750,746)	2,104,953
Income tax	**8,489,178**	**4,350,019**

12. Cash and current accounts

In LEI	**31 December 2019**	**31 December 2018**
Cash in the petty cash	1,118	575
Current accounts at banks	2,287,452	1,079,391
Total	**2,288,570**	**1,079,966**

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

Notes to the financial statements

for the financial exercise ended 31 December 2019

13. Deposits with banks

In LEI	**31 December 2019**	**31 December 2018**
Bank deposits with an initial maturity less than 3 months *(i)*	22,961,500	19,321,962
Bank deposits with an initial maturity over 3 months and less than 1 year *(i)*	25,729,500	10,000,000
Receivables attached	127,683	47,773
Blocked deposits	11,974	11,974
Total	**48,830,657**	**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	**31 December 2019**	**31 December 2018**
Bonds *(i)*	111,649,643	87,254,836
Shares *(ii)*	493,624,699	447,502,700
Fund units *(iii)*	212,251,040	175,856,515
Total	**817,525,382**	**710,614,051**

14. Financial assets (continued)

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

(i) The Company holds 501 bonds issued by OPUS Chartered Issuances SA with a two-year maturity (as of September 2018), an acquisition cost of 29,205,275 lei, equivalent to 6,389,253 euro and a fix annual interest amounting to 200.00 euro per bond.

As at 31 December 2019, the Company valuated these securities using a valuation model that considers the closing price published by Bloomberg of 16,326.17 euro/certificate (31 December 2018: 12,522.18 euro/certificate), as well as an adjustment factor that mainly takes into account the liquidity risk on the instrument’s market. The aforementioned adjustment factor determined the decrease of the fair value of these securities by 1,962,574 lei.

The Company also holds 1,140 bonds issued by OPUS Chartered Issuances SA with a maturity of two years (as of September 2018) with a purchase cost of 44,621,357 lei, equivalent to 10,000,080 euro and a fixed annual interest rate of 200.00 euro per bond.

As at 31 December 2019, the Company valuated these securities using a valuation model that considers the closing price published by Bloomberg of 14,022.57 euro/certificate (31 December 2018: 11,041.68 euro/certificate) as well as an adjustment factor that mainly concerns the liquidity risk on the instrument’s market. The aforementioned adjustment factor determined the decrease in the fair value of these securities by 3,838,191 lei.
The acquisition of these types of financial instruments is part of the investment policy of SIF Muntenia S.A. to diversify the investment portfolio.
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.

On 31 December 2019, the fair value of the bonds is 1,435,095 lei (31 December 2018: 1,048,761 lei).

(ii) Staring with 1 January 2018, the Company adopted IFRS 9 and applied IFRS 10 on investment entity. The application 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 31 December 2019, the fair value of the subsidiaries is 493,058,599 lei (31 December 2018: 446,913,400 lei).

In December 2019 the Company acquired control over ICPE S.A., becoming a subsidiary of the Company. (see Note 14 b) (i) and Note 23 (iii)).

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.

(iii) As at 31 December 2019, the Company holds fund units valuated at fair value, of which: open-end investment funds (Star Next, Star Focus, Prosper Invest, Active Dinamic) amounting to 21,408,578 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 190,842.462 lei.

14. Financial assets (continued)

b) Financial assets at fair value through other comprehensive income

In LEI	**31 December 2019**	**31 December 2018**
Shares valuated at fair value *(i)*	798,621,743	585,329,963
Total	**798,621,743**	**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 31 December 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..

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for the financial exercise ended 31 December 2019

14. Financial assets (continued)

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

The movement of financial assets at fair value through other comprehensive income during the financial exercise ended 31 December 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)	5,506,297	-	-	5,506,297
Changes in fair value	230,985,525	-	-	230,985,525
Restatement *(i)*	(23,200,042)	-	-	(23,200,042)
31 December 2019	**798,621,743**	**-**	**-**	**798,621,743**

The movement of financial assets at fair value through other comprehensive income during the financial exercise ended 31 December 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**
Restatement 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)
Restatement as at 1 January 2018 due to IFRS 10 (Note 25)	(425,431,656)	-	-	(425,431,656)
Net change during the period (i)	(17,823,500)	-	-	(17,823,500)
Changes in fair value	43,619,089	-	-	43,619,089
31 December 2018	**585,329,963**	**-**	**-**	**585,329,963**

14. Financial assets (continued)

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

(i) In November 2019, the Company participated in the share capital increase of ICPE S.A., a company existing in the portfolio, thus obtaining control and holding a percentage of 50.32% of the voting rights. The Company is an investment entity, and in accordance with IFRS 10 an investment in a subsidiary must be measured at fair value through profit or loss in accordance with IFRS 9. Therefore, the Company reclassified the value of the participation held in ICPE S.A. from the category Financial assets at fair value through other comprehensive income in the category Financial assets at fair value through profit or loss, at the fair value of 23,200,042 lei.

c) Financial assets measured at amortised cost

In LEI	**31 December 2019**	**31 December 2018**
Corporate bonds - other currencies	10,240,614	10,171,781
Corporate bonds - LEI	1,007,071	-
TOTAL	**11,247,685**	**10,171,781**
of which with maturity in more than a year:		
Corporate bonds - other currencies	4,779,300	9,979,743
Corporate bonds - LEI	1,000,000	-

As at 31 December 2019, the Company holds unlisted bonds issued by Medimfarm S.A. and listed bonds issued by Capital Leasing IFN S.A. and 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	**31 December 2019**	**31 December 2018**
Various debtors	9,055,516	12,701,217
Dividends to be received	785,883	811,658
Current income tax receivables (i)	-	6,460,883
Assets representing rights to use underlying assets under a lease contract (ii)	504,505	-
Tangible assets	3,167	104,392
Other assets	17,683	39,460
Adjustments for impairment of various debtors	(7,878,482)	(10,261,634)
Adjustments for impairment of dividends receivables	(785,883)	(755,763)
Total	**1,702,389**	**9,100,213**
Of which, with credit risk (Note 4 b)):	1,177,034	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)	2,353,032
as at 31 December 2019	**(8,664,365)**

(i) As at 31 December 2018 current tax expense was 518,169 lei (Note 11), and the income tax paid in the financial year ended 31 December 2018 amounted to 6,979,052 lei, resulting in a current tax receivable as at 31 December 2018 of 6,460,883 lei. This receivable was recovered in 2019 by compensation for tax liabilities and the recognition of liabilities with the current income tax.

(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 lessee. 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 lei (equivalent in foreign currency: 132,664 euro)

The accumulated depreciation of this asset up to 31 December 2019 is 114,227 lei (Note 10), resulting in a net book value of 504,505 lei. Under IFRS 16, for this contract, the Company recognized interest expense of 44,029 lei. The total cash outflows related to the contract amounted to 142,717 lei.

Notes to the financial statements

for the financial exercise ended 31 December 2019

16. Dividends to be paid

In LEI	**31 December 2019**	**31 December 2018**
Dividends to be paid for 2014 profit	-	22,463,569
Dividends to be paid for 2015 profit	16,086,147	16,187,630
Dividends to be paid for 2016 profit	14,505,809	14,697,869
Dividends to be paid for 2017 profit	12,955,048	13,286,316
Total dividends to be paid	**43,547,004**	**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 prescription to equity (retained earnings).

17. Liabilities related to deferred income tax

Liabilities with deferred tax as at 31 December 2019 are generated by items detailed in the table below:

In LEI	**Assets**	**Liabilities**	**Net**
Financial assets at fair value through other comprehensive income	313,797,393	-	313,797,393
Impairment adjustments and other provisions	-	8,664,365	(8,664,365)
Total	**313,797,393**	**8,664,365**	**305,133,028**
Net temporary differences - 16% quota			305,133,028
Deferred income tax liabilities			**48,821,284**

17. Liabilities related to deferred income tax (continued)

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 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**

The balance of the deferred income tax directly recognized through decrease of equity amounts to 44,120,904 lei as at 31 December 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	31 decembrie 2019	31 decembrie 2018
Suppliers - invoices to be received *(i)*	10,677,501	1,976,475
Current income tax liabilities	851,341	-
Taxes and fees	17,805	722,582
Domestic suppliers	14,655	1,500,908
Liabilties related to the lease contract (Note 15 *ii)*)	534,576	-
Other liabilities	1,726,026	261,360
Total	**13,821,904**	**4,461,325**

(i) On 31 December 2019 suppliers – invoices to be received represent mainly the debt related to the monthly management fee amounting to 1,450,000 lei and the performance fee amounting to 8,741,496 lei (31 December 2018: the monthly management fee amounting to 1,450,000 lei).

19. Equity and reserves

(a) Share capital

The shareholding structure of the Company is the following:

31 December 2019	**Number of shareholders**	**Number of shares**	**Amount (LEI)**	**(%)**
Individuals	5,943,930	492,210,856	49,221,086	60.99
Legal persons	170	292,434,345	29,243,435	36.24
SIF Muntenia S.A.	1	22,391,314	2,239,131	2.77
Total	**5,944,101**	**807,036,515**	**80,703,652**	**100**

31 December 2018	**Number of shareholders**	**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, they were subscribed and paid in full by 31 December 2019 and 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.

Reconciliation of the share capital according to IFRS with the one according to the Articles of Association is presented in the following table:

In LEI	**31 December 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**

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

This reserve includes cumulative net changes in the fair values of financial assets at fair value through other 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 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.

19. Equity and reserves (continued)

(c) Retained earnings representing surplus realized - 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.

During the financial exercise ended 31 December 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 comprehensive income was in the amount of 11,264,802 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 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 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 realized surplus.

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 statutory recorded gross profit up to a level of 20% of the share capital according to the Articles of Association. Legal reserve value as at 31 December 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 did 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 financial exercise ended 31 December 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.

(f) Own shares

By the Resolution no.3 of the General Meeting of Shareholders from 22 April 2019, it was approved to carry out a redemption program of its own shares for a maximum number of 37,036,515 shares, in order to reduce the share capital.

During the program carried out between 4 September 2019 and 17 September 2019, 22,391,314 shares were redeemed at the price of 0.72 lei/share. The total value of the redemption, including the commissions related to the redemption of the shares, is of 16,345,504 lei.

19. Equity and reserves (continued)

(g) Profit distribution

The Company's Administrator submits to the General Meeting of Shareholders the distribution of the net profit realized in 2019 in one of the following suggestions:

Option I – gross dividends per share of 0.03 lei

The Company's Administrator proposes to distribute a gross dividend per share of 0.03 lei, representing a distribution rate of 21.03% of the net profit and the distribution of the difference to other reserves:

In LEI	**31 decembrie 2019**
Net profit to be distributed:	**111,913,700**
- other reserves	88,374,344
- dividends	23,539,356

Option II - redemption own shares

The Company's Administrator proposes to distribute the net profit to other reserves for the purpose of starting a redemption program:

In LEI	**31 decembrie 2019**
Net profit to be distributed:	**111,913,700**
- other reserves	111,913,700
- dividends	-

The execution of the share repurchase program has the following characteristics:

- the purpose of the program is to reduce the share capital;

- the maximum number of shares that can be redeemed is 20,645,201 shares;

- minimum price per share: 0.1 lei;

- maximum price per share: 2.03 lei;

- the duration of the program: maximum 18 months from the date of publication of the decision in the Official Monitor of Romania, Part IV;

- the payment of the redeemed shares is made from the Company's own sources of financing.

Notes to the financial statements

for the financial exercise ended 31 December 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	**31 December 2019**	**31 December 2018**
Net profit	111,913,700	22,799,383
Weighted average number of ordinary shares	800,638,997	807,036,515
Basic earnings per share	**0.140**	**0.028**

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

Notes to the financial statements

for the financial exercise ended 31 December 2019

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 31 December 2019:

In LEI	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total book value	Fair value
Cash and cash equivalents	-	-	2,288,570	**2,288,570**	**2,288,570**
Deposits with banks	-	-	48,830,657	**48,830,657**	**48,830,657**
Financial assets at fair value through profit or loss	817,525,382	-	-	**817,525,382**	**817,525,382**
Financial assets at fair value through other comprehensive income	-	798,621,743	-	**798,621,743**	**798,621,743**
Financial assets measured at amortised cost	-	-	11,247,685	**11,247,685**	**12,441,075**
Other financial assets	-	-	1,177,034	**1,177,034**	**1,177,034**
Total financial assets	**817,525,382**	**798,621,743**	**63,543,946**	**1,679,691,071**	**1,680,884,461**
Dividends to be paid	-	-	(43,547,004)	**(43,547,004)**	**(43,547,004)**
Other financial liabilities	-	-	(13,821,904)	**(13,821,904)**	**(13,821,904)**
Total financial liabilities	**-**	**-**	**(57,368,908)**	**(57,368,908)**	**(57,368,908)**

In order to estimate the fair value of financial assets and liabilities measured at amortised 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 amortised 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 (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 comprehensive income	Amortised 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 comprehensive income	-	585,329,963	-	**585,329,963**	**585,329,963**
Financial assets measured at amortised 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 amortised 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 amortised 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 legal advise, 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 31 December 2019 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 fiscal result is not distorted by the effect of prices in relations with affiliates. During the financial exercise ended 31 December 2019, the Company did not exceed the value level of transactions carried out with the related parties, as stipulated by legal requirements in force.

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 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 31 December 2019.

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

In LEI

Loans and receivables	**31 December 2019**	**31 December 2018**
Trade receivables	-	207
Liabilities related to the management fee	(10,191,496)	(2,900,000)
Revenues and expenses	**2019**	**2018**
Management fee *(i)*	(26,141,496)	(17,400,000)
Rental revenues	60,500	6,600
Revenues from sales of tangible assets	133,725	-

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

(i) Company's Management (continued)

(i) The management fees of 26,141,496 lei include monthly management fees amounting to 17,400,000 lei and a performance fee of 8,741,496 lei (2018: monthly management fees amounting to 17,400,000 lei), based on the management contract concluded between the parties.

(ii) Key management personnel

31 December 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.

Transactions with the Company's personnel:

Other transactions	**2019**	**2018**
Expenses with the remuneration of Shareholders Representatives Council members, of which:	440,472	832,685
- gross remunerations paid to the members	430,776	810,795
- social security and social protection expenses	9,696	21,890
- number of members	3	3
Expenses with salaries, of which:	59,680	59,116
- gross salaries paid or to be paid	57,564	57,026
- social security and social protection expenses	2,116	2,090
- number of employees	2	2

As at 31 December 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 Ordinary General Meeting of Shareholders 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 31 December 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:

Name of the subsidiary	**Fair value as at 31 December 2019**	**Fair value as at 31 December 2018**	**Percentage held as at 31 December 2019**	**Percentage held as at 31 December 2018**
Avicola București S.A.	19,605,555	25,097,680	99.40%	99.40%
Biofarm S.A.	182,363,601	163,273,196	50.98%	50.98%
Bucur S.A.	19,020,586	15,850,489	67.98%	67.98%
Casa de Bucovina - Club de Munte S.A.	11,240,028	8,000,870	67.17%	66.87%
CI-CO S.A.	47,697,558	44,387,862	97.34%	97.34%
Firos S.A.	46,283,846	43,692,108	99.69%	99.69%
FRGC IFN S.A.	10,123,890	9,447,499	53.60%	53.60%
Gecsatherm S.A.	7,079,996	11,934,999	50.00%	50.00%
Germina Agribusiness S.A. (Semrom Muntenia S.A.)	29,117,610	38,059,064	90.68%	90.68%
ICPE S.A.	32,755,344	-	50.34%	-
Mindo S.A.	4,853,510	4,496,105	98.02%	98.02%
Muntenia Medical Competences S.A.	30,626,327	32,421,852	99.76%	99.76%
Semrom Oltenia S.A.	15,220,231	14,680,815	88.49%	88.49%
Unisem S.A.	20,069,291	21,195,789	76.91%	76.91%
Voluthema Property Developer S.A.	17,001,226	14,375,072	69.11%	69.11%
Total	**493,058,599**	**446,913,400**	**-**	**-**

(iv) Associates of the Comapany

As at 31 December 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 under 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.

Loans and receivables	**31 December 2019**	**31 December 2018**
Trade receivables	10,974	10,974
Trade liabilities	(43)	(42)
Income and expenses	**2019**	**2018**
Acquisition of goods and services	(158,257)	(130,438)

24. Subsequent events

The Extraordinary General Meeting of Shareholders held on 11 March 2020, convened at the first convocation, approved:

- change of the registered office of the Company from the address in Bucharest, Splaiul Unirii no.16, sector 4, to the new address in Bucharest, 46-48 Serghei Vasilievici Rahmaninov St., ground floor, room. 2 sector 2;

- the reduction of the share capital of the Company from 80,703,651.50 lei to 78,464,520.10 lei, respectively from 807,036,515 shares to 784,645,201 shares with a nominal value of 0.1 lei / share, by canceling a number of 22,391,314 own shares acquired by the Company following the implementation of the public offering for the purchase of its own shares for the enforcement of the redemption program approved by the General Meeting of Shareholders held on 22 April 2019;

- modification of the Company's Articles of Association, in order to correlate it with the provisions of Law no. 243/2019 regarding the regulation of the alternative investment funds and for the modification and completion of some normative acts (details can be found in published decisions).
The current report regarding the Extraordinary General Meeting of Shareholders held on 11 March 2020 is available for consultation on the Company's website, www.sifmuntenia.ro, in the dedicated section.

On 10 February 2020, the Financial Supervisory Authority authorized the modification of the operating authorization of SAI Muntenia Invest S.A., the administrator of the Company, following the change of the registered office of the company from the address in Bucharest, Splaiul Unirii no. 16, sector 4, at the new address in Bucharest, 46-48 Serghei Vasilievici Rahmaninov St., sector 2, ground floor, rooms 3, 4, 5 and 2^{nd} floor.

The COVID-19 epidemic has major negative effects on the global economy. All capital markets registered large declines in the first two months of 2020. From the beginning of the year until the end of February, the German DAX index fell by 10.2%, the French market index CAC 40 fell by 11.2%, while the FTSE 100 index depreciated by 12.7%. In the US, Dow Jones fell by 11% and the S&P 500 by 8.6%.
The Romanian capital market was not bypassed by turbulence and registered a decrease of more than 10% in the first days of March 2020. Paradoxically, this decrease comes after the BET index has reached the maximum of the last 12 years, and the BET index-TR had reached new historical highs (according to the BSE statement of 10 March 2020).

Following the analyzes carried out based on the existing data at this moment in relation to the possible evolutions of the internal and international economic environment, SAI Muntenia Invest S.A. has concluded that the Company's performance may be affected, but the continuity of the Company’s activity is not threatened.

The conclusion regarding no significant uncertainties on the going concern of the Company is based on the supra unitary ratio between the liquidities existing on December 31, 2019 combined with the possibilities to liquidate assets on the one hand and the payment obligations foreseen for 2020 (mainly administration expenses and dividend payments or redemptions of shares) on the other hand.

It holds shares of companies with fields of activity in various areas of the economy, some areas not being directly affected by this global situation. At the date of the completion of this report, the companies directly affected by this pandemic represent approximately 7% of the total accounting assets calculated on 31 December 2019 (holdings in the field of tourism and trade with products that are not strictly necessary).

The volatility recorded on international markets and on the BSE could affect the Company's profit, provided that over 48% of the total accounting assets (as of 31 December 2019) represent the financial assets valued at fair value through profit or loss account. Under these conditions, one of the measures taken by the Company is to ensure a cash flow that will allow all the commitments made by the Company to investors and / or business partners to be respected.

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