Translation from Romanian

SOCIETATEA DE INVESTITII FINANCIARE TRANSILVANIA S.A.

2016 FIRST QUARTER REPORT

Quarterly report drawn up as of March 31st, 2016 in accordance with: Law no. 297/2004, N.S.C. Regulations no. 1/2006 and no. 15/2004 and the B.V.B. Rulebook
Report date: May 16th, 2016;
Company name: Societatea de Investitii Financiare Transilvania S.A.;
Registered headquarters: Braşov, 2 Nicolae Iorga Street, Poste Code 500057;
Telephone/Fax number: 0268416171, 0268473215;
Website: www.siftransilvania.ro;
Unique registration code with the Trade Register Office: 3047687;
Tax Code: RO3047687;
Reference number with the Trade Register: J 08/3306/1992;
Registered at Bucharest National Securities Commission ("N.S.C.") as Other Undertakings for Collective Investment with a diversified investment policy, by License no. 258/December 14th, 2005;
Registered at the Securities Registration Office through N.S.C. (F.S.A.) by Registration Certificate no. 401/20 August 1999, and no. 401/July 12th, 2007 respectively;
Registered in the NSC Register - Section 9 - Closed-end investment companies – under no. PJR09SIIR/080004, by Certificate no. 146/March 6th, 2006;
Subscribed and paid-in share capital: 218.428.666.40 RON;
Nominal value of one share: RON 0.10 per share;
Regulated market on which the issued securities are traded: Premium Category of the BUCHAREST STOCK EXCHANGE (market symbol: SIF 3).

STAND ALONE FINANCIAL STATEMENTS AS OF March 31st, 2016

The standalone financial statements presented, enclosed herein, namely "The Statement of Assets, Liabilities and Shareholders' Equity", "Income Statement", "Informative Data" and the afferent explanatory notes, are drafted for March 31st, 2016, in the national currency (RON) according to the provisions of FSA Guideline no. 1/2016 on preparing and submitting the annual financial statements and the annual report by the entities authorised, regulated and supervised by the Financial Supervisory Authority – Financial Instruments and Investments Division, in accordance with the International Financial Reporting Standards, as adopted by the European Union ("IFRS") and Rule no. 39 as of December 28th, 2015 approving the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to the entities authorised, regulated and supervised by the Financial Supervisory Authority ("F.S.A.") - Financial Instruments and Investments Division.

According to the provisions of art.6 of Rule 39/2015, as at December 31st, 2015 the Company drafted the trial balance which includes the financial information compliant with the IFRS provision (underlying the drafting of the annual financial statements related to the financial year ended as at December 31st, 2015), by IFRS restating the financial information determined under the Regulation no. 4/2011 on the Accounting Regulations compliant with the 4th Directive of the European Economic Community, applicable to the entities authorised, regulated and supervised by the National Securities Commission approved by NSC Order no. 13/2011.

As of December 31st, 2015 IFRS became the basis of accounting.

To ensure comparability, for March 31st, 2015, the information related to 2015 First Quarter were restated, starting with the financial statements compliant with IFRS as at December 31st, 2014 drafted for information purposes.

Compared to the Ist quarter of the previous financial year, when a profit amounting to RON 198.3 million was achieved, in the Ist quarter of the financial year 2016 the company recorded a net profit amounting to RON 1.4 million. The large profit achieved in 2015 Ist quarter is the result of the restatements compliant with the IFRS carried out as at January 1st, 2015 to ensure the comparability of data in the two reporting periods. At the same time, in 2016 Ist quarter, the financial results were influenced by the differences in the fair value of shareholdings during January - March 2016.

We would like to state that the data reflected in the financial statements drafted for March 31st, 2016 have not been audited by the company's financial auditor; only annual financial statements being typically subjected to the financial audit.

In synthesis, in comparison with the outcomes of the corresponding period of the previous year, the following results were recorded at the end of the Ist quarter of 2016:

a) **Statement of assets, liabilities and shareholders' equity**

- RON -

Indicators	**Balance as at:**	
	Beginning of the year 2016	**31 March 2016**
Fixed assets - total	982,758,946	906,963,282
Current assets - total	16,912,011	29,312,543
Prepaid expenses	156,948	142,079
Liabilities - total	88,348,400	73,553,595
Provisions - total	159,577	159,577
Shareholders' equity - total	911,319,928	862,704,732

b) **Income statement**

- RON -

Indicators		**Result as at:**	
		March 31st 2015	**March 31st 2016**
Total revenues		240,032,492	15,242,642
Total expenses		40,025,622	11,584,152
Gross result	- profit (before taxation)	200,006,870	3,658,490
	- loss		-
Profit tax		1,687,847	2,194,208
Net result	- profit (after taxation)	198,319,023	1,464,282
	- loss	-	-

c) **Evolution of Net Asset Value**

- RON -

Indicators		**Result as at:**		**Weight (%)**
		31 March 2015 *)	**31 March 2016 **)**	**Result2016/ Result 2015**
Total Assets - Calculated value		1,144,863,627	936,348,931	81.79
Total Liabilities - Calculated value		80,136,020	73,553,595	91.79
Net Assets	Value	1,064,727,607	862,795,336	81.03
	Unitary net asset (RON/share)	0.4874	0.3950	81.04

*) Calculated according to the internal procedure, harmonised with the Disposal of measures issued by N.S.C. under the no. 23/20.12.2012, procedure to be found on company's website: www.siftransilvania.ro.

**) Calculated according to the internal procedure, harmonised with the F.S.A. Regulation no. nr.9/2014, procedure to be found on company's website: www.siftransilvania.ro.

d) **Revenue and Expenditure Budget Execution**

thousand RON

Indicators	REB Year 2016	REB Ist Quarter 2016	Ist Quarter Results 2016	Degree of execution % in comparison to: REB Results Year 2016	REB Results Ist Quarter 2016
0	2	2	3	4	5
Dividend income	24,750	-	1.134	4.58	-
Interest income	1,100	61	288	26.18	472.13
Expenses for the impairment of corporate bonds	-	-	-	-	-
Profit/Loss from financial assets	19,100	(44,320)	6,526	34.17	114.72
Other operating income	37,000	-	103	0.27	-
Operating net income	**81,950**	**(44,259)**	**8,051**	**9.82**	**118.19**
Staff expenses	10,700	2,.675	2,608	24.37	97.50
Expenses with fees and charges	4,730	1,770	553	11,69	31.23
Other expenses	4,462	1,197	1,232	27.61	102.9
Profit before taxation	**62,058**	**(49,901)**	**3,658**	**5.89**	**107.33**

e) **Investments**

The investment program for 2016 falls within the **strategic guidelines** of S.I.F. Transilvania for the period 2013-2017, approved by shareholders during the GMS meeting for closing the financial year 2012 as of 20.04.2013.
The lines of action outlined in the multi-annual strategy (restructuring the portfolio managed, promotion of investments correlated with the dividend policy approved by shareholders and the level of existing liquidities, strengthen company's position and image on the capital market) are the basic instruments for rendering efficient the activity of S.I.F. Transilvania on a continuous basis.

In the first quarter of 2016 the total investments actual achieved are amounting to RON 4,905 thousand, of which:

• Tangible and intangible investments (means of transportation, computer technology, software licenses) = RON 93 thousand;

• Financial investments, total RON 4,812 thousand, of which:

- shares purchased on the BSE = RON 4,441 thousand;
- shares purchased on foreign stock exchanges = RON 371 thousand;

ECONOMIC AND FINANCIAL RATIOS AND NOTES TO THE STAND ALONE FINANCIAL STATEMENTS PREPARED AS AT MARCH 31ST, 2016

Ratio	Calculation Method	Result
1. Current liquidity ratio [1] (coefficient)	Current assets / Current liabilities	0.60
2. Liability degree ratio[2] (%)	Borrowed capital x 100 / Shareholders' equity	0.00
3. Debts turnover - clients [3] (days)	Average balance of clients (total receivables) x 90 / Turnover	43
4. Non-current assets turnover [4] (coefficient)	Turnover / Fixed assets	0.017
5. Earnings per share (RON)	Net profit/Net loss / Number of shares	0.0007
6. Unitary net asset, calculated a according to NSC Regulation no. 9/2014 (RON/share)	Calculated value of assets / Number of shares	0.3950
7. Total Shareholder Return (%) [5]	Closing price + Dividends - Opening price x 100 / Opening price	11.53

NOTĂ:

1) This ratio reflects the coverage of the current liabilities by the current assets.
The recommended acceptable value is approximately 2.
At the end of the Ist quarter the company recorded the value of 0.60 for this ratio.

2) This ratio expresses the effectiveness of the credit risk management, indicating potential financing-liquidity problems, with influences on the performance of the undertakings assumed.
Borrowed capital = Credits over 1 year
Capital employed = Borrowed capital + Shareholders' equity
S.I.F. Transilvania has not contracted any credits so the liability degree is zero ∅ (zero).

3) It expresses the effectiveness of the company in collecting receivables, namely the number of days until the date when the debtors pay their debts towards the company. In the case of S.I.F's, turnover represents the total revenues from current activity, and when establishing the average balance of clients, all net receivables from the balance have been taken into account; the most important weight is held by the debits resulting from dividends and their due and unpaid accessories. The value registered by this ratio at the end of the Ist quarter of 2016 is of 43 days.

4) It expresses the effectiveness of the management of the non-current assets by examining the turnover (for SIF's-total current revenues from the current activity) generated by a certain quantity of non-current assets.
Within the total non-current assets mentioned in the Assets statement – row 19, column 2, which are recorded in the Company accounts under fair value, the weight of the shares held in portfolio companies from the total non-current assets represents 98.67%.

5) Closing trading price 31.03.2016 = RON 0.2690/share;
Opening trading price 04.01.2016 = RON 0.2735/share;
Dividends = 57,949125/2,184,286.664=0.02653

SOCIETATEA DE INVESTIŢII FINANCIARE TRANSILVANIA S.A.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31ST, 2016

(All amounts are disclosed in RON)

	Note	December 31st, 2015	March 31st, 2016
Cash and bank accounts	11	9,043,219	22,471,384
Financial assets at fair value through profit or loss	12	435,155,996	431,993,860
Financial assets available for sale	13	535,432,203	462,894,186
Intangible assets		431,055	404,398
Tangible assets	14	11,735,258	11,670,838
Other financial assets	15	7,781,386	6,446,149
Other assets		248,788	220,924
Receivables related to the income tax	9	-	316,165
Total assets		999,827,905	**936,417,904**
Provisions	18	159,577	159,577
Other financial liabilities	16	48,498,256	48,391,999
Other liabilities	17	2,305,401	733,275
Liabilities related to the current income tax	9	3,577,474	-
Liabilities related to the deferred income tax	9	33,967,269	24,428,321
Total liabilities		88,507,977	**73,713,172**
Share capital	19	888,235,137	888,235,137
Revaluation reserves related to the tangible assets	20	9,684,169	9,684,169
Net differences from the revaluation at fair value of the financial instruments available for sale	21	178,328,165	128,248,688
Other reserves	22	483,989,704	483,989,704
Retained earnings		(648,917,247)	(647,452,966)
Total shareholders' equity		911,319,928	**862,704,732**
Total liabilities and shareholders' equity		999,827,905	**936,417,904**

The financial statements were approved by the Executive Board and the Supervisory Board and they were signed by:

Executive President / CEO
Dr. Ec. Mihai FERCALĂ

Prepared by
Financial Manager
Ec. Adriana BOIAN

Notes from 1 to 33 are integral part of these financial statements

SOCIETATEA DE INVESTIŢII FINANCIARE TRANSILVANIA S.A.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME AS AT MARCH 31ST, 2016

(All amounts are disclosed in RON)

Description	Note	March 31th, 2015	March 31st, 2016
Dividend income	2	17,049	1,133,958
Interest income	3	490,047	288,120
Net gain/(loss) from financial assets available for sale	4	(21,515,128)	10,574,554
Expenses for the impairment of corporate bonds		-	-
Gain/(loss) from the changes in the fair value of the financial assets recognized at fair value through profit or loss		226,156,138	(4,048,893)
Other operating income or expenses	5	(115,590)	(168,874)
Total net income		**205,032,516**	**7,778,865**
Staff expenses	6	(2,761,383)	(2,608,035)
Expenses with fees and charges	7	(1,151,671)	(552,831)
Other expenses	8	(1,112,592)	(959,509)
Profit/(Loss) before tax		200,006,870	3,658,490
Profit tax	9	(1,687,847)	(2,194,208)
Net profit/(loss) of the year		198,319,023	1,464,282
Other comprehensive income			
Items that may be subsequently reclassified in profit or loss:			
Net gain/(loss) from the changes in the fair value of the financial assets available for sale, net of the deferred tax		(45,338,755)	(50,079,477)
Items that will not be subsequently reclassified in profit or loss			
Variation in the surplus from revaluation of fixed assets	20	-	-
Other items of the comprehensive income of the year – total			
Total comprehensive income of the year		152,980,268	(48,615,195)
Earnings per share		0.09	0.00
Diluted earnings per share		0.09	0.00

The financial statements were approved by the Executive Board and the Supervisory Board and they were signed by:

Executive President / CEO
Dr. Ec. Mihai FERCALĂ

Prepared by:
Financial Manager
Ec. Adriana BOIAN

1. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies adopted in preparing these financial statements compliant with IFRS, are disclosed below.

These financial statements are prepared on the basis of the going concern principle.

1.1. Basis of preparation

Company's financial statements

The Company applies the Amendments to IFRS 10 – Consolidated financial statements, IFRS 12 Disclosure of interests in other entities and IAS 27 – Stand alone and consolidated financial statements ("Amendments") starting with January 1st, 2015, date from which it met the criteria for classification as investment entity.

1.2. Basis of evaluation

As of January 1st, 2015, all the financial investments of the company are assessed at fair value.
The nonfinancial assets and liabilities are disclosed at amortized cost, revalued value or historical cost.

1.3 Foreign currency conversion

Functional and presentational currency

The functional currency is the Romanian lei ("RON"). It represents the currency of the main economic environment in which the Company operates. The financial statements are prepared and disclosed in RON, unless otherwise specified.

Assessment of transactions and balances

Foreign currency transactions are assessed by using the functional method available as at the transaction date. The balances of monetary assets and liabilities are assessed in the RON equivalent, by using the foreign exchange rate of the National Bank of Romania ("NBR") at the end of the respective period. The nonmonetary assets and liabilities assessed at fair value in foreign currency, including shareholdings, are translated using the foreign exchange rate as at the date fair value is established.

The foreign exchange rates of the main foreign currencies are as follows:

Currency	March 31st, 2015	March 31st, 2016	Increase/ (decrease) (%)
Euro (EUR)	1: RON 4.4098	1: RON 4.4738	1.45
US Dollar (USD)	1: RON 4.1115	1: RON 3.9349	(4.3)

The exchange rate differences related to the monetary and nonmonetary items are reported as follows:

a) As part of the gains or loss recorded in "Other operating income" for the differences related to cash and bank accounts;

b) As part of the gains or loss recorded from the revaluation of financial assets recognised at fair value through profit or loss, result included in the "Gain/(loss) from changes in the fair value of the financial assets recognised at fair value in profit or loss";

1.4 Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Company's management to make estimates, judgements and assumptions that affect the amounts recognised in the financial statements, as well as the reported value of assets and liabilities, in the following financial year. The estimated and judgements associated herewith are based on historical data and other factors deemed relevant under these circumstances, and their results underlines the judgements used in establishing the fair value of assets and liabilities for which there are no other sources available. The actual results may differ from these estimates.

The estimates and assumptions are reviewed periodically. The accounting estimates are recognized in the period in which the estimate is revised, provided the revision affects only that period or in the period in which the estimate is revised and future periods, provided the revision affects both the current period and future periods.

The change in estimates, by its nature, is not connected with the previous periods and it does not represent the correction of an error.

Notwithstanding the presentation of the effect of the change in estimate shown above, if such a change gives rise to changes in assets and liabilities or shareholders' equity, the effect of the change will be disclosed by adjusting the assets, liabilities and the shareholders' equity in the period of the change.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 General aspects on the accounting policies applied

If a standard or interpretation applies specifically to a transaction, other event or condition, the accounting policies applied to that element, it is considered chosen by applying the standard or interpretation in question, taking into account any implementation guide issued by the International Accounting Standards Board ("IASB") for the standard or interpretation in question.

Changing an accounting policy is allowed only under one of the following conditions:

- The change is required by a standard or an interpretation;
- The change will provide reliable and relevant information about the effects of transactions, events and condition.

The significant errors of the previous periods found with regard to the recognition, assessment, disclosure or presentation of the items of the financial statements should be corrected retroactively in the first set of financial information authorised for issuing, by:

- restating the comparative amounts for the prior period or periods in which the error occurred; or
- restating the opening balances of assets, liabilities and shareholders' equity for the earliest period presented, if the error occurred before the earliest prior period presented.

Subsidiaries and associates

Subsidiaries are entities controlled by the Company. The company controls an entity when it is exposed or has rights to variable benefits deriving from involvement in the activity hereof and is able to influence those benefits by controlling such entity.

Associates are those entities in which the Company has significant influence on financial and operating policies, but not control or joint control. The existence of significant influence is determined in each reporting period, by analyzing the structure of the shareholding of the companies in which the Company holds 20% or more of the voting rights, their Articles of Incorporation and Company's ability to participate in making decisions with regard to the financial and operational policies of such companies.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 Presentation of financial statements

The financial statements are disclosed in accordance with IAS 1 "Presentation of the financial statements". The Company has adopted a presentation based on liquidity in the Statement of the financial position and a presentation of revenues and expenses based on the nature hereof in the Statement of profit or loss and other comprehensive income, believing that these presentation methods provide information more relevant than other methods allowed by IAS 1 „Presentation of the financial statements".

1.7 Accounting for the hyperinflation effects

Until December 31st, 2003, Romania had a hyperinflationary economy, as defined in the International Accounting Standard (IAS) 29 – "Financial reporting in hyperinflationary economies". IAS 29 stipulates that an economy is hyperinflationary if, among other factors, the cumulative inflation rate exceeds 100% over a three year period. IAS 29 requires that the financial statements prepared on the historical cost basis should be adjusted to take into account the effects of inflation, for the entities reporting in hyperinflationary economies.
The Company used the general consumer price index reported by the National Institute of Statistics of Romania in applying IAS 29 for the restatement of nonmonetary items as at the purchase or contribution date.

As of January 1st, 2004, Romania's economy has ceased to meet the criteria of a hyperinflationary economy. Consequently, beginning January 1st, 2004, the Company ceased to apply IAS 29. As a result of this change, the carrying amounts of assets denominated in RON as at December 31st, 2003 were the basis for the respective assets as at January 1st, 2004. The Company has adjusted its capital, in accordance with the requirements of IAS 29.

1.8 Financial assets and liabilities

(i) Recognition

The financial assets and liabilities are assessed initially at fair value plus, for the financial assets and liabilities, other than those at fair value through profit or loss, the directly attributable transaction cost.

Transaction costs are incremental costs that are directly attributable to the purchase, issue or sale of any financial instrument. An incremental cost is a cost that would not have been made if the transaction had not taken place. The transaction costs include the fees and commissions paid to agents (including employees acting as sales agents),

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

advisers, brokers and dealers, levies of the regulating agencies and the stock exchanges, as well as the transfer taxes and duties. The transaction costs do not include the receivable related premiums or discounts, the financing costs or those internal administrative or the ownership costs.

The Company initially recognizes deposits with banks at the time they are initiated. All other financial assets and liabilities (including those designated at fair value through profit or loss) are initially recognized at settlement date.

The mergers of the companies in the portfolio are recognised at the time the merges is recorded with the Trade Register.

Bonus shares received by the company from the portfolio companies following the increase in their share capital by incorporation of reserves are not recognised.

(ii) Classification

As of January 1st, 2015, the Company classified its investments in subsidiaries and associates and the bonds issued thereof and held by the Company as financial instruments held at fair value through profit or loss. Company's investments in other equity instruments, corporate bonds and fund units (other than those in subsidiaries and associates) are classified as financial assets available for sale.

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

The financial assets and liabilities at fair value through profit or loss are initially recognised at fair value, and the related transaction costs are recorded in the profit or loss account. These assets are subsequently assessed at fair value, and all the changes in the fair value are recorded in the profit or loss account. The financial instruments at fair value through profit or loss are not subject to the impairment tests.

(b) Loans and receivables

They are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- those that the Company intends to sell immediately or in the near future that the Company classifies at initial recognition at fair value through profit or loss,
- those that the Company classifies at initial recognition as available for sale or
- those for which the holder may not recover substantially all of its initial investment, for reasons other than credit deterioration.

Loans and receivables include "Other financial assets", "Cash and bank accounts" and "Corporate bonds".

(c) Financial assets available for sale

Company's investments in equity instruments, corporate bonds and fund units, other than subsidiaries and associates, are classified as financial assets available for sale. The method used for decommissioning each category of financial assets available for sale is "first in, first out".

Financial assets available for sale are measured at fair value, the changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the accumulated gain or loss is reclassified from other comprehensive income to the profit and loss of the year.

(d) Cash and cash equivalents

Cash and cash equivalents consists of actual cash and bank accounts, including short-term deposits. Cash and cash equivalents should be recorded at amortized cost in the balance sheet.

For the purpose of preparing the cash flow statement, cash and cash equivalents include the cash on hand, bank accounts, including deposits with initially maturity of up to 3 months, cash in transit, other short-term financial investments convertible at any moment in cash and subject to an nonmaterial risk of change in value and overdraft facilities and their related receivables.

(e) Trade receivables

Trade receivables are classified as financial assets.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial asset is recognised in the statement of the financial position when, and only when the company becomes part of the contractual provisions of the instrument.

Trade receivables should be recorded at the value of original invoice less the provision (impairment adjustment) created for doubtful receivables. The value of the provision (impairment adjustment) is calculated as the difference between the carrying value and the recoverable value.

(f) Other financial assets and liabilities

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

(iii) Fair value measurement

An essential element of the definition of an investment entity is that it quantifies and assesses the performance of the majority of its investments on a fair value basis.

The fair value is the price that would be received to sell an asset or would be paid to transfer a liability into an ordinate transaction between the market participants at the measurement date.
The best evidence of the fair value is the price on an active market. An active market is one where the assets and liabilities transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The category of assets quoted on an active market includes all the shares in the portfolio admitted to trading with Bucharest Stock Exchange or other regulated markets in a third state.

The company believes that the accurate determination of fair value is an essential requirement for disclosing real information useful to the investors and company's key personnel, in order to make the appropriate decisions.

In order to achieve this, the methodology for estimating the fair value of the financial instruments was prepared and approved, in accordance with the requirements of the ANEVAR valuation standards -"SEV"- (standards which include the International Valuation Standards) and the International Financial Reporting Standards regarding the estimation of the fair value (IFRS 13 "Fair value measurement").

The methodology was determined on a separate basis for:

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Equity instruments (shares held in companies);
b) Corporate bonds and
c) Fund units portfolio.

The fair value measurements are reviewed based on the level in the hierarchy of the fair value, as follows:
(i) level one – measurements at quoted prices (not adjusted) on the active markets for identical assets or liabilities,
(ii) level two -includes valuation techniques using the observable information related to the asset or liability, either directly (such as prices) or indirectly (such as prices derivatives), and
(iii) level three – measurements that are not underlined by the observable market data (unobservable inputs).
The transfers between the levels of hierarchy of the fair value are deemed as have taken place at the end of the reporting period.

The market price used to determine fair value for financial instruments traded on an active market (level 1) is the closing market price on the last trading day before the measurement date. If there were no transactions in the last 30 days of trading (business days) prior to the measurement date, the fair value taken into account is the one established based on the valuation reports, according to the prepared and approved methodology for estimating the fair value, or, for the fund units, the NAV/share calculated by the fund manager.

The fair value of levels 2 and 3 for the financial instruments in the portfolio is reviewed whenever, following the analysis of the information available from the portfolio companies, the occurrence of some changes / significant events that could affect the fair value is ascertained.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the value at which the financial asset or liability is measured at initial recognition, less the principal payments, plus or less the amortization accrued using the effective interest method for the differences between the value initially recognised and the value at the maturity date, less the decreases in the impairment of assets.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accrued interest includes the amortization of deferred transaction costs at initial recognition and any premiums or discounts of the due value using the effective interest method.

Interest income receivable and the accrued interest expenses, including both the accrued coupon and the amortized discount or premium (including fees initially deferred, is applicable), are not disclosed separately, but they are included in the financial statements, with corresponding financial assets and liabilities.

(v) *Impairment*

At each reporting date, the Company assesses whether there is objective evidence of impairment of financial assets. A financial asset is impaired if, and only if there is objective evidence of an occurrence of an event which generated a loss after the initial recognition of the asset, event impacting the future cash flows of the financial asset, impact that can be estimated reliably.

Impairment is calculated only for the assets available for sale and for the financial assets measured at amortised cost.

Financial assets at amortised cost

For the financial assets accounted for at amortized cost, the impairment loss is determined as the difference between the carrying value of the financial asset and the value of the future estimated cash flows, discounted using the effective interest rate of the financial asset at the initial moment. The carrying value is reduced by an adjustment account related to the financial assets, the losses being recognised in the income statement. When a subsequent event occurs which causes the decrease in the value of the impairment loss, it is reversed in the income statement.

Financial assets available for sale

For the financial assets available for sale, when a decline in the fair value of the financial asset was recognised directly in other comprehensive income (directly in the shareholders' equity) and there are objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in the shareholder's equity will be reversed and recorded in the profit or loss, even if the financial asset has not been derecognised.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The adjustment for accumulated depreciation which is transferred from the shareholders' equity accounts and recognised in the profit or loss is the difference between the acquisition cost (net of the principal payment and amortization) and the current fair value, diminished by any impairment losses of such asset, previously recognised in profit or loss.

The impairment losses related to the equity instruments classified as available for sale cannot be reversed from profit or loss.

If in a subsequent period, the fair value of an instrument classified as held for sale increases and the increase can be objectively correlated to an event occurring after the impairment adjustment was recognised in profit or loss, the increase in the value is recognised directly in the profit or loss of the year.

To determine whether the shareholdings are impaired, the Company is tracking the events generating relevant losses, such as: material and long-term decrease in the fair value below the cost, market and field of activity conditions, financial conditions and the short-term prospects of the issuer, recent losses of the issuer, the independent auditor's qualified report on the most recent financial statements of the issues etc.

(vi) Derecognition

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

The Company derecognises a financial liability when its contractual obligations are settled or cancelled or have expired.

(vii) Offsetting

The financial assets and liabilities are offset, and the net result is disclosed in the statement of the financial position only when there is a legal right to offset and whether there is an intention to settle them on a net basis or the intention is to achieve the asset and settle the liability at the same time.

Such an offset right:

(a) should not be contingent on a future event and

(b) should be legally enforceable in all the following circumstances: (i) during the normal course of business,

(ii) in the event of payment default and

(iii) in the event of insolvency or bankruptcy.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Tangible assets

(i) Recognition and measurement

Tangible assets are shown at revalued value less the accrued depreciation and the depreciation impairment provision. Tangible assets in progress are capitalized and depreciated at the same time with the commissioning of assets.

Tangible assets are subject to the revaluation with a sufficient regularity, to ensure that the carrying value is not significantly different from the one which would be determined using the fair value at the end of the reporting period. If there is no comparison on the market for the fair value, it shall be estimated using the revenues method. Additions in the carrying value arising from revaluation are credited in other comprehensive income and increase the revaluation reserve of equity. Decreases cancelling previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation reserve; all other decreases are recognized in the profit or loss of the year.
Revaluation reserve for tangible assets included in equity is transferred directly to result carried forward when the revaluation surplus is achieved on the retirement or disposal of the asset.

Upon revaluation of tangible assets, the depreciation accumulated at the revaluation date is treated as follows: depreciation accumulated at the revaluation date is removed from the gross carrying value of the asset and the gross carrying value subsequent to recognition of revaluation is equal to the amount revalued; this method is used when performing a detailed valuation of the land and buildings portfolio.
The tangible assets are revalued at the fair value, which is determined based on the valuations carried out by internal and/or external authorised valuators.

The last revaluation of land and buildings was carried out in 2013 by an independent appraiser. Subsequently, the Company performed the assessment as at December 31st, 2014 of the changes on the real estate market and it concluded that there were no material changes in the fair values of land and buildings as of the last date of valuation.

Gains and/or losses arising from the derecognition of tangible assets are determined as the difference between the revenues on the sale of tangible assets and the expenses related to the assignment and/or disposal thereof and they are recognised in profit or loss (in other operating income/expenses).

SIF Transilvania owns no properties classified as ”Real estate investments” to be valued using the fair value model, according to IAS 40.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Subsequent costs

Amounts paid or payable generated by the daily repair and maintenance of tangible assets owned are recorded as company's expenses, according to the accrual accounting, properly influencing the profit or loss of the period.
The amounts paid or payable generated by operations leading to the increase in the value and/or useful life by upgrading the tangible assets owned, namely those operations leading to a significant improvement of the technical parameters, to an increase in the potential of generating some economic benefits, shall be capitalized (they increase accordingly the carrying value of the such asset).

(iii) Depreciation

The depreciation expenses for reach reporting period are recognised in profit or loss account.
The depreciation is calculated at the carrying value (acquisition cost or the value revalued) using the straight line method over the estimated useful life of the assets (as of the commissioning date), and it is included in expenses on a monthly basis. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to operate in the manner intended by management. Depreciation of an asset ceases at the earlier of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5, and the date the asset is derecognised.
Each part of an item of tangible assets that present a significant cost compared to the total cost of that item shall be depreciated separately.
Depreciation methods and useful lives are established at each reporting date. Land is not depreciated.

Categories	**Years**
Buildings	50
Other equipment, furniture and other non-current assets	up to 12
Means of transportation	up to 6

The carrying value an item of tangible assets should be derecognized:

a) upon disposal; or
b) when no longer is expected any future economic benefit from its use or disposal.

The gain or loss resulting from derecognition of an item of tangible assets is included in the profit or loss when the item is derecognized.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Intangible assets

Intangible assets purchased by the Company are initially valued at cost, less the accrued amortization and the impairment losses. The intangible assets include software and licenses.

The expenses with an intangible asset are recognised as costs when they are recorded, unless they are part of the cost of an intangible asset which meets the asset recognition criteria.

Amortization is recorded in profit or loss on a straight line basis during the estimated useful life of the software, as of the date it can be used. The software used are amortized during a period between 1 year and 3 years, and the licenses during the validity period hereof, using the straight line method.

1.11 Impairment of non-financial assets

At the date of each balance sheet, the Company should verify whether there is evidence of assets impairment. Should any such evidence be identified, the entity should estimate that the recoverable value of the asset is the maxim between the use value and its fair value less the costs related to the sale of such asset.

Should the carrying value of an asset be diminished following a revaluation, such decrease is recognised in the profit or loss account. However, the decrease should be recognised in other comprehensive income to the extent the revaluation surplus represents a credit balance for such asset. The decrease recognised in other comprehensive income brings down the amount accrued in shareholders’ equity as revaluation surplus.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Provisions

Provisions for risks and expenses are non-financial liabilities with an uncertain maturity and value.

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of past events to transfer economic resources to settle such obligation and a reliable estimation of the value of such obligation can be performed.

To determine the provision, the future cash flows are discounted using a discount rate before taxation reflecting the current market conditions and the risks specific to such liability. The value recognised as provision represents the best estimation of expenses necessary for discounting the actual obligation at the end of the reporting period.

1.13 Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are disclosed in the notes, except for the cases when an outflow of economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of benefits is probable.

1.14 Dividends payable

The company recorded the dividends related payment obligation in the year the dividends profit distribution is approved by the General Meeting of Shareholders.

The profit available for distribution is the profit of the year recorded in the financial statements prepared in accordance with IFRS.

Dividends payable not collected within 3 years as of the date the distribution hereof begun, shall be prescribed according to the law. Upon the date of dividends prescription, the company records their value as revenues in the profit or loss account.

1.15 Share capital

Ordinary shares are classified as shareholders' equity. The share capital was adjusted to reflect the requirements of IAS 29 until January 1st, 2004 when Romania ceased to be a hyperinflationary economy (Note 20).

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.16 Trade liabilities and other liabilities

Trade liabilities are recorded based on the accrual accounting when the third party fulfilled its contractual obligations and they are measured at amortized cost.

1.17 Employees benefits

Short-term benefits

Short-term benefits of employees include the wages, bonuses and contribution to social securities. The short-term benefits are recognised as expenses when the services are rendered.
Apart from wages and other salary rights, according to the Articles of Incorporation and the collective labour agreement, the directors/members of the Supervisory Board, directors with mandate agreement/members of the Executive Board and company's employees are entitled to also receive incentives from the profit sharing fund. The Company includes such benefits in the short-term benefits. This obligation is first recognised in the profit or loss account of the financial year when the profit was obtained as provisions for profit-sharing and will be distributed after the approval by the General Meeting of Shareholders of the annual financial statements. The indemnities related to the profit-sharing are granted in a period of twelve months as of the approval date.

Contribution plans established

In the normal course of business, the Company makes payments to the public pension fund, health insurances and the unemployment fund. All Company's employees are members and they also have the legal obligation to contribute (through social contributions) to the public pension plan. All related contributions are recognised in the profit or loss of the period as incurred.

The Company does not operate any other pension scheme and, consequently, it has no further obligation in relation to pensions.

Long-term benefits

The Company's net obligation in terms of benefits related to the long-term services is represented by the value of future benefit that employees have earned in return for services rendered by them in the current and prior periods. In compliance with the collective labour agreement in force, the people who retire under old age pension regime benefit, upon the retirement date, from a retirement allowance which value is determined by the management.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 Income tax expenses

Income tax related to the current year includes the current tax and the deferred tax. The current income tax includes the tax on dividends recognised at gross value. The income tax is recognised in profit or loss or in shareholders' equity if the profit is connected to the items of shareholders' equity.

The current income tax is the tax payable for the taxable profit of the period, determined based on the procedures applied as at the balance sheet date and on all adjustments related to the previous period.

The deferred tax is determined by using the balance sheet method, based on the temporary differences occurring between the tax basis for calculating the tax for assets and liabilities and the carrying value thereof. The deferred tax is calculated based on the taxation percentages expected to be applied to the temporary differences upon achieving the carrying amount of assets and liabilities, on the basis of the laws in force at the reporting date. The main temporary differences come from the movements in the fair value and impairment of financial assets available for sale, provisions for employees' benefits.

The deferred tax receivables are recognised to the extent the achievement of sufficient future taxable profits to allow the existence of such receivable is likable. The deferred tax receivables are reviewed at the end of each financial year and they are decreased properly should be deemed that the achievement of the tax benefit from the related tax is not probable.

The additional taxes that arise from the distribution of dividends are recognised at the same date with the dividends payment obligation.

As at March 31st, 2016 the profit tax rate used to calculate the deferred tax and current tax was of 16% (December 31st, 2015: 16%).

1.19 Income recognition

The revenues recorded by the Company are accounted for based on their nature (operating, financial).

Revenues are measured at the fair value of the consideration received or receivable. If the transaction is a financial one, the fair value shall be determined by discounting all the future amounts receivable, using a default interest rate, the difference from the carrying value representing the interest income. When the result of a transaction involving the performance of services cannot be reliable estimated, the revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.20 Interest income and interest expenses

The interest income and interest expenses related to the financial instruments are recognised in profit or loss using the effective interest method, based on the accrual accounting. The effective interest method is a method for calculating the amortized cost of a financial asset or financial liability and for distributing the interest income or expenses for a relevant period of time.
The effective interest rate is the rate that discounts exactly the estimated future cash flows payable or receivable during the estimated useful life of the financial instrument, or, if applicable, for a shorter period, at the net reported value of the financial asset or liability. To calculate the effective interest rate, the Company estimates cash flows, considering all contractual terms of the financial instrument but it does not take into account future impairment losses. The calculation method includes all fees paid or received between the contracting parties, which are integral part of the effective interest, transaction costs, and other premiums or discounts.

1.21 Dividend income

Dividends for equity instruments are recognised in profit or loss as *Dividend income* at the date the right to receive such revenues is determined.

1.22 Gain on disposal of financial assets

The revenues from the sale/disposal of the shareholdings owned shall be recognised when the ownership hereof is transferred from the seller to the buyer, using the settlement date accounting.

1.23 Gains and losses from foreign exchange rate differences

The foreign currency transactions are recorded in the functional currency (RON) by converting the amount in foreign currency at the exchange rate communicated by the National Bank of Romania, valid as the transaction date. At the reporting date, the monetary items denominated in foreign currency are converted at the exchange rate from the last auction day of the year.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The exchange rate differences that occur when settling the monetary items or converting the monetary items to foreign exchange rates different from those to which they were converted upon initial recognition or in the previous financial statements are recognised as gains or losses in the profit and loss account in the period they occur.

2. DIVIDEND INCOME

In the Ist quarter of 2016 (2015 Ist quarter, respectively) the Company recorded dividend income as follows:

Company	**31 .03.2015**	**31 .03.2016**
Cristiana S.A. Braşov	-	1,133,.958
Barrick Gold CORPORATION	8,396	-
NEW EUROPE PROPERTY INVESTIMENTS PLC	8,652	-
Total	**17.048**	**1.133.958**

3. INTEREST INCOME

	31.03.2015	**31.03.2016**
Interest income from bank deposits	11,489	18,670
Interest income from corporate bonds	457,383	269,450
Interest income from fund units	21,175	-
Total interest income	**490,047**	**288,120**

4. NET LOSS/GAIN FROM THE FINANCIAL ASSETS AVAILABLE FOR SALE

	31.03.2015	**31.03.2016**
Gain from the disposal of financial investments	(21,515,128)	(10,574,554)
Expenses on the impairment of financial investments		
Net gain /(loss) from financial assets available for sale	**(21,515,128)**	**(10,574,554)**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. OTHER OPERATING INCOME OR EXPENSES

	31.03.2015	31.03.2016
Other operating income or expenses	(115,590)	(168,874)
Total	**(115,590)**	**168,874)**

Other categories of income and expenses included in "other operating income and expenses" are amounts collected following litigations, as well as currency exchange net differences.

6. STAFF RELATED EXPENSES

	31.03.2015	31.03.2016
Payroll expenses	2,256,403	2,127,456
Social security costs	504,980	480,579
Total payroll expenses	**2,761,383**	**2,608,035**

7. COMMISSIONS AND FEES

	31.03.2015	31.03.2016
Various taxes expenses	5,405	6,250
Commission on net asset due to the National Securities Commission/Financial Supervisory Authority	253,832	229,534
Audit charges	101,653	14,166
Depository commission	81,705	80,882
Trading costs	71,985	33,130
Other commissions and fees	637,091	188,869
Total	**1,151,671**	**552,831**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. OTHER EXPENSES

	31.03.2015	**31.03.2016**
Other tax expenses	411,159	270,889
Postal and telecommunication expenses	23,814	20,319
Consumables expenses	62,981	58,388
Utility expenses	38,374	34,913
Bank services expenses	7,020	10,788
Impairment provisions expenses	-	-
Maintenance and repair expenses	12,391	4,223
Insurance premiums	36,535	33,563
Rents	6,023	14,613
Travel expenses	41,450	28,746
Other expenses	472,845	483,067
Total	**1,112,592**	**959,509**

9. CURRENT PROFIT TAX AND DEFERRED TAX

The differences between the regulations issued by the Romanian Ministry of Finance and the accounting principles applied in the preparation of these financial statements generate temporary differences between the carrying value and the fiscal value for certain assets and liabilities.
The deferred tax will be calculated, if there will be temporary differences, using the tax rate applicable at the date on which these differences are identified.

a) The components of the profit tax are:

	31.03.2015	**31.03.2016**
Current profit tax expense	1,687,847	2,194,208
Income from deferred tax	-	-
Total	**1,687,847**	**2,194,208**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Profit tax reconciliation:

	31.03.2015	31.03.2016
(Loss)/profit before taxes	200,006,870	3,658,490
Income/(expense) with statutory rate tax of 16% (2015: 16%)	(1,687,847)	(2,194,208)
Total	198,319,023	1,464,282

10. CASH AND BANK ACCOUNTS

	31.12.2015	31.03.2016
Cash at banks, in RON	19,199	88,837
Cash at banks, in foreign currency	2,338,571	12,621,058
Bank deposits, in RON	6,680,372	9,753,507
Bank deposits, in foreign currency	-	-
Interests	155	-
Petty cash in RON	4,922	7,982
Other values	-	-
Treasury advances	24,038	-
Total	9,043,219	22,471,384

At 31 December 2015 and 31 March 2016 the amounts presented in the Statement of financial position regarding the petty cash and bank accounts are current and not impaired.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Following the classification of the Company as investment entity, the subsidiaries and associated entities were classified as financial assets at fair value through profit or loss and consequently they were evaluated at the fair value both on 1 January 2015 and 31 December 2015. The fair value differences for the assets previously classified as available for sale (deconsolidation effect) were also derecognized.

The situation of the financial assets at fair value through profit or loss as at 31 March 2016 depending on financial instrument type is as follows:

	31 December 2015	31 March 2016
Shares listed on internal markets	373,329,406	370,087,430
Shares listed on external markets	-	-
Shares not listed	51,006,843	51,003,443
Corporate bonds	10,819,747	10,902,987
Other securities listed on external markets	-	-
Financial assets at fair value through profit or loss	435,155,996	431,993,860

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Investments in subsidiaries are as follows:

Name	Headquarters	%	Voting rights (%)
Administrare si Promovare Imobiliara Transilvania S.A.	Brasov	99.33	99.33
Aro-Palace SA	Brasov	85.74	85.74
Casa Alba Independenta S.A.	Sibiu	53.32	53.32
Comcm SA	Constanta	56.72	56.72
Cristiana SA	Brasov	99.99	100.00
Euxin SA	Constanta	96.71	96.71
Feper SA	Bucharest	85.80	97.53
Gastronom SA	Buzau	60.28	60.28
Grup Bianca Trans SA	Brasov	70.85	70.84
Independenta SA	Sibiu	53.30	53.30
International Trade&Logistic Center SA	Brasov	87.30	87.30
Mecanica Codlea SA	Codlea	81.07	81.07
Organe de Asamblare SA	Brasov	95.70	95.70
Romradiatoare SA	Brasov	76.51	76.51
Santierul Naval SA	Orsova	50.00	50.00
Sembraz SA	Sibiu	90.97	90.97
Sibarex SA	Cimpineanca	52.85	52.85
Statiunea Oglinzi SA	Targu Neamt	54.51	54.51
Terracotta Star SA	Sf. Gheorghe	97.48	97.48
Transilvania Leasing&Credit IFN SA	Brasov	68.51	68.51
Transilvania Hotels&Travel SA	Bucuresti	95.38	95.38
Tratament Balnear Buzias SA	Buzias	91.87	91.87
Turism Covasna SA	Covasna	92.84	94.79
Turism Felix SA	Baile Felix	63.20	63.20
Turism, Hoteluri, Restaurante Marea Neagra SA	Mangalia	77.71	77.71
Tusnad SA	Tusnad Bai	76.41	76.41
Utilaj Greu SA	Murfatlar	70.39	70.39
Virola-Independenta	Sibiu	53.62	53.62
Anca-Irina SA	Venus	90.55	91.07
Turism Covasna SA	Covasna	99.33	99.33

FINANCIAL ASSETS AT THE FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Support granted to subsidiaries

TUSNAD S.A. Baile Tusnad

On 31 December 2015, the share capital increase performed by Tusnad S.A. Baile Tusnad was under registration, the operation being completed in January 2016.

The conversion of a number of 1,800,000 bonds, with nominal value of RON 2.50 per unit, amounting to a total of RON 4,500,000 in a number of 45,000,000 shares with nominal value of RON 0.10 per share amounting to a total of RON 4,500,000, the conversion ratio being 1/25.

The conversion of the calculated and accrued interests until 31 December 2014 related to the bonds held, amounting to a total of RON 572,957, in exchange of a number of 5,729,570 shares at a nominal value of 0,10 RON/share.

Following this operation, the number of shares held by the Company increased from 179,871,906 shares to 230,601,476 shares, and the participation share decreased from 80.67% of the issuer's share capital to 76.41 % of the share capital.

The conversion had as purpose the creation of the required conditions to continue the investment program within the OZO_3N Complex, through the building of a treatment facility (new building with direct access from the hotel), including through accessing EU grants.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

On 31 March 2016, compared to 31 December 2015, the Company held corporate bonds measured at fair value, as follows:

Company	Currency	Units as at 31 December 2015	Units as at 31 March 2016	Carrying value as at 31 December 2015	Fair value 31 March 2016	Maturity date
Organe de Asamblare SA	RON	2,200,000	2,200,000	-	-	25 January 2017
Feper SA	RON	1,993,160	1,993,160	5,131,553	5,173,943	5 June 2018
Romradiatoare SA	RON	2,260,000	2,260,000	5,688,194	5,729,044	27 November 2017
Sibarex SA	RON	900,000	900,000	-	-	21 November 2016
Total				**10,819,747**	**10,902,987**	

Bonds purchased from Tuşnad SA amounting to RON 4,500,000 and the accrued interest of RON 572,957 were converted in shares in 2016; the shares were registered in the shares portfolio in January 2016.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

On 31 March 2016, the Company held bonds issued by:

- *Organe de Asamblare SA Braşov* at a nominal value of RON 5.5 million. The bonds are not listed, not convertible in shares and are issued at the nominal value of RON 2.50 per unit with a maturity of 48 months (maturity date: 25 January 2017) and with an annual interest rate resulting from the variable interest of ROBOR 3 months plus 2.00%. The interest is paid annually. The principal and the interest must be fully repaid until the redemption date; redemption in advance is not possible without the written agreement of the holder. The issued bonds are secured by assets belonging to Organe de Asamblare. Due to the issuer's financial difficulties, the collection of the principal and overdue interests became less probable, therefore the receivables were evaluated at zero value and the previously registered adjustments were derecognized.
- *Feper SA* – bonds at nominal value of RON 4.98 million. The bonds are not listed, not convertible in shares and are issued at the nominal value of RON 2.50 per unit with a maturity of 60 months (maturity date: 5 June 2018) and with an annual interest rate resulting from the variable interest of ROBOR 6 months plus 2.00%. At 31 March 2016 the accrued interest related to these bonds amounted to RON 167,446. The principal and the interest must be fully repaid until the redemption date; redemption in advance is not possible without the written agreement of the holder. The bonds were taken over by Feper SA following the merger of this company with Orizont Turism SA.
- *Romradiatoare SA Braşov* at a nominal value of RON 5.65 million. The bonds are not listed, not convertible in shares and are issued at the nominal value of RON 2.50 per unit, with a maturity of 60 months (maturity date: 27 November 2017) and with an annual interest rate resulting from the variable interest of ROBOR 6 months plus 1.50%. The interest will be paid on a half year basis. At 31 March 2016, the accrued interest related to these bonds was RON 56,562. The principal and the interest must be fully repaid until the redemption date; redemption in advance is not possible without the written agreement of the holder. The issued bonds are secured by assets belonging to Romradiatoare.
- *Sibarex S.A* at a nominal value of RON 2.25 million. The bonds are not listed, not convertible in shares and are issued at the nominal value of RON 2.50 per unit with a maturity of 3 years (maturity date: 21 November 2016) and with an annual interest rate resulting from the variable interest of ROBOR 6 months plus 2.00%. The interest is paid on a half year basis. At 31 December 2015, the accrued interest related to these bonds was RON 211,247. The principal and the interest must be fully repaid until the redemption date or in advance (partially or fully) upon the issuer's request. Considering the financial difficulties of the issuer in 2015, the fair value of these instruments was zero; the previously registered adjustments were derecognized.

12. FINANCIAL ASSETS AVAILABLE FOR SALE

The company classified the financial investments for which the participation share is less than 20% from the issuer's share capital as financial assets available for sale. The situation of these shares measured at fair value at 31 March 2016, respectively 31 March 2015 is as follows:

	31 December 2015	31 March 2016
Shares listed on internal markets	486,260,970	422,790,129
Shares listed on external markets	4,673,792	1,509,997
Shares not listed	15,449,754	15,449,754
Corporate bonds	12,335,470	12,437,669
External listed fund units	5,064,276	-
Internal listed and not listed fund units	11,647,941	10,706,637
Financial assets available for sale	535,432,203	462,894,186

a) *Bonds*

The balance of the corporate bonds at 31 March 2016 classified as available for sale is composed of:

- *Banca Transilvania* - bonds are issued in Euro, are convertible, subordinated, not secured, issued in nominal form and dematerialized. They are issued at a nominal value of Euro 0.60 per unit, with a maturity of 7 years (maturity date: 25 May 2020) and with the annual interest rate resulting from the variable interest of ROBOR 6 months plus 6.25%. The accrued interest as at 31 March 2016 is RON 24,487. The interest is paid on a half year basis, at 15 January and 15 June. The bonds cannot be paid in advance or redeemed before the redemption date. The bonds that did not reach the maturity date may be converted into shares.

- *S.A.I. Certinvest SA* – bonds at nominal value of RON 9,000,000 million. The bonds are not listed, not convertible in shares and are issued at the nominal value of RON 10,000 per unit with a maturity of 5 years (maturity date: 12 December 2019) with fixed interest rate of 7% per year, to be paid half yearly. The accrued interest as at 31 March 2016 is RON 186,411.

FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

b) Fund units

The company's inherent financial needs mainly related to the annual profit distribution proposals, as well as to the annual budget obligations resulted in the partial capitalization in the 1st quarter of 2016 of the fund units available at 31 December 2015. Compared to 31 December 2015, at 31 March 2016, the situation regarding the fund units held is as follows:

	31 December 2015		**31 March 2016**	
Company	**Number of units**	**Fair value**	**Number of units**	**Fair value**
Fondul Inchis de Investitii Multicapital Invest	3,400	7,279,196	3,400	6,648,394
Fond Inchis de Investitii Bet-Fi Index Invest	2,054	1,001,191	2,054	916,084
Fondul Inchis de Investitii Star Value	4,547	3,367,554	4,547	3,142,159
iShares Gold Producers UCITS ETF	210,000	5,064,276	-	-
Total	**220,001**	**16,712,217**	**10,001**	**10,706,637**

FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

c) Shares

The top 10 participations in financial assets available for sale are listed below:

Name	Fair value	%
BRD - Groupe Societe Generale SA Bucuresti	246,521,271	56%
S.N.G.N. Romgaz S.A.	51,226,156	12%
Fondul Proprietatea SA	36,623,165	8%
Omv Petrom SA Bucuresti	29,160,983	7%
Bursa de Valori Bucuresti SA	17,703,159	4%
Antibiotice	12,895,980	3%
Continental Hotels SA Bucharest	7,254,955	2%
S.N. Nuclearelectrica	5,341,084	1%
Iar SA	4,333,324	1%
D.F.E.E. Electrica	3,082,109	1%
Other participations	25,607,694	5%
	439,749,880	100%

13. TANGIBLE ASSETS

The classes of tangible assets for 2015 are as follows:

	Land and buildings	Technical installations and machines	Other installations, equipment and furniture	Total
Gross value				
Balance at 1 January 2015	14,356,499	1,416,237	789,064	16,561,800
Increases	-	461,461	8,266	469,727
Disposals and transfers	-	322,465	2,484	324,949
Balance at 31 December 2015	14,356,499	1,555,233	794,846	16,706,578
Cumulated depreciation				
Balance at 1 January 2015	2,907,507	1,178,673	620,005	4,706,185
Depreciation recorded during the financial year	315,250	200,483	53,220	568,953
Depreciation for the tangible assets sold	-	301,334	2,484	303,818
Balance at 31 December 2015	3,222,757	1,077,822	670,741	4,971,320
Net carrying value at 1 January 2015	11,448,992	237,564	169,059	11,855,615
Net carrying value at 31 December 2015	11,133,742	477,411	124,105	11,735,258

TANGIBLE ASSETS (CONTINUED)

The classes of tangible assets at 31 March 2016 were:

	Land and buildings	Technical installations and machines	Other installations, equipment and furniture	Total
Gross value				
Balance at 1 January 2016	14,356,499	1,555,233	794,846	16,706,578
Increases	-	48,768	-	48,768
Disposals and transfers	-	2,244	-	2,244
Balance at 31 March 2016	14,356,499	1,601,757	794,846	16,753,102
Cumulated depreciation				
Balance at 1 January 2016	3,222,757	1,077,822	670,741	4,971,320
Depreciation recorded during the financial year	70,416	37,928	4,844	113,188
Depreciation for the tangible assets sold	-	2,244	-	2,244
Balance at 31 March 2016	3,293,173	1,113,506	675,585	5,082,264
Net carrying value at 1 January 2016	11,133,742	477,411	124,105	11,735,258
Net carrying value at 31 March 2016	11,063,326	488,251	119,261	11,670,838

The company does not have restrictions over the ownership titles. The tangible assets were not pledged as security. At the end of the 2015 and 2016 reporting periods the company did not have contractual obligations for acquisitions of tangible assets.

The last reevaluation of land and buildings held was performed at 31 December 2013; the reevaluation differences were registered in accounting within equity.

The management considered that the net carrying value of land and buildings at 31 March 2016 represents a correct estimation of the fair values at the reporting date.

14. OTHER FINANCIAL ASSETS

	31 December 2015	31 March 2016
Other amounts receivable	1,724,212	2,670,366
Advances for services rendered	336	343,345
Dividends receivable	2,309,735	355,939
Amounts to be received due to withdrawal from company Biroul de Turism pentru Tineret*	3,747,103	3,076,499
Total	7,781,386	6,446,149

15. OTHER FINANCIAL LIABILITIES

Description	31 December 2015	31 March 2016
Trade liabilities	432,758	19,866
Dividends payable (*)	47,186,896	46,946,932
Advance collections from third parties	873,598	1,197,928
Payables to related parties	390	-
Other payables	4,614	227,273
Total	48,498,256	48,391,999

16. OTHER LIABILITIES

	31 December 2015	31 March 2016
Payroll payables	345,669	370,986
Tax liabilities	1,717,702	111,541
Social contributions due to the state budget	242,030	250,748
Total	2,305,401	733,275

The contributions in balance must be paid until 25th of the next month.

17. PROVISIONS

At 31 March 2016, the balance of provisions for litigations is the same as at 31 March 2015, respectively RON 159,577, including the court case regarding the absolute nullity of the share assignment document no. 243/838/01.09.1997. At 31 March 2016, there are no significant litigations for which provisions were established.

18. SHARE CAPITAL

The statutory share capital of the Company as at 31 March 2015 is RON 888,235,137, of which RON 218,428,666 is the subscribed and paid-in share capital (registered with the Trade Registry) and the amount of RON 669,806,471 represents the share capital adjustment to inflation performed by applying for the first time the IAS 29 - Financial reporting in hyperinflationary economies.
The subscribed and paid-in share capital is composed by 2,184,286,664 outstanding shares.
The main characteristics of the Company's shares are: common, nominal, indivisible, equal in value, dematerialized, issued at the nominal value of RON 0.10 /share.

19. REEVALUATION RESERVES FOR TANGIBLE ASSETS

The last reevaluation of the tangible assets was performed by the Company on 31 December 2013.
The reevaluation reserves cannot be distributed to the shareholders.

	Reevaluation reserve
Balance at 1 January 2015	9,964,912
Reserve transfer to retained earnings	-
Balance at 31 March 2015	9,964,912
Balance at 1 January 2016	9,684,160
Reserve transfer to retained earnings	-
Balance at 31 March 2016	9,684,169

20. RESERVES FROM THE FAIR VALUE REVALUATION OF FINANCIAL ASSETS AVAILABLE FOR SALE

The reserve from the fair value revaluation of the financial assets available for sale is presented net of tax.

	31 December 2015	**31 March 2016**
Gross reserve from the fair value revaluation of the financial instruments available for sale	212,295,434	152,677,009
Related deferred tax liabilities	(33,967,269)	(24.428321)
Net reserve	178,328,165	128,248,688

21. OTHER RESERVES

Other reserves were created through the distribution of the statutory profit.

	31 December 2015	31 March 2016
Initial balance	448,135,359	483,989,704
Profit distribution and result carried forward	27,363,627	-
Share capital increase through incorporation of reserves	-	-
Legal reserve	8,490,718	-
Final balance	483,989,704	483,989,704

22. TRANSACTIONS WITH RELATED PARTIES

The related parties are considered as such if one of the parties has the capacity to control the other party or to exercise a significant influence over its financial or operating decisions. Compared to Q. 1 of 2015, in Q. 1 of 2016 the following transactions were performed with the related parties:

(RON)

Acquisitions	Transaction type	31.03.2015	31.03.2016
Subsidiaries:			
Aro Palace S.A.	Hotel services	2,992	24,015
Transilvania Travel S.A.	Service provision	-	1,761
A.P.I. Transilvania S.A.	Rents and utilities	38,292	29,937
International Trade Center S.A.	Rent services	4,060	5,917
Total		55,988	42,561

Acquisitions are reported in the "Statement of Profit or Loss and other comprehensive income", on the "Other expenses" line. In quarter 1 of 2016, the Company did not conclude any transaction with the administrators, the members of the Supervisory Board and of the Executive Board or any of the employees.

The dividend income obtained from related parties is reported in the "Statement of Profit or Loss and other comprehensive income", at the position" Dividend income".

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Compared to quarter 1 of 2015, the dividend income obtained from related parties is as follows:

	Quarter 1 2015	Quarter 1 2016
Subsidiaries:		
Cristiana S.A. Braşov	-	1,133,958
Total dividend income from affiliates:	-	1,133,958

At the end of quarter 1 of 2016, the company did not register payables to related parties. Compared to the previous year, the receivables in the balance at 31 March 2016 related to affiliates are as follows:

Company	Transaction type	Balance as at 31.12.2015	Balance as at 31.03.2016
Subsidiaries:			
Organe de Asamblare SA	Bond interest	835,189	835,189
Orizont Turism (Feper SA)	Bond interest	125,056	167,446
Romradiatoare SA	Bond interest	15,711	56,562
Sibarex SA	Bond interest	211,247	211,247
Total receivables from subsidiaries		1,187,203	1,270,444

The amounts above representing receivables from subsidiaries are included in the fair value of the financial assets at fair value through profit or loss.

The interest income related to the bonds held at related parties, including for the amounts paid to this purpose are presented in the “Statement of Profit or Loss and other comprehensive income”, at the position ”Interest income” and, comparatively to the same period of the previous year, is presented as follows:

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Interest income from company:	Recorded as at 31.03.2015	Recorded as at 31.03.2016
Romradiatoare S.A. Braşov	50,432	40,850
Organe de Asamblare S.A. Braşov	49,753	-
Turism Covasna S.A.	-	-
Turism Lotus Felix S.A.	10,915	-
Orizont Turism S.A. Predeal	60,794	-
Tuşnad S.A. Băile Tuşnad	-	-
Sibarex SA	22,969	-
Feper SA	-	42,390
Total income from interests related to bonds issued by affiliates	194,863	83,250

23. INFORMATION REGARDING EMPLOYEES AND MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISION BODIES

The remuneration granted to the members of the Board of Directors/Supervisory Board and management (managers with mandate contract/ members of the Executive Board)

In quarter 1 of 2016, the company registered as expenses the amount of RON 991,113 (RON 1,058,610 in quarter 1 2015), representing payroll rights due to the members of the company's Board of Directors, respectively to the managers that carried out their duties based on mandate contracts.

In 2016 no incentives were granted from the profit sharing fund.

The company has no contractual obligations regarding the payment of pensions to the former member of the Board of Directors, members of the Supervisory Board and management and, therefore, no commitments of this type are registered in the accounting.

The company did not grant and does not grant credits or advances (excepting the payroll advances and/or advances for covering the delegation expenses) to the members of the Board of Directors and management and, therefore, no commitment of this type are registered in the accounting as at 31 March 2016.

24. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF THE ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported value of assets and liabilities in the next financial year. The estimates and assumptions are permanently evaluated and are based on previous experience and on other factors, including expectations regarding future events considered to be reasonable under given circumstances. Apart from experience and past information, in the evaluation of these estimates, the Company also took into consideration the effects of the current conditions in the financial industry.

The company applied the Amendments to IFRS 10, IFRS 12 and IAS 27 starting with 1 January 2015, respectively when, after analyzing the criteria mentioned in the Amendments, the company's management concluded that the Company meets the classification requirements as investment company. Therefore, the company is an investment company according to IFRS because:

a) It obtains funds from several investors in order to provide those investors with investment management services;
b) Has undertaken in relation to the investors that the purpose of its activity is to invest funds mainly for returns from capital appreciation, investments income or both and
c) Measures and evaluates its investments performance based on the fair value.

Moreover, the Company has also other characteristics specific to an investment company, as follows:

(a) Investment related services

The Company is a joint stock company operating as a closed-end financial investment company, directly providing services related to investment management to its investors, having as main object of activity exclusively the activities specific to the closed-end investment companies.

The company does not provide investment advisory and support services and administration services to third parties and/or its investors, directly or through subsidiaries.

(b) Purpose of the activity

The Company's purpose is to carry out operating (financial) activities specific to its object of activity and to obtain profit to be distributed to the shareholders and/or as own sources for funding the necessary and appropriate financial investments allowed by the statutory object of activity and by the legal provisions in force.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF THE ACCOUNTING POLICIES (CONTINUED)

The multiannual strategic guidelines and the annual investment program of the Company approved by the General Meeting of Shareholders represent public information, presented on the official website of the Company, available for reference by third parties and potential investors, with a view to supporting the decision to invest in the Company.
The objective of the Company is constituted by the management of the portfolio investments and the continuous identification of investment opportunities so as to mitigate the risk of investment, with a view to providing its shareholders the possibility to obtain attractive performances and at the same time increase the capital invested.

(c) Exit strategy
As of January 2015 the Company applies an exit strategy based on continuous monitoring of the investments made by the investment programs approved and on the continuous analysis of the current market conditions, thus aiming to identify optimal exit moments with a view to achieving the objectives set by the annual revenue and expenditure budgets, and respectively by achieving certain superior aggregated yields.
The company applies an exit strategy adapted to the specifics of each individual investment category, defined based on the following elements: strategy applied, investment horizon and exit transaction triggers.

(d) Fair value measurement

As of January 1st, 2015 all financial investments of the Company are measured at fair value. The investments in subsidiaries and associated entities, the bonds issued by them and held by the Company are measured at fair value through profit or loss. The other investments in shares and fund units are measured at fair value, and the gains and losses resulted pursuant to the change in their fair value are directly recognized in other comprehensive income.

The fair value of the financial instruments is determined by authorized valuators who report this information to key-personnel of the Company's management with a view to its use as main measurement attribute for assessing the performance of the majority of investments and for taking investment decisions.

(i). Implications pursuant to the classification of the Company as an investment entity

A company that is an investment entity is not required to consolidate neither of its subsidiaries, except for those subsidiaries providing services in relation to investment activities.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS IN THE APPLICATION OF THE ACCOUNTING POLICIES (CONTINUED)

Consequently, the Company changed its accounting policy on the investments in subsidiaries and associated entities, measuring them at fair value through profit or loss.
When a company becomes an investment entity, it must record as a deconsolidation adjustment the modification of its status as a "determined concession" or a "loss of control" over its subsidiaries, as these were presented in the consolidated financial statements in accordance with IFRS.
The fair value of the investment on the date of the status change must be used as a consideration received, when the provisions of IFRS 10 are applied. Thus, the gain or loss in the case of a "determined concession" must be recognized as a gain or loss in profit or loss. This way, the change in the Company status is treated as a significant economic event and is consistent with the reason for which the gains or losses are recognized in profit or loss, in accordance with IFRS 10, when the control is lost.

Consequently, on January 1st, 2015, the Company classified its investments in subsidiaries and associated entities as financial instruments at fair value through profit or loss and had to recognize the difference between their fair value on January 1st, 2015 and their carrying amounts from the consolidated financial statements in accordance with IFRS for the financial exercise concluded on December 31st, 2014 in the profit or loss of the financial exercise concluded on December 31st, 2015 as deconsolidation adjustment. Due to the fact that on December 31st, 2014 the Company did not consolidate its subsidiaries and associated entities in accordance with IFRS 10 „Consolidated financial statements", the Company used the carrying amounts from the standalone financial statements in accordance with IFRS for the financial exercise concluded on December 31st, 2014 with a view to determining the deconsolidation adjustment.

(ii). Information disclosure

For each subsidiary that was not consolidated in the financial statements, an investment entity shall disclose the following information in its regard: name of the subsidiary, the place where the activity is carried out and its holding percentage in the share capital.

Furthermore, in the case where an investment entity or one of its subsidiaries has granted financial support or any other kind of support to a subsidiary that was not consolidated in the financial statements (for example, purchase of assets or of instruments issued by the respective subsidiary), it shall disclose information on the type and value of the support granted, and respectively the reasons for which it granted this support to the subsidiary.

The information described above were presented in note 13.

25. PRESENTATION OF THE FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORIES

The table below offers a reconciliation of the financial assets by measurement categories as at March 31st, 2016.

Assets	Loans and receivables	Financial assets available for sale	Assets at fair value through profit or loss	Total
Cash and bank accounts	22,471,384	-	-	22,471,384
Corporate bonds	-	12,437,669	10,902,988	23,340,657
Financial assets available for sale and fund units	-	450,456,517	-	450,456,517
Financial assets at fair value through profit or loss and fund units	-	-	421,090,872	421,090,872
Other financial assets	6,446,149	-	-	6,446,149
Total financial assets	28,917,533	462,894,186	431,993,860	923,805,579

On March 31st, 2016 the reconciliation of the financial assets on assessment categories is described as follows:

Assets	Loans and receivables	Financial assets available for sale	Assets at fair value through profit or loss	Total
Cash and bank accounts	22,471,384	-	-	22,471,384
Corporate bonds	-	12,437,669	10,902,988	23,340,657
Shares and fund units	-	450,456,517	421,090,872	871,547,389
Other financial assets	23,200	-	-	23,200
Total financial assets	22,494,584	462,894,186	431,993,860	917,382,630

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

26.1 Hierarchy analysis of the fair value of the financial instruments measured at fair value

- Level 1 - includes the instruments listed on active markets for identical assets or liabilities;
- Level 2 - includes the instruments whose fair value is determined by using observable information for assets or liabilities, either directly (as are the prices), or indirectly (derived form prices); and
- Level 3 -includes instruments whose fair value is determined by using information not based on observable market data (unobservable inputs).

The general terms and concepts used in the fair value measurement methodology are in accordance with the definition presented in IFRS 13 on the fair value and respectively with the definition of the market value presented in the Valuation Standards SEV 100 „General framework". The two concepts on the type of value are equivalent, as mentioned in SEV 300 „Valuation prepared for financial reporting".

For the estimation of the fair values included in level 3, the Company uses a general methodology for estimating the fair value by reporting to the SEV and IFRS 13 requirements: the selection of the valuation method is done based on the specifics of the financial instrument held and on the relevance and credibility of the available information. The input data used in the estimation are based on valid information, obtained from independent sources whenever possible.

The Company included in the financial instruments category whose fair value is classified at level 3 in the fair value hierarchy the following financial instruments:

(i) financial instruments available for sale

1. shares (participation in the share capital of issuers of less than 20%)
    i. listed on a regulated marked for which the trading price is not available;
    ii. listed on an alternative trading system
    iii. unlisted
2. bonds (except for bonds issued by subsidiaries and associated entities)
3. fund units

FAIR VALUE OF THE FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ii) instruments measured at fair value through profit or loss

1. shares (participation in the share capital of issuers of less than 20%)
   i. listed on a regulated marked for which the trading price is not available;
   ii. listed on an alternative trading system
   iii. unlisted
2. bonds (issued by subsidiaries and associated entities)

General description of the fair value estimation methodology:

- the estimation process of the fair values is reported to a reference date;
- the portfolio of financial instruments corresponding to the reference date is segmented depending on the relevant selection criteria, so that for each category or subcategory to be used specific techniques for the collection of data and information necessary with regard to the estimation of the fair value;
- the data and information used during the estimation process of the fair value will be based on valid sources or data bases and relevant on the reference date. The data and information will be obtained from independent sources, if this is possible and appropriate;
- the models and techniques used during the estimation process of the fair value are dependent on the quality, quantity and validity of the data and information available, as well as on the professional reasoning.

For the shares whose estimated fair value is included at level 3 the following approaches were used:

- Market approach - method of comparison with similar companies listed on a capital market:
  - multiples calculated based on the information collected for comparable companies such as trading prices, relevant financial indicators are applied to the recent financial performances of the analyzed company.
  - unobservable data: multiples based on the turnover, etcetera.

- Income approach - discounted cash flow method ("DCF")
  - the models used ("Discounted Cash Flow - DCF", "Dividend Discount Model - DDM") imply, mainly, estimations of future cash flows, terminal value and discount rate.
  - unobservable data: discount rate, perpetual growth rate.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

- Asset approach - Method of adjusted net asset
  - The model targets operational companies with or without activity on the reference date, for which the cash flow cannot be reliably determined.
  - Unobservable data: adjustments of certain items of assets or liabilities, adjustments for the lack of liquidity and for the size of the participation held on the reference date, etcetera.

For the bonds whose estimated fair value is included at level 3 the following approaches were used:

- Income approach - The method of the updated cash flow ("FNA")
  - The model used ("Discounted Cash Flow - DCF") implies, mainly, estimations of future cash flows and discount rate.
  - Unobservable data: discount rate, etcetera.

For the fund units whose estimated fair value is included at level 3 the following approaches were used:

- Asset approach - Method of adjusted net asset
  - The model targets unlisted fund units for which the monthly reporting of the net asset value is available (NAV per unit).
  - Unobservable data: unitary value of the net asset.

Considering that for the vast majority of the unobservable data used in the estimation models of the fair value included at level 3 a relatively reduced variation margin is estimated, it was considered that the impact generated on the fair values afferent to the respective financial instruments is a limited one.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The statement of the assets measured at fair value on March 31st, 2016 is presented as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets available for sale, of which:	415,199,929	-	47,694,257	462,894,186
- shares	414,283,845	-	25,466,035	439,749,880
- fund units	916,084	-	9,790,553	10,706,637
- corporate bonds	-	-	12,437,669	12,437,669
Financial assets at at fair value through profit or loss, of which:	118,034,363	-	313,959,497	431,993,860
- shares	118,034,363	-	303,056,509	421,090,872
- fund units	-	-	-	-
- corporate bonds	-	-	10,902,988	10,902,988
Non-financial assets				
Lands, buildings and other assets	-	-	11,670,838	11,670,838
Total assets measured at fair value	**533,234,292**	**-**	**373,324,591**	**906,558,884**

27 FINANCIAL RISK MANAGEMENT

27.1 Market risk and position risk

The market risk represents the present or future risk to register losses afferent to the balance sheet positions and outside the balance sheet due to unfavorable fluctuation of the market prices (such as stock prices, interest rates, the foreign exchange rates). The Company's management sets risk limits that can be accepted, limits regularly monitored. Notwithstanding, the use of this approach does not lead to the prevention of losses outside the limits set in the case of a more significant fluctuation of the market.

Position risk is associated with the financial instruments portfolio held by the company with the intention to benefit from the favorable evolution of the price of the respective financial assets or the potential dividends/coupons granted by the issuers.

FINANCIAL RISK MANAGEMENT (CONTINUED)

The company is exposed to the position risk, both to the general and to the specific one, due to short-term investments made in equity securities, debt securities and holdings in collective investment undertakings.

The Company's management has monitored and continuously monitors the reduction to a minimum of the potential adverse effects associated with a financial risk, through an active policy of prudential diversification of the portfolio, as well as through the use of one or more techniques to reduce the risk depending on the dynamic of the trading places or on the evolution of the prices on the market afferent to the financial instruments held by the Company.

27.2 Concentration risk

The concentration risk relates to all the assets held by the Company, regardless of their holding period, and by the means of reducing this type of risk is intended to avoid the occurrence of a greater exposure to a single debtor/issuer, both at the level of the Company and at the level of the Group.

The policy of the Company's management to diversify the exposure is applied to the structure of the portfolio, to the structure of the business model, as well as to the structure of the exposures to the financial risks. Thus, this diversification policy involves: the diversification of the portfolio by avoiding the excessive exposure to a debtor, issuer, country or geographic region; the diversification of the business plan structure aims at avoiding the excessive exposure to a certain business activity/activity field at the level of the Group; the diversification of the financial risks' structure aims at avoiding the excessive exposure to a certain type of financial risk.

So as to achieve this objective, as of 2014, the Company initiated a wide process in order to restructure the portfolio and to avoid certain high exposures to a third party or to an activity field.

FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3 Exchange rate risk

The Company is slightly exposed to the foreign exchange rate fluctuations, mainly with regards to the shares purchased from the external markets, the liquid assets held in foreign currency, the receivables and payables in other foreign currencies, as well as the receivables and payables in RON, but which are consolidated by contracts in relation to some foreign currencies, generally in EUR and/or USD.

By computing and monitoring the net position in foreign currency and the volatility of the exchange rate, the Company aims at achieving an optimal portfolio correlated between the value of the assets and the liabilities expressed in foreign currency as opposed to the value of the total assets and liabilities of the Company.

27.4 Interest rate risk

The interest rate risk represents the present or future risk of negatively impacting the profits and the equity pursuant to certain adverse changes in the interest rates. The operational cash flows of the company are affected by the fluctuation of the interest rates, mainly in the case of the liquid assets placed in bank deposits and corporate bonds. On March 31st, 2016 the Company did not have contracted loans.

The Company adopted risk management policies, as well as a procedure on the risk management, with a main focus on the prudential diversification of the securities portfolio, in the context of both the exigencies of the capital market regulator and the reality and dynamic of the financial markets.

27.5 Liquidity risk

The liquidity risk is an essential component, alongside the other significant risks of the financial risks management systems given the fact that the Company carries out activities on developed financial markets.

The liquidity risk represents the present or future risk of negatively impacting the profits and the capital determined by the inability of the Company to fulfill its obligation at due date.

Further restructuring of the portfolio and the increase of the value of the liquid assets in the total value of the Company assets are considered.

28 CAPITAL MANAGEMENT

The objectives of the Company in capital management are meant to protect its capacity to continue the activity with the purpose of generating added value for the shareholders, benefits for other users of the information on the activity of the Company as well as maintaining an optimal structure of the capital so as the capital cost to be decreased to the optimal level. In order to maintain and adjust the structure of the capital, the Company may choose to modify the amount of the dividends paid to the shareholders and the added value created for the shareholders, to issue new shares or to sell assets in order to reduce debt. The value of the shareholders' equity that the Company managed as at March 31st, 2016 was of RON 862,704,732 (RON 911,319,928 as at December 31st, 2015).

By comparison with other companies in the industry, the Company monitors the capital based on the unitary value of the net asset. This value is calculated as a report between the total value of the net asset and the number of shares issued by the Company.

29 BUSINESS ENVIRONMENT

Over the past years, the European financial sector has faced a crisis of the public debt, triggered by major fiscal imbalances and significant public debts in several European countries. Present concerns that the deterioration of the financial conditions might contribute in a later stage to an additional decrease of the investors' trust, have determined a joint effort of the governments and central banks with a view to certain special measures to counteract the vicious circle of the increase in risk exposure and to ensure the normal operation of the market.

The identification and evaluation of the investments influenced by a credit market lacking liquidities, analysis of the observance of the credit contracts and of other contractual obligations, assessment of the significant uncertainties related to the ability of the entities to continue to operate for a reasonable period of time, all these represents in their turn other challenges.

Their effects on the financial market in Romania materialized in price and liquidity decreases on the capital markets and in the increases of the long-term interest rates due to the liquidity conditions at both international and national level.

30 COMMITMENTS AND CONTINGENT DEBTS

31.1 Court actions

At the end of the Ist Quarter of 2016, the Company continues to be involved in a number of several disputes specific to the activity carried out. The Company's management considers that these will have no significant adverse effect on the economic results and the financial position of the Company, as these are shown in the financial statements presented. In the case of disputes pending before the court of law for which there are indications that these might be settled with court decisions unfavorable to the company, provisions are constituted for disputes, amounting to RON 159,577.

During the period analyzed, the number of disputes in which the company was involved and their structure were similar to those recorded during the corresponding period of the previous year, prevalent being the disputes on the defense of the corporate rights of the company, but also disputes defending other rights of the company.

31.2 Taxation

The taxation system in Romania has suffered multiple changes over the past few years and is under a continuous updating and modernization process. The tax year is available for tax verification for a period of 5 years. The Company's management considers that the tax liabilities in these financial statements are fairly presented.

31.3 Transfer pricing

Tax legislation in Romania includes the principle of the "market value", according to which transactions between related parties must be carried out at the market value. Taxpayers carrying out transactions with related parties must prepare and make available to the Romanian tax authorities the transfer pricing file. The transaction amounts, the preparation deadlines, the content and the conditions for requesting the transfer pricing file and the procedure on the adjustment/estimation of the transfer prices have been regulated by Order 442/2016, for which reason the Company has taken measures for drafting the transfer pricing files in accordance with the requests of this regulation.

31.4 Contingent liabilities

On March 31st, 2016, the Company registered no contingent liabilities.

32 Onerous contracts

On March 31st, 2016, the Company had no onerous contracts concluded. An onerous contract represents a contract under which the mandatory costs for the fulfillment of the contractual obligations exceed the economic benefits that will be obtained by carrying out such a contract.

33 EVENTS SUBSEQUENT TO THE BALANCE SHEET

On April 28th, 2016 the General Meeting of Shareholders took place, during which the following proposals of the Executive Board and of the Supervisory Board were approved:

(1) Coverage of the accounting loss carried forward (amounting to RON 669,806,471) registered in the account 118 "Retained earnings due to the first time adoption of IAS 29" from the amounts reflected in the credit of the account 1022 "Adjustments of the share capital";

(2) Coverage of the loss registered in the account 1177 "Retained earnings due to the transition to IFRS, with the exception of IAS 29" from the account 10683 "Other reserves - own financing sources created from the profit of the previous years";

(3) Distribution of the net profit achieved in the financial exercise 2015 as follows:

Crt. no.	Destination	Amount (RON)	Weight in net profit (%)
1	Legal reserves	8,366,511.35**	5.27
2	Dividends*	57,949,125.20 (RON 0.02653 /share)	36.54
3	Other reserves - own financing sources created from profit	92,281,423.62	58.19
	TOTAL net profit achieved and distributed	158,597,060.17	100

* The gross dividend for a share held on the registration date was fixed at RON 0.02653 /share, representing a yield of 10% by reporting to the average trading price of SIF 3 shares on the BSB-REGS market during January 1st, 2015 and December 31st, 2015.

We have no knowledge of the occurrence of certain events subsequent to the date of March 31st, 2016 that might have significant impact on the data presented in the standalone financial statements drawn up by the Company for March 31st, 2016.

	Prepared by,
Mihai FERCALĂ	Adriana BOIAN
Executive President/CEO	Financial manager