SIF Moldova S.A.

Separate Financial Statements

For the year ended as at December 31, 2016

Prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

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SEPARATE FINANCIAL STATEMENTS

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Note	31 December 2016	31 December 2015
Income			
Dividend income	*6*	118,775,487	27,712,560
Interest income	*7*	1,216,794	1,563,181
Other operating revenue	*8*	846,767	795,363
Other Income		2,792,301	240,513
Investment income			
Net profit from sale of assets	*9*	94,672,066	122,075,074
Net loss from revaluation of financial assets at fair value through profit or loss	*10*	(6,504,125)	(3,974,232)
Net gains from revaluation of investment property		240,932	-
Expenses			
Impairment loss	*11*	(46,908,657)	359,143
Expense with provisions for risk and charges	*12*	(145,628)	359,113
Other operating expenses		(31,174,094)	(26,332,968)
Other expenses		(8,820)	(261,760)
Profit before tax		**133,803,023**	**122,535,987**
Income tax	*13*	(10,505,003)	(22,195,661)
Net profit for the year		**123,298,020**	**100,340,327**
Other comprehensive income		-	-
Increases in the reserve from revaluation of property, plant and equipment, net of deferred tax		1,418,212	90,395
Transfer of revaluation reserve to retained earnings due to the sale of tangible assets		-	(78,387)
Net changes in revaluation reserves at fair value of available-for-sale financial assets	*16e)*	165,342,680	73,460,840
Other comprehensive income		**166,760,892**	**73,472,848**
Total comprehensive income for the period		**290,058,912**	**173,813,174**

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceocea,	**Cristina Andrieş,**
President	Chief Accountant

(all amounts are expressed in RON, unless specified otherwise)

	Note	**December 31, 2016**	**December 31, 2015**
Assets			
Cash and cash equivalents	*14*	931,024	613,851
Deposits at banks	*15*	117,794,735	91,015,193
Financial assets at fair value through profit or loss	*16a*	128,999,673	112,215,485
Financial assets available for sale	*16b*	1,448,569,452	1,227,266,927
Investments held to maturity	*16c*	9,573,804	9,593,199
Investment property	*17*	3,505,273	3,264,341
Intangible assets	*18*	113,180	293,905
Tangible assets		8,140,477	7,165,148
Other assets	*19*	1,347,293	6,269,023
Total assets		**1,718,974,911**	**1,457,697,072**
Liabilities		-	-
Dividends payable	*20*	29,258,494	42,394,161
Provisions for risk and charges	*21*	3,452,286	3,306,214
Deferred tax liability	*22*	69,089,754	57,339,461
Other liabilities	*23*	17,082,627	18,706,256
Total liabilities		**118,883,161**	**121,746,092**
Equity			
Share capital	*24*	539,720,149	539,720,149
Retained earnings		445,783,128	345,057,696
Reserves from revaluation of property, plant and equipment		9,095,516	7,677,304
Reserves from revaluation of financial assets available for sale	*16e)*	616,216,703	450,874,023
Other equity elements		**(10,723,746)**	**(7,378,192)**
Total equity		**1,600,091,750**	**1,335,950,980**
Total liabilities and equity		**1,718,974,911**	**1,457,697,072**

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	Share capital	**Reserves from the revaluation of tangible assets**	**Reserves from the revaluation financial assets available for sale**	**Retained earnings**	**Other elements of capital**	**Total**
Balance as at 1 January 2016	**539,720,149**	**7,677,304**	**450,874,023**	**345,057,696**	**(7,378,192)**	**1,335,950,9780**
	-	**-**	**-**	**-**	**-**	**-**
Comprehensive income						
Profit of the period	**-**	**-**	**-**	**123,298,020**	**-**	**123,298,020**
Other comprehensive income	-	-	-	-	-	-
Reserve increase from revaluation of tangible assets	-	1,418,212	-	-	-	1,418,212
Transfer from the revaluation reserve to retained earnings following the sale of tangible assets	-	-	-	-	-	-
	-	-		-	-	
Revaluation of assets available for sale fair value, net of deferred tax			251,762,237			251, 762,237
Reserve decrease due to the sale of financial assets	-	-	(86,419,557)	-	-	(86,419,557)
	-	**1,418,212**		**123,298,020**	**-**	
Total comprehensive income for the period			**165,342,680**			**290,058,912**
Transactions with shareholders recognized directly in equity						
Share capital increase	-	-	-	-	-	-
Buy-back shares	-	-	-	-	(6,497,101)	(6,497,101)
Own shares allocated	-	-	-	-	3,151,547	3,151,547
Dividends prescribed by law	-	-	-	23,678,295	-	23,678,295
Dividends payment related to 2015	-	-	-	(46,250,883)	-	(46,250,883)
	-	**-**	**-**	**(22,572,588)**	**(3,345,554)**	**(25,918,142)**
Total transactions with shareholders recognized directly in equity						
Balance as at 31 December 2016	**539,720,149**	**9,095,516**	**616,216,703**	**445,783,128**	**(10,723,746)**	**1,600,091,750**

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SIF MOLDOVA S.A.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Share capital	Reserves from the revaluation of tangible assets	Reserves from the revaluation financial assets available for sale	Retained earnings	Other elements of capital	Total
Balance as at 1 January 2015	**487,811,190**	**7,665,296**	**377,413,183**	**327,356,982**	**-**	**1,200,246,651**
Comprehensive income						
Profit for the previous year	**-**	**-**	**-**	**100,340,327**	**-**	**100,340,327**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Reserve increase from revaluation of tangible assets	-	90,395	-	-	-	90,395
Transfer from the revaluation reserve to retained earnings following the sale of tangible assets	-	(78,387)	-	-	-	(78,387)
Revaluation of available for sale fair value, net of deferred tax	-	-	(37,172,763)	-	-	(37,172,763)
Reserve decrease due to the sale of financial assets	-	-	110,633,603	-	-	110,633,603
Total comprehensive income for the period	**-**	**12,008**	**73,460,840**	**100,340,327**	**-**	**173,813,175**
Transactions with shareholders recognized directly in equity						
Share capital increase	51,908,959	-	-	(51,908,959)	-	-
Buy-back shares	-	-	-	-	(7,378,192)	(7,378,192)
Other transfers	-	-	-	81,439	-	81,439
Dividends prescribed by law	-	-	-	21,719,773	-	21,719,773
Dividends payment related to 2014	-	-	-	(52,531,866)	-	(52,531,866)
Total transactions with shareholders recognized directly in equity	**51,908,959**	**-**	**-**	**(82,639,613)**	**(7,378,192)**	**(38,108,846)**
Balance as at 31 December 2015	**539,720,149**	**7,677,304**	**450,874,023**	**345,057,696**	**(7,378,192)**	**1,335,950,980**

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(all amounts are expressed in RON, unless specified otherwise)

	2016	**2015**
Cash flows from operating activities:		
Profit before taxation	133.803.023	122.535.988
	-	-
Adjustments for:		
Reversals of impairment of financial assets	46.908.657	(989.376)
Net loss form financial assets at fair value through profit and loss	6.745.057	3.974.232
Adjustment for financial assets available for sale	(92.945.016)	(79.367.246)
Dividend income	(118.775.487)	(27.712.560)
Interest income	(561.049)	(1.563.181)
Charge/Release of provisions for risk and charges	145.628	(359.113)
Write back of provisions	(3.025)	1.059.722
Other adjustments	985.345	(1.055.819)
Changes in operating assets and liabilities:		
Acquisition of financial assets at fair value through profit or loss	(24.320.318)	(14.956.544)
Sales of financial assets at fair value through profit or loss	785.091	8.013.853
Acquisition of financial assets available for sale	(166.534.478)	(184.683.707)
Sales of financial assets available for sale	168.262.363	210.795.941
Changes in the investments held to maturity	95.754	1.184.500
Changes in deposits with maturity greater than 3 months	9.953.110	17.374.529
Other assets changes	10.602.384	6.119.633
Other liabilities changes	(1.749.260)	4.889.840
Collected dividends	113.094.833	24.117.658
Collected interest	517.113	1.753.490
Income tax	(7.659.369)	(15.633.767)
Net cash flow proceeds / (used in) operating activities	**79.350.356**	**75.578.073**
Investment activities:		
Payments for purchases of property, plant and equipment	(368.106)	(422.693)
Proceeds from sale of property and investment property		
Net cash flow proceeds / (used in) investment activities	**(368.106)**	**(422.693)**
Investment activities:		
Dividends paid	(35.712.324)	(42.294.786)
Buy-back shares	(6.100.333)	(7.378.192)
Net cash flow proceeds / (used in) investment activities	**(41.812.657)**	**(49.672.978)**
Net increase in cash and cash equivalents	37.169.593	25.402.402
Cash and cash equivalents at 1 January	81.556.166	56.153.765
Cash and cash equivalents at 31 December	**118.725.759**	**81.636.167**

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Chief Accountant

(all amounts are expressed in RON, unless specified otherwise)

Reconciliation of cash and cash equivalents with the balance sheet:

	December 31, 2016	**December 31, 2015**
Cash and cash equivalents	931,024	613,851
Deposits at banks	117,794,735	91,015,193
Placements at banks with maturity of less than 3 months and blocked deposits	-	(10,072,877)
Cash and cash equivalents in the cash flow statement	**118,725,759**	**81,556,167**

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________________________	________________________
Costel Ceocea,	**Cristina Andrieş,**
President	Chief Accountant

1. REPORTING ENTITY

SIF Moldova S.A. ("the Company") is a collective investment body operating in Romania in accordance with the provisions of Law 31/1990 on commercial companies and Law 297/2004 on capital market, as subsequently amended and supplemented.

The Company is the successor of Fondul Proprietății Private II Moldova, reorganized and transformed in accordance with the provisions of Law no. 133/1996.

The registered office of the Company is located on street Pictor Aman, nr. 94C, Bacău municipality, Bacău county, Romania. The Company also operates through its representative offices located in Iași and Bucharest.

According to its statute, the Company's core activities are:

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

The Company is self-administered.

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

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

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

2. BASES OF PREPARATION

(a) Statement of Compliance

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

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

In accordance with Regulation no. 1606/2002 of the European Parliament and the Council of July 19, 2002, and the provisions of NSC Decision no. 1176/2010, financial investment companies must prepare

2.BASES OF PREPARATION (continued)

(b) Statement of Compliance (continued)

and submit with NSC (currently FSA) consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union. The consolidated financial statements of Group SIF Moldova as at December 31, 2016 will be prepared, approved and made public until August 31, 2017. They can be consulted on the Company's website: www.sifm.ro.

The Company's accounting is kept in RON.

(c) Presentation of financial statements

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

(d) Functional and presentation currency

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

(e) Bases of measurement

The separate financial statements are prepared at fair value for derivative financial instruments, financial assets and liabilities at fair value through profit and loss and available-for-sale financial assets except those for which fair value cannot be reliably determined.

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

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

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

(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Foreign currency transactions

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

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

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

The exchange rates of the main foreign currencies were:

Currency	December 31, 2016	December 31, 2015	Variation
EUR	1: RON 4.5411	1: RON 4.5245	0.37%
USD	1: RON 4.3033	1: RON 4.1477	3.62%

(b) Subsidiaries and associates

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

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

The list of subsidiaries and associates is available in Note 27.

The Company classified in these separate financial statements in subsidiaries and associates as available for sale financial assets in accordance with IAS 39.

(c) Accounting for the effect of hyperinflation

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Foreign currency transactions (continued)

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

The continued decrease of the inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Company is no longer hyperinflationary, the effects of which were felt in the financial periods starting from January 1, 2004. Thus, the provisions of IAS 29 have been adopted in the preparation of the separate financial statements as at December 31, 2003.

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

For the purpose of preparing the separate financial statements, the Company adjusts the following non-monetary items to express them in the current measuring unit as at December 31, 2003:

- share capital;
- available-for-sale financial assets carried at cost.

Intangible and tangible assets are stated at revalued amount as at January 1, 2015 and December 31, 2016. The revaluation was performed by the Company as at December 31, 2016 through Evaluari Consultanta Management Bacau – ANEVAR member.

(d) Cash and cash equivalents

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

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

(e) Financial assets and liabilities

(i) Classification

The Company classifies financial instruments it holds in the following categories:

Financial assets or financial liabilities at fair value through profit or loss

Such category includes financial assets or financial liabilities held for trading and financial instruments designated as at fair value through profit or loss upon initial recognition. The Company includes a financial asset or liability in this category if such has been acquired primarily for purpose of speculation (to generate short-term profit).

Derivative financial instruments are classified as held for trading if they are not instruments used for hedging.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(e) ***Financial assets and liabilities (continued)***

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method less impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near term. They consist primarily in bank deposits.

Available-for-sale financial assets

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

(i) Classification (continued)

Upon initial recognition, equity instruments classified as available-for-sale financial assets for which there is an active market are measured at fair value and changes in fair value other than impairment losses, such as gains and losses on the exchange rate variation related to financial instruments, are recognized directly to equity.

When the asset is derecognized, the cumulated gain or loss is transferred to profit or loss.

(ii) Recognition

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

(iii) Offset

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

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

(iv) Measurement at amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(e) ***Financial assets and liabilities (continued)***

(v) Measurement at fair value

Fair value is the price which would be received from the sale of an asset or the price which would be paid to transfer a liability, through a normal transaction between market participants as at the valuation date (i.e., outgoing price).

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

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

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

Available-for-sale financial assets for which there is no active market and for which fair value cannot be reliably determined are carried at cost and are tested periodically for impairment.

(v) Measurement at fair value (continued)

For all other financial instruments, fair value is calculated using measurement techniques. Measurement techniques include techniques based on net discounted value, discounted cash flows, comparison with similar instruments for which there is an observable market price and other measurement techniques.

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

(vi) Identification and evaluation of loss of value

Financial assets carried at amortized cost

The Company analyzes at each reporting date whether there is any objective evidence of the impairment of a financial asset. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the effective interest rate of the financial asset at initial recognition.
If a financial assets measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current variable interest rate determined under the contract.

The carrying amount of an asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed by adjusting an allowance account. The amount of the impairment loss decrease shall be recognized in profit or loss.

Available-for-sale financial assets

In case of available-for-sale financial assets, when a decline in the fair value of an available-for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been directly recognized in equity shall be reclassified from equity to comprehensive income even though the financial asset has not been derecognized. To determine whether an asset is impaired, the Company takes into account relevant loss generating events such as significant long-term decline in fair value below cost; market and industry conditions, to the extent that they influence the recoverable amount of the asset; financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer's recent losses, the qualified independent auditor's report on the most recent financial statements of the issuer etc.

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

Available-for-sale financial assets (continued)

Thus, in the period ended December 31, 2016, SIF Moldova recognized in the statement of comprehensive income the impairment of SNP, BVB, ELMA, Casa de Bucovina, Agribusiness, Reale Estate Asset, Opportunity, Lactate Natura, Catalist securities in total amount of RON 45.4 million, further to the decrease of their fair value below cost by more than 30%.

The amount of the cumulative loss that is reclassified from equity to comprehensive income shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in comprehensive income.

Impairment losses recognized in comprehensive income for an investment classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of an impaired investment increases, the amount of the increase shall be recognized directly to other comprehensive income.

To determine whether an available-for-sale financial asset carried at cost because the fair value cannot be reliably established is impaired, the Company considers relevant loss events, such as the significant long-term decrease of fair value below cost; the market conditions and the conditions of the field of activity, to the extent they influence the recoverable value of the asset; the financial conditions and short-term perspectives of the issuer, including any specific adverse events likely to influence the issuer’s operations, issuer’s recent losses, the independent auditor’s qualified report on the latest financial statements of the issuer etc.

Given the inherent limitations of the methodologies applied and the significant uncertainty of how assets are measured in local and international markets, the Company’s estimates can be substantially revised subsequent to the approval of the financial statements.

(vii) Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and liabilities (continued)

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

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

In accordance with IAS 39, if an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognized at its fair value. If the fee to be received is expected to be more than an adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

In addition, in accordance with IAS 39, if, as a result of the transfer, a financial asset is derecognized in its entirety, but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.

(vii) Derecognition (continued)

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

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

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

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

(f) Other financial assets and liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property

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

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

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

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

(i) Recognition

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

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

(ii) Measurement

Initial measurement

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

The value of the Company's investment property as at December 31, 2013 and December 31, 2014 is presented in Note 17.

Subsequent measurement

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property (continued)

(iii) Transfers

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

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

(iv) Impairment

The same accounting policies are applied as for property, plant and equipment.

(v) Derecognition

The carrying amount of an investment property shall be derecognized on disposal or when the investment is definitevly withdrawn from use and no future economic benefits are expected from its disposal.

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

(h) Tangible and intangible assets

(i) Recognition and measurement

Property, plant and equipment recognized as assets are initially carried at cost by the Company. The cost of an item of property, plant and equipment comprises the cost of purchase, including unrecoverable fees, after deducting all trade price discounts and any directly attributable costs incurred in bringing the asset to its present location and condition so that it can be used as intended by the management, such as: employee related expenses arising directly from the construction or acquisition of the asset, site layout costs, initial delivery and handling costs, installation and assembly costs, professional fees.

The value of the Company’s tangible and intangible assets as at December 31, 2016 and December 31, 2015 is detailed in Note 18.

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

- Land;
- Buildings;
- Plant and machinery;
- Vehicles;
- Other property, plant and equipment.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tangible and intangible assets (continued)

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

Revaluations are performed by specialized valuators , ANEVAR members. The frequency of the revaluations of the Company's land and buildings is imposed by the dynamics of the corresponding markets.

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

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

(ii) Depreciation

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

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

Land is not depreciated.

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

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

(iii) Sale / disposal of tangible and intangible assets

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

(iv) Impairment of assets other than financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tangible and intangible assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

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

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

(i) Share capital

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

(j) Dividends distributable

Dividends are treated as profit allocation in the period in which they have been declared and approved by the General Meeting of Shareholders.

(k) Dividends prescribed

Dividends payable not received within 3 years from the declaration date are prescribed according to law. Dividends prescribed represent transactions with shareholders and are recognized in equity, in retained earnings.

(l) Provisions for risks and charges

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

(m) Interest income

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

(n) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive the income is established.

In case of dividends received as shares as alternative to cash payment, dividend income is recognized at the level of the cash that would have been received, according to the increase of the related participation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company does not register dividend income for the shares received under a free title when they are distributed proportionally to all shareholders.

The Company registers dividend income at gross value which includes dividend tax, which is recognized as current income tax expense.

(o) Employee benefits

(i) Short-term benefits

Short-term employee benefits are not discounted and are recognized in the statement of comprehensive income as the services are rendered.

Employee short-term benefits include salaries, premiums and social security contributions. Employee short-term benefits are recognized as expenses when the services are delivered. The Company recognizes a provision for the amounts expected to be paid as short-term cash premiums or profit participation schemes when the Company has a present legal or constructive obligation to pay such amounts as a result of past services delivered by employees and when the obligation can be reliably estimated.

(ii) Defined contribution plans

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

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

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

(iii) Employee long-term benefits

The Company’s net obligation as regards long-term services benefits consists of the future benefits which employees earned in exchange for the services delivered by them in current and previous periods. The Company does not have the obligation to grant employees benefits on the retirement date.

(p) Gains or losses on foreign exchange differences

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

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

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

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

For the financial year ended December 31, 2016, the income tax rate was 5% (December 31, 2015: 16%). The tax rate related to taxable dividend income was 16%. Deferred tax is determined by the Company using the balance sheet method for temporary differences arising between the tax base for calculating tax for assets and liabilities and their carrying amount, used for reporting purposes in the separate financial statements.

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

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

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

(r) Earnings per share

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

(s) Lease payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting

A segment is a distinct component of the Company which provides certain products or services (business segment) or provides products and services in a certain geographical area (geographical segment) and which is subject to risks and rewards other than those of the other segments. As at December 31, 2016 and December 31, 2015, the Company has not identified significant business or geographical segments.

(u) New standards and interpretations

The following sections present: the list of new standards, amendments and interpretations of already existing standards effective in the financial year ended December 31, 2016, the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board (IASB) and the European Union (EU) but not effective for the financial year ended December 31, 2016 and the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board, but not adopted yet by the European Union for the financial year ended December 31, 2016.

(i) Standards and Interpretations effective in the current period

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

- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by the IASB and adopted by the EU were in issue but not yet effective:

- IFRS 9 "Financial Instruments" - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 includes requirements for financial instruments regarding recognition, classification and measurement, impairment, derecognition and general hedge accounting:

- *Classification and measurement*: IFRS 9 introduces new approach for the classification of financial assets; it contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 classification is generally based on the business model in which a financial asset is managed and on its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The new model also results in a single impairment model being applied to all financial instruments.
- *Impairment*: IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- *Hedge accounting*: IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- *Own credit risk*: IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

(iii) Standards and Interpretations issued by IASB but not yet adopted by the EU

At the reporting date, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019), endorsement expected in the second half of 2017,
- Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time), endorsement expected in 2017,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 15 "Revenue from Contracts with Customers" - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second quarter of 2017,
- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017), endorsement expected in the second quarter of 2017,
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017), endorsement expected in the second quarter of 2017,
- Amendments to IAS 40 "Investment Property" - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017.

The Company estimates that the adoption of such standards, amendments and interpretations will not have a significant impact on the Company's financial statements in the period of initial application.

At the same time, hedge accounting regarding financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

5. MANAGEMENT OF SIGNIFICANT RISKS

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

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

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

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

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

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

(a) Market risk

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

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

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

The selection of investment opportunities is made through:

- a technical analysis;
- fundamental analysis – determining the issuer's capacity to generate profit;
- comparative analysis – determining the relative value of an issuer in relation to the market or other similar companies;
- statistical analysis – determining the trends and correlations using the historical prices and quantities traded.

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

(i) Price risk

The Company is exposed to price risk, given that the value of financial instruments is likely to fluctuate due to market price changes.

The Company is exposed to the risk associated with the variation of the price of financial assets at fair value through profit or loss and available-for-sale financial assets. 80% of the Company's total shares traded in an active market as at December 31, 2016 (December 31, 2015: 85%) represented investments in companies part of the BET index of the Bucharest Stock Exchange, weighted by the stock capitalization and created to reflect the overall tendency of the prices of the ten most liquid shares traded on the Bucharest Stock Exchange.

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(i) Price risk (continued)

A 10% positive variation of the price of financial assets at fair value through profit or loss would lead to a profit increase after taxation by RON 128,999,673 (December 31, 2015: RON 94,261,007), a 10% negative variation having an equal and opposite net impact.

A 10% positive variation of the price of available-for-sale financial assets through profit or loss would lead to an equity increase, net of income tax, by RON 121,776,948 (December 31, 2015: by RON 92,278,120), a 10% negative variation having an equal and opposite net impact.

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

In RON	**December 31, 2016**	**%**	**December 31, 2015**	**%**
Financial, brokerage and insurance	877.549.795	59,06	882,023,569	68.70
Transport, storage and communication	153.922.945	10,36	108,758,953	8.50
Chemical and petrochemical industry	130.259.303	8,77	64,510,364	5.03
Textile industry	68.454.710	4,61	43,546,970	3.39
Pharmaceutical industry	38.769.224	2,61	40,419,219	3.15
Manufacture of machinery and equipment	76.441.822	5,14	37,574,011	2.93
Wholesale, retail, tourism and restaurants	20.488.855	1,38	4,251,844	0.32
Manufacture of transport	74.387.804	5,01	61,303,469	4.78
Energy industry	29.765.604	2,00	29,714,636	2.32
Metallic construction and metal products	709.210	0,05	646,449	0.05
Real estate, renting and other services	8.042.463	0,54	1,992,113	0.20
Building materials industry	117	0,00	4,876,839	0.38
Food industry	716.512	0,05	0	0.00
Others	6.273.128	0,42	4,082,556	0.30
TOTAL	**1.485.781.522**	**100,00**	**1,283,700,992**	**100.00**

As it revealed in the table above, as at December 31, 2016 the Company was primarily holding shares in companies operating in the finance, banking and insurance sector, accounting for 59.06% of the total portfolio, less than 68.70%, amount registered as at December 31, 2015. The Company's exposure towards Banca Transilvania is 41.97% as at December 31, 2016 (47.3% as at December 31, 2015).

(ii) Interest rate risk

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

As at December 31, 2016 and December 31, 2015, most of the Company's assets and liabilities are not interest bearing. Therefore, the Company is not significantly affected by the risk of interest rate fluctuations. The excess of cash or other assimilated cash equivalents is invested in short-term investment titles with maturity between 1 to 3 months.

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

The following tables present the Company's exposure to interest rate risk.

	Net amount	Less than 3 months	3 to 12 months	more than 1 year	No fixed maturity
December 31, 2016					
	-	-	-	-	-
Financial assets					
Cash and cash equivalents	931,024	931,024	-	-	-
Deposits at banks	117,794,735	117,739,118	-	-	55,617
Financial assets at fair value through profit or loss	128,999,673	-	-	-	128,999,673
		-	-	-	
Available for sale	1,448,569,452				1,448,569,452
Investments held to maturity	9,573,804	212,619	37,440	9,323,745	-
Other financial assets	1,347,293	1,347,293	-	-	-
Total financial assets	**1,707,215,981**	**120,230,054**	**37,440**	**9,323,745**	**1,577,624,742**
Financial liabilities	-	-	-	-	-
Dividends payable	29,258,494	29,258,494	-	-	-
Other liabilities	14,398,115	4,345,656	10,052,459	-	-
Total financial liabilities	**43,656,609**	**33,604,150**	**10,052,459**	**-**	**-**

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Net amount	Less than 3 months	3 to 12 months	more than 1 year	No fixed maturity
December 31, 2015					
Financial assets					
Cash and cash equivalents	613,851	613,851	-	-	-
Deposits at banks	91,015,193	80,942,316	10,018,741	-	54,136
Financial assets at fair value through profit or loss	112,215,485	-	-	-	112,215,485
Available for sale	1,227,266,927	-	-	-	1,227,266,927
Investments held to maturity	9,593,199	220,256	37,437	9,335,506	-
Other financial assets	6,269,023	6,269,024	-	-	-
Total financial assets	**1,446,973,678**	**88,045,446**	**10,056,178**	**9,335,506**	**1,339,536,548**
Financial liabilities					
Dividends payable	42,394,161	42,394,161	-	-	-
Other liabilities	13,094,875	5,718,729	7,376,146	-	-
Total financial liabilities	**55,489,036**	**48,112,890**	7,376,146	**-**	**-**

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The impact on the Company's net profit of a change of ± 100 bp in the interest on variable interest bearing assets and liabilities and expressed in other currencies corroborated with a change of ± 500 bp in the interest on variable interest bearing assets and liabilities and expressed in RON is ± RON 6,067,064 (December 31, 2015: 5,030,420 ± lei).

(iii) Currency risk

Currency risk is the risk of the Company incurring losses or not realizing profit as a result of unfavorable fluctuations in the exchange rate. The Company is exposed to foreign exchange rate fluctuations, but misses a formalized policy to hedge currency risk. Most of the Company's financial assets and liabilities are expressed in the national currency, and the other currencies in which the Company trades are EUR, USD, GBP, CZK, PLN and CAD.

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

As at December 31, 2016 and December 31, 2015, assets expressed in Lei and other currencies are presented in the following tables.

	RON	EUR	USD	Other Currency
December 31, 2016				
Financial assets				
Cash and cash equivalents	699,342	120,186	15,346	96,150
Deposit at banks	117,476,858	317,877	-	-
Financial assets at fair value through profit or loss	128,999,673	-	-	-
Available for sale	1,446,214,787	-	-	2,354,665
Investments held to maturity	2,357,600	7,216,204	-	-
Other financial assets	1,347,293	-	-	-
Total financial assets	**1,697,095,553**	**7,654,267**	**15,346**	**2,450,815**
Financial liabilities				
Dividends payable	29,258,494	-	-	-
Other financial liabilities	14,398,115	-	-	-
Total financial liabilities	**43,656,609**	**-**	**-**	**-**

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	RON	EUR	USD	Other Currency
December 31, 2015				
Financial assets				
Cash and cash equivalents	359,958	150,365	13,210	90,318
Deposit at banks	91,015,193	-	-	-
Financial assets at fair value through profit or loss	112,215,485	-	-	-
Available for sale	1,226,685,138	-	-	581,789
Investments held to maturity	2,369,498	7,223,701		
Other financial assets	6,269,023	-	-	-
Total financial assets	**1,438,914,295**	**7,374,066**	**13,210**	**672,107**
Financial liabilities				
Dividends payable	42,394,161	-	-	-
Other financial liabilities	13,094,875	-	-	-
Total financial liabilities	**55,489,036**	**-**	**-**	**-**

The net impact on the Company's profit of a change of ± 15% of the RON/EUR exchange rate corroborated with a change of ± 15% of the RON/USD, RON/GBP, RON/CZK, RON/PLN and RON/CAD exchange rates as at December 31, 2016, with all the other variables remaining constant, is ± RON 1.518.064 (December 31, 2015: ± RON 1.208.907).

(b) Credit risk

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

As at December 31, 2016 and December 31, 2015 the Company did not hold real guarantees as insurance, or other improvements of credit rating. As at December 31, 2016 and December 31, 2015 the Company did not register overdue, but not impaired, financial assets.

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(b) Credit risk (continued)

The Company's maximum exposure to credit risk is in amount of RON 131,443,443 as at December 31, 2016, in amount of RON 106,877,416 as at December 31, 2015 and can be analyzed as follows:

Exposures from current accounts and bank deposits

In RON	**December 31, 2016**	**December 31, 2015**
Banca Transilvania	107,224,136	82,740,409
BRD - Group Societe Generale	4,813,271	8,220,648
Eximbank	5,701,710	-
Other banks	55,618	54,136
Total	**117,794,735**	**91,015,193**

Exposures from held-to-maturity investments

In RON	**December 31, 2016**	**December 31, 2015**
Bonds Banca Transilvania	7,216,204	7,223,701
Bacau municipal bonds	117,920	129,820
GDF Suez Energy Romania bonds	2,239,680	2,239,678
Total	**9,573,804**	**9,593,199**

Sundry debtors and trade receivables

In RON	**December 31, 2016**	**December 31, 2015**
AAAS Bucharest	53,890,207	46,350,276
Central Depository	1,047,218	1,278,266
BRD Depository	(94,907)	4,395,490
Agribusiness Capital	-	176
Other sundry debtors and trade receivables	3,001,336	4,956,736
Adjustments for impairment	(56,496,561)	(50,711,921)
Total	**1,347,293**	**6,269,023**

(c) Liquidity risk

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

The Company's financial instruments may include investments in shares not traded in an organized market and which may therefore have low liquidity. Therefore, the Company may face difficulties in rapidly liquidating its investments in such instruments at a value close to the value determined based on the computation model of the net assets of financial investment companies provided by Regulation no. 15/2004 issued by NSC to fulfill its own liquidity requirements.

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(c) Liquidity risk (continued)

The structure of the Company’s assets and liabilities has been analyzed based on the remainder of the period spanning from the balance sheet date until the contract maturity date, both for the financial year ended December 31, 2016 and the financial year ended December 31, 2015, as follows:

	Book Value	**Less than 3 month**	**3 to 12 months**	**more than 1 year**	**No fixed maturity**
	-	**-**	**-**	**-**	**-**
Financial assets					
Cash and cash equivalents	931,024	931,024	-	-	-
Deposits	117,794,735	117,739,118	-	-	55,618
Financial assets at fair value through profit or loss	128,999,673	-	-	-	128,999,673
		-	-	-	
Available for sale	1,448,569,452				1,448,569,452
Investments held to maturity	9,573,804	212,619	37,440	9,323,746	-
Other financial assets	1,347,293	1,347,293	-	-	-
	1,707,215,981	**120,230,054**	**37,440**	**9,323,746**	**1,557,624,743**
Total financial assets					
Financial liabilities	**-**	**-**	**-**	**-**	**-**
Dividends payable	29,258,494	29,258,494	-	-	-
Other financial liabilities	17,082,627	7,030,168	10,052,459	-	-
	46,341,121	**36,288,662**	**10,052,459**	**-**	**-**
Total financial liabilities					

(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(c) Liquidity risk (continued)

	Book Value	Less than 3 month	3 to 12 months	more than 1 year	No fixed maturity
Financial assets					
Cash and cash equivalents	613,851	613,851	-	-	-
Deposits	91,015,193	80,942,316	10,018,741	-	54,136
Financial assets at fair value through profit or loss	112,215,485	-	-	-	112,215,485
Available for sale	1,227,266,927	-	-	-	1,227,266,927
Investments held to maturity	9,593,199	220,256	37,437	9,335,506	-
Other financial assets	6,269,024	6,269,023	-	-	-
Total financial assets	**1,446,973,678**	**88,045,446**	**10,056,178**	**9,335,506**	**1,339,536,548**
Financial liabilities					
Dividends payable	42,394,161	42,394,161	-	-	-
Other financial liabilities	13,094,875	5,718,729	7,376,146	-	-
Total financial liabilities	**55,489,036**	**48,112,890**	**7,376,146**	**-**	**-**

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(d) Tax risk

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

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

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

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

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

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

(e) Economic environment risk

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

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

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

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(f) Operating risk

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

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

(g) Capital adequacy

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

The Company's equity includes share capital, various types of reserves and retained earnings.

As at December 31, 2016, the Company registered equity in amount of RON 1,600,091,750 (December 31, 2015: RON 1,335,950,980).

The Company is not object of capital adequacy legal requirements.

(all amounts are expressed in RON, unless specified otherwise)

6. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below summarizes the carrying amounts and fair values of the Company’s financial assets and liabilities as at December 31, 2016:

	Tradable	**Available for sale**	**Depreciation cost**	**Total carrying value**	**Fair value**
Cash and cash equivalents	-	-	931,024	931,024	931,024
Deposit at bank	-	-	117,794,735	117,794,735	117,794,735
Financial assets at fair value through profit or loss	128,999,673	-	-	128,999,673	128,999,673
	-		-		
Available for sale		1,448,569,452		1,448,569,452	1,448,569,452
Investments held to maturity	-	-	9,573,804	9,573,804	9,573,804
Other financial assets	-	-	1,347,293	1,347,293	1,347,293
	128,999,673		**129,646,856**		
Total financial assets		1,448,569,452		**1,707,215,981**	**1,707,215,981**
	-	-	29,258,494	29,258,494	29,258,494
Dividends payable					
Other financial liabilities	-	-	14,398,115	14,398,115	14,398,115
	-	**-**	**43,656,609**	**43,656,609**	**43,656,609**
Total financial liabilities					

(all amounts are expressed in RON, unless specified otherwise)

5. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2015:

	Tradable	Available for sale	Depreciation cost	Total carrying value	Fair value
Cash and cash equivalents	-	-	613,851	613,851	613,851
Deposit at bank	-	-	91,015,193	91,015,193	91,015,193
Financial assets at fair value through profit or loss	112,215,485	-	-	112,215,485	112,215,485
Available for sale	-	1,227,266,927	-	1,227,266,927	1,227,266,927
Investments held to maturity	-	-	9,593,199	9,593,199	9,684,481
Other financial assets	-	-	6,269,024	6,269,024	6,269,024
Total financial assets	**112,215,485**	**1,227,266,927**	**107,491,267**	**1,446,973,679**	**1,447,064,960**
Dividends payable	-	-	42,394,161	42,394,161	42,394,161
Other financial liabilities	-	-	13,094,875	13,094,875	13,094,875
Total financial liabilities	**-**	**-**	**55,489,036**	**55,489,036**	**55,489,036**

(all amounts are expressed in RON, unless specified otherwise)

6.DIVIDEND INCOME

Dividend income is registered at gross value. The tax rates of dividends for the financial year ended December 31, 2015 were 5% and nil (2014: 16%, and nil). Dividend income by main accounts is presented in the table below:

	2016	**2015**
Banca Transilvania	86,043,802	-
SNTGN Transgaz	7,398,707	5,841,790
OMV PETROM	-	2,410,709
Biofarm	2,147,315	2,013,108
Mecanica Ceahlau	729,492	875,390
Transelectrica	2,701,331	2,857,600
Bucharest Stock exchange (BVB)	333,328	559,409
Istru	324,421	655,055
Conpet	804,887	-
SNG ROMGAZ	7,155,000	2,992,500
SIF OLTENIA	3,738,805	3,415,483
SIF Muntenia	1,807,239	-
Aerostar	1,910,879	2,004,698
Others	3,680,281	4,086,818
Total	**118,775,487**	**27,712,560**

7. a) INTEREST INCOME

	2016	**2015**
Interest income on deposit and current accounts	596,093	888,148
Interest income on held-to-maturity investments	620,701	675,033
Total	**1,216,794**	**1,563,181**

8. a) OTHER OPERATING INCOME

	2016	**2015**
Rental income	735,598	725,443
Income from recovered receivables	-	-
Other operating income	111,169	69,920
Total	**846,767**	**795,363**

b) OTHER INCOME

	2016	**2015**
Other income from transfer litigious rights (title Textile Olt compensation) Ministry of Finance (titlu despagubire Textila Oltul) Ministerul de Finante	2.415.314	-
Other income	376.987	240.513
Total	**2.792.301**	**240.513**

(all amounts are expressed in RON, unless specified otherwise)

9. NET GAINS ON THE SALE OF ASSETS

	2016	**2015**
Net profit from sale of available-for-sale financial assets	94,918,980	120,519,698
Net profit from sale of fair value through profit or loss financial assets	(246,914)	1,555,376
Total	**94,672,066**	**122,075,074**

Income from sales of shares classified as available-for-sale financial assets was in amount of RON 165,699,850 (2015: RON 190,689,588), the cost related of this is RON 92,359,826 (2015: RON 85,661,134), of which RON 21,578,956 represents the fair value adjustment registered previously in the revaluation reserve related to available-for-sale assets. The gain obtained was RON 94,918,980 (2015: RON 120,519,698). Such transactions from 2016 consisted primarily in selling the shares held with Antibiotice, Banca Transilvania, Fondul Proprietatea and Sanex.

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

In RON	**2016**	**2015**
Net loss/Net income from revaluation of financial assets held for trading	(6,504,125)	(3,974,232)
Net gains on the revaluation of investment property	240,932	-
Total	**(6,263,193)**	**(3,974,232)**

The loss of RON 6,504,125 (2015: loss of RON 3,974,232) represents the difference from the revaluation at fair value of shares and fund units held at fair value through profit or loss.

11. IMPAIRMENT REVERSALSON THE IMPAIRMENT OF ASSETS

In RON	**2016**	**2015**
Reversal of impairment of available for sale financial assets	45,442,277	989,376
Reversal of impairment of other assets	1,466,380	(1,348,519)
Total	**46,908,657**	**(359,143)**

(all amounts are expressed in RON, unless specified otherwise)

12. OTHER OPERATING EXPENSES

In RON	**2016**	**2015**
Expenses with salaries and other personnel expenses	14,497,503	11,218,151
Expenses with external services	8,830,802	7,176,064
Commissions and fees	2,218,921	3,773,075
Entertaining, promotion and advertising	403,299	329,523
Other operating expenses	3,627,689	3,247,147
Audit and consulting services	1,595,880	589,008
Total	**31,174,094**	**26,332,968**

Other operating expenses include expenses with the depreciation of non-current assets, travel expenses and telecommunications, expenses with repair and maintenance, etc. The average number of employees for the financial year ended December 31, 2016 was 33 (December 31, 2015: 30).

13. INCOME TAX

	2016	**2015**
Current income tax		
Current income tax (16%)	5,108,687	16,218,849
Tax on dividends (5%)	5,680,655	3,594,902
Total current tax	**10,789,342**	**19,813,751**
Deferred income tax		
Financial assets available for sale	124,209	4,713,525
Financial assets at fair value through profit or loss	-	(41,205)
Provision for management benefits	(264.424)	(1,174,962)
Provisions for risk and charges	(23,371)	(1,115,448)
Provision for Q4 directors’ premiums and untaken leaves of employees and managers	(120,753)	-
Total deferred tax	**(284,339)**	**2,381,910**
Total	**10,505,003**	**22,195,661**

(all amounts are expressed in RON, unless specified otherwise)

13. INCOME TAX (continued)

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

In RON	**2016**	**2015**
Profit before tax	**133,803,023**	**122,535,988**
Tax under statutory tax rate of 16% (2010: 16 %)	**21,408,484**	**19,605,758**
Income tax effect of:		
Non-deductible expenses	11,637,218	3,718,096
Nontaxable income	(22,454,788)	(3,200,631)
Temporary differences	121,911	2,072,438
Income tax	**10,505,003**	**22,195,661**

14. CASH AND CASH EQUIVALENTS

In RON	**December 31, 2016**	**December 31, 2015**
Cash	8,622	20,885
Current accounts in banks	922,402	592,966
Total cash and cash equivalents	**931,024**	**613,851**

The current bank accounts are permanently at the Company's disposal and are not restricted.

15. BANK DEPOSITS

In RON	**December 31, 2016**	**December 31, 2015**
Term deposits	117,681,095	90,900,637
Attached receivables	58,023	60,420
Blocked deposit	55,617	54,136
Total deposits at banks	**117,794,735**	**91,015,193**

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

16. FINANCIAL ASSETS

a) Financial assets at fair value through profit or loss

In RON	**December 31, 2016**	**December 31, 2015**
Unit funds	17,930,386	18,323,607
Shares	111,069,287	93,891,878
Total	**128,999,673**	**112,215,485**

(all amounts are expressed in RON, unless specified otherwise)

16. FINANCIAL ASSETS (continued)

b) Available-for-sale financial assets

In RON	**December 31, 2016**	**December 31, 2015**
Shares held at fair value	1,368,942,869	1,061,091,236
Shares held at cost	5,769,365	128,717,878
Unit funds held at fair value	73,857,217	37,457,813
Total	**1,448,569,452**	**1,227,266,927**

As at December 31, 2016 and December 31, 2015 the category of shares measured at fair value includes primarily the value of the shares held with Banca Transilvania, BRD - Groupe Societe Generale S.A., OMV Petrom.
Shares at fair value have been measured by multiplying the number of shares held as at the balance sheet date with the closing price on the last trading day of the reporting period.
The movement of available-for-sale financial assets in the financial years ended December 31, 2016 and December 31, 2015 is presented in the table below:

	Assets held at fair value	**Assets held at cost**	**Units fund**	**Total**
December 31, 2014	**1,017,981,486**	**25,451,052**	**48,862,305**	**1,092,294,843**
Net change during the period	(59,529,783)	103,619,224	(10,721,988)	-
Transfer	290,568	(290,568)	-	33,367,453
Impairment losses	-	2,771,825	(682,504)	-
Change in fair value	102,348,964	(2,833,655)	-	99,515,309
December 31, 2015	**1,061,091,236**	**128,717,878**	**37,457,813**	**1,227,266,927**
Net change during the period	59,110,764	(4,617,015)	35,017,495	89,511,244
Transfer between categories	116,454,994	(116,454,994)	-	-
Impairment losses	(3,338,111)	(1,876,504)	-	(5,214,615)
Change in fair value	135,623,986	-	1,381,910	163,509,876
December 31, 2016	**1,368,942,869**	**5,769,365**	**73,857,217**	**1,448,569,452**

Transfers into Level 3 of the fair value hierarchy represent listed shares for which the company considered that there is no active market and the company has achieved evaluation reports for December 31, 2016. The main companies transferred are Mecanica Ceahlau, Iasitex, Chimcomplex, Rulmenti, etc

Information on the inter-category transfer represents the net value of shares that migrated from the category of shares measured at fair value/cost to the category of shares measured at cost/fair value, due to the arising/fall of an active market for such instruments.

(all amounts are expressed in RON, unless specified otherwise)

16. FINANCIAL ASSETS (continued)

c) Held-to-maturity investments

In RON	December 31, 2016	December 31, 2015
Corporate bonds	9,455,884	9,463,379
Government bonds	117,920	129,820
Total	**9,573,804**	**9,593,199**

d) Fair value hierarchy

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

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

December 31, 2016 *In RON*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	128,999,673	-	-	128,999,673
Financial assets available for sale	1,164,976,978	-	283,592,474	1,448,569,452
Total	**1,293,976,651**	**-**	283,592,474	**1,577,569,125**

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	112,215,485	-	-	112,215,485
Financial assets available for sale	1,059,611,899	-	167,655,028	1,227,266,927
Total	**1,171,827,384**	**-**	**167,655,028**	**1,339,482,412**

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy

In RON	**2016**	**2015**
Opening balance	**167.655.028**	**25.451.052**
Total losses included in profit or loss	(1.555.423)	(2.627.697)
Total gains included in other comprehensive income	84.316.073	599.142
Purchases for the period	10.123.085	103.699.950
Sales for the period	(5.395.672)	(1.212.205)
Transfers into Level 3	28.449.381	41.744.786
Closing balance	**283.592.473**	**167.655.028**

(all amounts are expressed in RON, unless specified otherwise)

In 2016 the Company classified as measurement level 1 shares measured based on closing prices on BVB and TSX markets in the last transaction day. In this measurement level are included unit funds measured using the unitary value of the net asset (VUAN) certified by the fund depository.
All equity investments classified in level 3 have been revalued by independent valuators, based on the financial information provided by the departments with monitoring function, through valuation methods which maximise the usage of relevant observable input data and minimise the usage of unobservable input data, under management supervision and control, who ensures that all information used in the revaluation reports is fair and accurate.
All equity investments classified in level 3 have been revalued by independent valuators, based on the financial information provided by the departments with monitoring function, through valuation methods which maximise the usage of relevant observable input data and minimise the usage of unobservable input data, under management supervision and control, who ensures that all information used in the revaluation reports is fair and accurate.

Financial assets	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Listed majority equity instruments	50,874,375	Income approach - discounted cash flow method	Weighted average cost of capital is between 10.4% and 12.9%	The lower the weighted average cost of capital, the higher the fair value.
			Control premium is bewteen 9.2% and 11.8%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted majority equity instruments	67,436,603	Income approach - discounted cash flow method	Weighted average cost of capital is between 8% and 8.4%	The lower the weighted average cost of capital, the higher the fair value.
			Control premium is bewteen 9.2% and 13.8%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted majority equity instruments - holding or start-up types	97,449,078	Cost approach - discounted net asset method	Market value of equity to Book Value rate is between 0.79 and 1.09.	The Price / Book Value (P/BV) rate can take lower or higher values. Within the areas of high investments in non-current assets, the P/BV is usually lower.

(all amounts are expressed in RON, unless specified otherwise)

			Control premium is bewteen 9.2% and 24.6%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 24.4%.	The lower the discount for the lack of marketability, the higher the fair value.
Listed minority equity instruments	25,750,352	Income approach - discounted cash flow method	Weighted average cost of capital is between 8.97% and 11.29%	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of control is between 7.05% and 10.5%	The lower the discount for the lack of control, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted minority equity instruments	32,780,287	Income approach - discounted cash flow method	Weighted average cost of capital is between 8.4% and 12.75%	The lower the weighted average cost of capital, the higher the fair value.
			Discount for lack of control is between 7.71% and 20.46%	The lower the discount for the lack of control, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 3%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted minority equity instruments	410,468	Market approach - Abordarea prin piata– metoda companiilor comparabile	EBITDA multiple: max. 9.7.	The higher the EBITDA multiple, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
TOTAL	**274,701,163**			

The valuation method used helps determine a unique depreciation model applicable to all equity instruments.

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

(all amounts are expressed in RON, unless specified otherwise)

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

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

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

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

Price / Earnings multiple (P/E): the Price/Earnings ratio is a market prospect ratio that calculates the market value of an investment based on its earnings, using the ratio between the market price per share and the earnings per share. This indicator shows how much the market is willing to pay for investing in a company based on its current earnings. Investors often use this ratio to evaluate what an investment's market value should be by predicting future earnings per share.

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

e) ***Reserve from fair value revaluation of available-for-sale financial assets for sale, net of deferred tax***

In RON

	December 31, 2016	**December 31, 2015**
As at January 1, 2016	**450,874,023**	**377,413,183**
Net gains on the revaluation of available-for-sale financial assets	211,534,535	183,069,462
Gains on the transfer to profit or loss further to the sale of available-for-sale financial assets	(86,419,557)	(110,633,603)
Effect of loss in profit or loss from the impairment of available-for-sale financial assets	40,227,662	1,024,981
As at December 31	**616,216,703**	**450,874,023**

(all amounts are expressed in RON, unless specified otherwise)

17. INVESTMENT PROPERTY

In RON	December 31, 2016	December 31, 2015
Balance at January 1	**3,264,341**	**3,154,243**
Investment property increases/reductions	240,932	110,098
Balance at December 31	**3,505,273**	**3,264,341**

18. INTANGIBLE AND TANGIBLE ASSETS

	January 1, 2016	Increase	Decrease/ Reclassification	December 31, 2016
Intangible assets				
Intangible assets	2,062,453	34,245	4,894	2,091,804
Intangible assets in progress	-	9,804	9,804	-
Total	**2,062,453**	**44,049**	**14,698**	**2,091,804**
Tangible assets				
Land	393,370	169,823	-	563,193
Buildings	6,286,808	1,464,313	909,347	6,841,774
Plant and machinery	1,025,067	428,214	32,176	1,421,105
Motor vehicles	1,411,781	-	-	1,411,781
Others fixed assets	126,352	8,352	8,445	126,259
Intangible assets in progress	100,040	294,383	394,423	-
Total	**9,343,418**	**2,365,085**	**1,344,391**	**10,364,112**

(all amounts are expressed in RON, unless specified otherwise)

18. INTANGIBLE AND TANGIBLE ASSETS (continued)

Accumulated depreciation	**January 1, 2016**	**Increase**	**Decrease**	**December 31, 2016**
Intangible assets				
Intangible assets	1,768,548	214,970	4,894	1,978,624
Total	**1,768,548**	**214,970**	**4,894**	**1,978,624**
Tangible assets				
Land	583,308	271,184	811,403	43,090
Plant and machinery	768,567	228,501	32,176	964,892
Motor vehicles	740,843	377,287	-	1,118,130
Others fixed assets	85,552	20,416	8,445	97,522
Total	**2,178,270**	**897,388**	**852,024**	**2,223,634**
Net carrying amount				**2,223,634**
Intangible assets				**113,180**
Tangible assets				**8,140,477**

The Company revalued land and buildings held as at December 31, 2016.

19. OTHER ASSETS

Sundry debtors include primarily amounts arising from final court decisions in amount of RON 56,496,561. For doubtful amounts, the Company calculated impairment allowances.

	December 31, 2016	**December 31, 2015**
Sundry debtors	57,578,806	56,684,833
Other assets	265,048	296,111
Less impairment of sundry debtors	(56,496,561)	(50,711,921)
Total	**1,347,293**	**6,269,023**

(all amounts are expressed in RON, unless specified otherwise)

19. OTHER ASSETS (continued)

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

In RON	December 31, 2016	December 31, 2015
January 1	**(50,711,921)**	**(38,142,557)**
Charge	(5,838,591)	(13,630,085)
Release	53,951	2,581
December 31	**(56,496,561)**	**(50,711,921)**

20. DIVIDENDS PAYABLE

In RON	December 31, 2016	December 31, 2015
Dividends payable for 2012	642	23,863,820
Dividends payable for 2013	6,861,613	7,044,594
Dividends payable for 2014	10,935,347	11,485,747
Dividends payable for 2015	11,460,892	-
Total dividends payable	**29,258,494**	**42,394,161**

Dividends payable not collected within 3 years from the date of their declaration are prescribed for exceeding the limitation period, according to law, and are transferred by the Company to equity, in retained earnings.

21. PROVISIONS FOR RISKS AND CHARGES

	December 31, 2016	December 31, 2015
Provision for litigation	3,452,286	3,306,214
Total	**3,452,286**	**3,306,214**

Regarding the amounts collected by the Company through court officers, AVAS filed legal proceedings contesting the enforced amounts. The provisions for litigation represent amounts collected by the Company through court officers between 2010 and 2014 and subsequently contested by AVAS.

The litigation provision can be analyzed as follows:

In RON	December 31, 2016	December 31, 2015
January 1	**3,306,214**	**3,665,327**
Charge	777,936	-
Release	(631,864)	(359,113)
December 31	**3,452,286**	**3,306,214**

(all amounts are expressed in RON, unless specified otherwise)

22. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities as at December 31, 2016 are triggered by the elements detailed in the table below:

	Assets	**Liabilities**	**Net**
Property, plant, equipment and investment property	6,034,381	-	6,034,381
Available for sale financial assets	437,891,557	-	437,891,557
Investment property	2,289,244		2,289,244
		(3,452,286)	(3,452,286)
Provisions for litigation and other provisions		-	
Financial assets at fair value through profit or loss -	(899,476)		(899,476)
Unit funds		-	
Provision for management benefices		(10,052,459)	(10,052,459)
Total	**445,315,706**	**(13,504,745)**	**431,810,961**
	-		
Net temporary differences - 16%			**431,810,961**
	-		
Deferred tax liability			**69,089,754**

Deferred income tax liabilities as at December 31, 2015 are triggered by the elements detailed in the table below:

	Assets	**Liabilities**	**Net**
Property, plant, equipment and investment property	4,178,685	-	4,178,685
Available for sale financial assets	362,155,315	-	362,155,315
Investment property	2,977,522	-	2,977,522
Provisions for litigation and other provisions		(3,306,214)	(3,306,214)
Financial assets at fair value through profit or loss - Unit funds	(257,529)	-	(257,529)
Provision for management benefices		(7,376,146)	(7,376,146)
		(10,682,360)	
Total	**369,053,993**	**-**	**358,371,633**
Net temporary differences - 16%			358,371,633
Deferred tax liability			**57,339,461**

As at December 31, 2016, deferred income tax recognized directly by reducing equity amounts to RON 69,948,119 RON (December 31, 2015: RON 57,913,488), being generated by tangible assets and available-for-sale financial assets measured at fair value.

(all amounts are expressed in RON, unless specified otherwise)

23. OTHER LIABILITIES

In RON	**December 31, 2016**	**December 31, 2015**
Suppliers – invoices not received	496.713	561,681
Current income tax liability	4.636	2,555,318
Tax and duties	967,688	2,494,382
Profit sharing liability	10,052,459	7,376,146
Other liabilities	5,561,131	5,718,729
Total	**17,082,627**	**18,706,256**

Profit-sharing liabilities represent the amounts that will be distributed from the net profit of the year to employees (within the limit of the collective labor contract representing 1.55% of the net profit before establishment of provision) and directors (within the limit of the Constitutive Act representing 5% of the net profit before establishment of provision plus the company's contributions). Current income tax liabilities have been paid by the Company on term.

24. EQUITY AND RESERVES

(a) Share capital

The Company's shareholding is as follows:

December 31, 2015	**Shareholders**	**Shares**	**Amount (RON)**	**(%)**
Individuals	5,774,995	461,331,672	46,133,167	44
Companies	304	576,847,504	57,684,750	56
Total	**5,775,299**	**1,038,179,176**	**103,817,918**	**100**

December 31, 2016	**Shareholders**	**Shares**	**Amount (RON)**	**(%)**
Individuals	5,768,263	453,939,226	45,393,923	43
Companies	269	584,239,950	58,423,995	57
Total	**5,775,299**	**1,038,179,176**	**103,817,918**	**100**

All shares are ordinary, subscribed and fully paid in as at December 31, 2016. All shares entitle to the same voting right and have a nominal value of RON 0.1/share. The number of shares authorized for issuance equals the number of shares issued. In 2016, there were no changes in the number of shares issued. Thus, the share capital in 2016 is RON 103,817,918 (December 31, 2015: 103,817,918).

The right to hold shares up to 1% of the share capital has been amended by Law 11 of January 6, 2012 (effective from January 13, 2012), to 5% of the share capital, namely 51,908,959 shares.

24. EQUITY AND RESERVES (continued)

(a) Share capital (continued)

(b) Reserves from the revaluation of available-for-sale financial assets

Such reserve includes the net cumulated changes in the fair values of available-for-sale financial assets from the date they are classified as such to the date they are derecognized or impaired.

Reserves from the revaluation of available-for-sale financial assets are registered at a value net of the related deferred tax. The value of deferred tax recognized directly through the reduction of equity is presented in Note 22.

(c) Legal reserves

According to the legal requirements, the Company establishes legal reserves in amount of 5% of the profit registered according to RAS, up to 20% of the share capital. The value of the legal reserve as at December 31, 2016 is RON 17,608,362 (December 31, 2015: RON 16,062,497).
Legal reserves cannot be distributed to shareholders.

(d) Dividends

In the reporting period, the Company declared dividends in amount of RON 46,250,883 related to 2015 (2015: RON 52,531,866 related to 2014), and RON 0.045/share (2015: 0.05 RON/share).

In 2016, the Company prescribed dividends in amount of RON 23.756.991 related to 2012 (2015: RON 21,719,773 related to 2011).

(e) Other items of equity – own shares

In 2016, the first program for buy-back of SIF2 shares carried out between 06.08.2015 and 08.02.2016 was completed, in accordance with SIF Moldova EGMS no. 4/01.04.2015.
The cumulated results of this operation are as follows:

- the maximum number of shares to obtain is 10,381,791 (1% of the share capital);
- the average purchase price is RON 0.7939;
- total value of shares RON 8,242,350.
- purpose: allocation of shares to directors and employees, according to law.

Of such shares, 3,963,711 shares (0.3818% of the share capital) in total amount of **RON 3,151,547** representing the distribution of the participation fund to the 2015 profit – structure in shares were distributed to employees and administrators.
Resolution no. 4/25.04.2016 of EGMS of SIF Moldova approved the second buy-back program of maximum 1% of the share capital, the purpose of which is the allocation of shares to the company's directors, officers and employees, according to law and the constitutive act:

- the maximum number of shares to obtain is 10,381,791 (1% of the share capital);
- the maximum purchasing price is RON 62.5 if the consolidation of the nominal value is completed;
- the maximum period of the program is 18 months from the publication of the EGMS in the Official Gazette Part IV;
- purpose: the allocation of shares to administrators and employees, according to law and the constitutive act.

As at December 31, 2016 under this program, 7,006,423 shares were purchased, amounting RON 5,215,869 (0.6749% of the share capital), at an average price of acquisition of RON 0.7445/share.

Total shares purchased in 2016: 8,285,570 representing 0.7981% of the share capital (2015 – 9,102,628 representing 0.8768% of the share capital) in total amount of **RON 6,497,101** (2015 – RON 7,378,192).

Total own shares held as at December 31, 2016: 13,424,487 representing 1.2931% of the share capital (2015 – 9,102,628 representing 0.8768% of the share capital).

The development of the buy-back program complies with the derogatory requirements provided by the legislation regarding market abuse, which allow transactions during the issuer's closed periods (Art. 5 para. (1) of EU Regulation no. 596/2014; Art. 4 para (2) letter a) and letter b) of EU Delegated Regulation no. 1052/2016).

Structure of the 2016 Stock Option Plan

- ✓ The OGMS of 25.04.2016 approved the roll-out of stock option plans (SOPs) for the free allocation of SIF2 shares to administrators, executives and employees of SIF Moldova, from the shares not used in the buy-back program approved by the EGMS of 01.04.2015 and the shares to be bought under the program subject to the approval of the EGMS of 25/26.04.2016, of maximum 16,000,000 shares, of which maximum 10,400,000 shares will be issued for 2016.
- ✓ The Board of Administration was authorized to adopt all the necessary measures to carry out the resolution within the legal and statutory limits, by going through all the stages and formalities for implementing the programs.
- ✓ The roll-out of a SOP, as part of the benefit plan of directors, officers and employees for 2016 (variable remuneration), may be done within the limits of the Constitutive Act and the Collective Employment Contract CCM 2016 - 2017 and in accordance with the AFIA legislation, namely:

  - for administrators and executives – the actual level of the benefit plan is set by the Board of Directors after the approval of the 2016 annual financial statements by the General Meeting of Shareholders
  - for employees – the action plan may be granted according to law and in agreement with the remuneration policy established annually by the Board of Directors
  - at least 50% of the variable remuneration shall consist of SIF2 shares (i.e. granted under SOP).

The number of shares that is allocated to each beneficiary is determined when the beneficiaries' right is granted (the conclusion date of the payment agreement between SIF Moldova and beneficiaries, share-based), after the approval of the 2016 annual financial statements by the General Meeting of Shareholders. The right to receive free shares shall be exercised within minimum 12 months from the execution of the payment agreement share-based, concluded between the company and beneficiaries.

(all amounts are expressed in RON, unless specified otherwise)

25. EARNINGS PER SHARE

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

	December 31, 2016	December 31, 2015
Profit attributable to ordinary shareholders	123,298,020	100,340,327
Average weighted number of ordinary shares	1,038,179,176	778,634,382
Basic earnings per share	**0.119**	**0.129**

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

26. CONTINGENT COMMITMENTS AND LIABILITIES

(a) Legal proceedings

As at December 31, 2016, the Company was involved in 32 lawsuits as defendant and 103 lawsuits as plaintiff. The lawsuits in which the Company acts as either defendant or plaintiff and whose object influence the Company's patrimony are registered in accounting.

Out of the 103 pending lawsuits in which the Company acts as plaintiff, 65 files relate to AAAS disputes. For the amounts claimed by the Company and obtained by final and irrevocable court decisions, the Company registered in accounting AAAS receivables – for a part of which the enforcement proceedings have been filed.

Out of the 32 files in which the Company is involved as defendant, 15 files have been opened by AAAS further to the enforcements executed by SIF Moldova.

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

- Total contingencies as at beginning of the period RON 20,065,528
- Disputes initiated in 2016 RON 4,391,336
- Court rulings in favor of SIF RON 13,332,558
- Contingent liabilities as at 31.12.2016 RON 11,124,306

Out of the total contingent assets registered as at December 31, 2016 in amount of RON 23,474,435, the amount of RON 7,981,037 represents the counter value of the agreement for the takeover of litigating rights Textila Oltul - SIF Moldova, the amount of RON 3,644,554 represents the counter value of shares plus interest owed by Vastex as a result of the withdrawal of SIF Moldova from the shareholding and RON 634,672 represents amounts claimed by SIF Moldova in litigation with AAAS having as their object the recovery of trial expenses and damages claimed in connection with amounts obtained in lawsuits.

Amounts representing contingent assets will be registered in the balance sheet when a final and irrevocable court decision is obtained or when they are received.

(all amounts are expressed in RON, unless specified otherwise)

26. CONTINGENT COMMITMENTS AND LIABILITIES (continued)

(b) Environment contingencies

Environment regulations are still developing in Romania, and the Company has not registered any liabilities as at December 31, 2016 and December 31, 2015 for any expected costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans, related to environmental matters.

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

(c) Transfer pricing

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

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company has identified in the ordinary course of business the following related parties:

Company subsidiaries

Subsidiaries and ownership percentage

	December 31, 2016	**December 31, 2015**
AGRIBUSINESS CAPITAL S.A.	0.00	99.99%
AGROINTENS SA	99.99	0.00%
AGROLAND CAPITAL SA	99.99	0.00%
ASSET INVEST BACAU	99.99	99.99%
CASA SA BACAU	99.02	99.02%
MECANICA CEAHLAU	63.30	60.81%
OPPORTUNITY CAPITAL S.A.	99.99	99.99%
REAL ESTATE ASSET S.A.	99.99	99.99%
REGAL	93.02	93.02%
TESATORIILE REUNITE	99.99	100.00%

In 2016, the Company participated in the increase of the subsidiaries' share capital as follows:

- S.C. Tesatoriile Reunite S.A. Bucharest –cash contribution in total amount of RON 6,727,500;
- Opportunity Capital S.A. - cash contribution in total amount of RON 4,005,000.

Following the restructuring-streamlining plan, the Board of Administration of SIF Moldova approved in March 2016 the restructuring of the architecture of SIF group by eliminating level N-1, investment management companies. The subsidiaries preserved their investment operator specific business.
As at December 31, 2016, Agribusiness Capital SA initiated the voluntary liquidation procedure, further to which SIF Moldova became direct shareholder in Agrointens SA and Agroland Capital.
Opportunity Capital SA is undergoing voluntary liquidation.

Subsequent to the reporting period, the restructuring process of group SIF Moldova will continue, in order to streamline the business through new approaches which will improve the financial performance of the portfolio of projects managed.

(all amounts are expressed in RON, unless specified otherwise)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Associates of the Company

As at December 31, 2016 and December 31, 2015, the Company has not registered associates.

Key management personnel

December 31, 2016

The members of the Board of Directors of SIF Moldova S.A. are: Ceocea Costel (President and CEO), Doros Claudiu (Vice-president and Deputy CEO), Catalin Jianu Dan Iancu (Head of Steering Committee) Horia Ciorcila, Radu Hanga, Octavian Claudiu Radu and Gheorghe Albu.

December 31, 2015

The members of the Board of Directors of SIF Moldova S.A. are: Ceocea Costel (President and CEO), Doros Claudiu (Vice-president and Deputy CEO), Catalin Jianu Dan Iancu (Head of Steering Committee), Horia Ciorcila, Radu Hanga, Octavian Claudiu Radu and Gheorghe Albu.

As at December 31, 2016 there were 33 individual employment contracts (as at December 31, 2015 there were 33 individual employment contracts); 3 management contracts (3 management contracts as at December 31, 2015); 7 administration contracts (the same as at December 31, 2015).

Of which:	**Employees**	**Management contracts**	**Administration contracts**
• Directors	-	-	7
• Officers – directors according to Law 31/1900 – republished	-	3	-
• Higher education employees	30	-	-
• Secondary education employees	3	-	-
TOTAL	**33**	**3**	**7**

The salaries and incentives paid or payable for the period January – December 2016 are in amount of RON 8,056,095 (December 31, 2015: RON 6,944,121).

Of which:	**December 31, 2016**	**December 31, 2015**
• Management contract	2,597,593	2,399,526
	4,071,632	
• Administration contract	2,768,266	3,183,958
• Employees, of which:	249,380	2,464,907
• Compensatory salaries for dismissals during the year		102,024
• Other collaborators	4,311	7,704
Total	9,441,802	**8,056,095**

(all amounts are expressed in RON, unless specified otherwise)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

In 2016, the employees received RON 1,638,179 (2015: RON 2,065,153) for profit sharing, trainings in amount of RON 48,741 (December 31, 2015: trainings in amount of RON 147,940).

The officers' financial rights are approved by the Board of Directors under the management contract. The directors' salaries and incentives account for 70.64% of the Company's total salary expenses. The directors received RON 5,329,766 (2015: RON 7,114,443) for profit sharing.

28. SUBSEQUENT EVENTS

In January 2017, the voluntary liquidation and de-registration of Opportunity Capital SA (99.99%) was performed.

Further to such process, the portfolio of SIF Moldova includes the ownership in Hotel Sport SA.

The separate financial statements were approved by the Board of Directors on February 15, 2017 and were signed on its behalf by:

Costel Ceocea,	**Cristina Andrieş,**
President	Chief Accountant