

S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.

FINANCIAL STATEMENTS  
ACCORDING TO THE INTERNATIONAL STANDARDS OF  
FINANCIAL REPORTING ADOPTED BY THE EUROPEAN UNION

DECEMBER, THE 31<sup>ST</sup>, 2017

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**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**COMPREHENSIVE INCOME SITUATION**  
**FOR THE FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**

**(all the amounts are expresses in RON, unless otherwise specified)**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue from Services	7	1,757,190	1,526,610
Net result from operations with financial assets held for trading	6	152,211	(480,027)
Net result of valuation at fair value of financial assets held for trading	6	1,740,074	(385,350)
Income from interests		6,170	2,634
Operational expenses	8	(1,803,136)	(2,254,769)
Net earnings from exchange rate differences		(71,210)	(27,654)
<b>Loss before taxation</b>		<b>1,781,299</b>	<b>(1,618,556)</b>
Income tax expenses	9	-	-
<b>Loss of the year</b>		<b>1,781,299</b>	<b>(1,618,556)</b>
Other elements of the overall result			
Reserve from the reevaluation at fair value of the financial assets available for the net sale of deferred tax			
	12d)	530,209	530,209
<b>Comprehensive income of the year</b>		<b>1,781,299</b>	<b>(1,088,347)</b>

The financial Statements were approved by the Board of Directors on 14 May 2018 and were signed by:

Manager,  
**Stefan NM Ungureanu**



Drafted by,  
**3A SRL EXPERT,**  
**PURDESCU ANCA**



The attached explanatory notes are integral to these financial statements

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**COMPREHENSIVE INCOME SITUATION**  
**FOR THE FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**

**(all the amounts are expresses in RON, unless otherwise specified)**

	Note	December 31, 2017	December 31, 2016
<b>Assets</b>			
Tangible assets	10	449,913	10,368
Intangible assets	11	60,820	96,542
Other long-term financial assets	16	74,867	306,550
<b>Total long-term assets</b>		<b>585,600</b>	<b>413,460</b>
 <b>Inventories</b>			
Commercial receivables and other receivables	13a)	1,534,260	733,880
Current assets related to the trading activity	13b)	207,077	3,236,904
Financial assets for trading assessed at fair value through profit and loss account	12	-	-
Financial assets available for trading	12	8,509,091	7,559,764
Bank Accounts on behalf of the customers	14	14,723,939	27,614,784
Cash and cash equivalents	14	1,907,300	2,022,702
<b>Total current assets</b>		<b>26,881,667</b>	<b>41,168,035</b>
<b>Total assets</b>		<b>27,467,267</b>	<b>62,797,400</b>
 <b>Equity</b>			
Share capital	17	14,122,654	14,122,654
Legal reserves	17	47,002	47,002
Retained earnings	17	(2,168,840)	(3,800,165)
Other equity items	17	-	530,209
<b>Total equities</b>		<b>12,000,816</b>	<b>10,899,700</b>
 <b>Short-term debts</b>			
Commercial liabilities and other debts	14a)	482,806	495,836
Current liabilities related to the trading activity	14b)	14,983,645	30,155,814
 <b>Long-term liabilities</b>			
Liability with the deferred income tax	12e)	-	30,145
 <b>Total current liabilities</b>		<b>15,466,451</b>	<b>30,681,795</b>
 <b>Total liabilities and equities</b>		<b>27,467,267</b>	<b>41,581,485</b>

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**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**OVERALL RESULT SITUATION**  
**FOR THE FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**  
**(all the amounts are expresses in RON, unless otherwise specified)**

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Reserve from reassessment</u>	<u>Retained earnings</u>	<u>Total equities</u>
<b>Balance as at January 1, 2016</b>	<b><u>15,559,320</u></b>	<b><u>47,002</u></b>		<b><u>(3,618,275)</u></b>	<b><u>11,988,047</u></b>
Total overall result for the period	-	-		<b><u>(1,088,347)</u></b>	<b><u>(1,088,347)</u></b>
Profit or loss	-	-			
Corrections of the deferred income tax	-	-			
Movement in the retained earnings related to other reserves	-	-			
<b>Total overall result for the period</b>	<b><u>-</u></b>	<b><u>-</u></b>		<b><u>(1,088,347)</u></b>	<b><u>(1,088,347)</u></b>
<b>Balance as at December 31, 2016</b>	<b><u>15,559,320</u></b>	<b><u>47,002</u></b>		<b><u>(4,706,622)</u></b>	<b><u>10,899,700</u></b>
<b>Balance as at January 1, 2017</b>	<b><u>15,529,320</u></b>	<b><u>47,002</u></b>		<b><u>(4,706,622)</u></b>	<b><u>10,899,700</u></b>
<b>Gain or loss</b>				<b><u>1,781,299</u></b>	<b><u>1,781,299</u></b>
Revaluation reserve on trade assets				<b><u>(680,183)</u></b>	<b><u>(680,183)</u></b>
<b>Balance as at December 31, 2017</b>	<b><u>14,122,654</u></b>	<b><u>47,002</u></b>		<b><u>1,101,116</u></b>	<b><u>1,101,116</u></b>
<b>Balance as at December 31, 2017</b>				<b><u>(3,605,506)</u></b>	<b><u>12,000,816</u></b>

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**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**NOTES ON THE**  
**FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**  
<sup>(all the amounts are expressed in LEI, unless otherwise specified)</sup>

	Note	2017	2016
<b>Cash Flows from exploitation activities</b>			
Net gain/loss of the period		1,781,299	(1,618,556)
Adjustments for:			
Resuming the adjustment for other reserves			
Depreciation of the capital assets	10.11	58228	85,241
Result of the valuation of financial assets held for trading	6	(1,740,074)	385,350
Income from dividends	6	-	(41,763)
Earnings from the sale of assets owned for trading	6	(152,211)	962,120
Incomes from interests		(6,170)	(2,634)
Reversal on deferred income tax			-
		<b>(58,927)</b>	<b>(230,242)</b>
Modification of trade receivables and other receivables		800,380	15,923,920
Modification of trading financial assets	12	(3,029,827)	(7,549,728)
Modification of trade debts and other debts related to trading activity		15,215,344	(20,127,558)
Modification of bank accounts on behalf of the customers		(12,890,846)	5,430,295
Modification of other long-term financial assets		717,644	7,512,845
<b>Net cash flow used in operating activities</b>		<b>812,695</b>	<b>959,532</b>
<b>Net cash Flows from investment activities</b>			
Cashed interests		6,170	2,634
Cashed dividends	6		41,763
Acquisitions of tangible and intangible assets	10.11	(723,128)	(7,149)
Earnings from selling assets for trading	6	(152,211)	(521,789)
<b>Net cash flow from investment activities</b>		<b>(869,169)</b>	<b>(484,542)</b>
<b>Cash flow from investment activities</b>			
<b>Net (treasury) cash flow from investment activities</b>			
<b>Net growth of the cash flow and the cash-flow equivalents</b>		<b>(115,402)</b>	<b>474,991</b>
Cash flow and cash flow equivalents on January 1, 2017	14	<b>2,022,702</b>	<b>1,547,711</b>
Cash flow and cash flow equivalents on December, 31 2017	14	<b>1,907,300</b>	<b>2,022,702</b>

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**NOTES ON THE**  
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**1. REPORTING ENTITY**

Blue Rock Financial Services S.A. ("The Company") is a joint stock company, Romanian legal person authorized by the Romanian Financial Supervision Authority under No. PJ01SSIF/190057. On 31 December 2016 the main shareholder of the company is Blue Rock Capital GmbH (formerly Euro Invest Bank A.G.).

The registered office of the Company is in Bucharest, Sector 1, Dr. Iacob Felix Street No. 28, Floor 4.

The basic activity of the Company consists in the provision of financial investment services, stipulated by the CAEN Code in Romania under code 6499-Other types of financial services (brokerage).

**2. FOUNDATIONS OF PREPARATION**

**(a) Conformity Statement**

The financial Statements of the Company were prepared in accordance with the requirements of the International Financial Reporting standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as they were adopted by the European Union, in force on the date of the report, December 31, 2016. The Company has drafted these financial statements to meet the requirements of Rule No. 39/2015 of the Romanian Financial Supervision Authority ("ASF" formerly "CNVM") on the application of IFRS by the entities authorized, regulated and supervised by ASF.

The Company prepared for the year 2011 the first financial statements IFRS and IFRS 1 ("First-time Adoption of IFRS") was applied.

Financial Statements contain the situation of the financial position, the situation of the comprehensive income, the situation of changes in equity, cash flow situation and explanatory notes.

The Company's accounting records were held until December 31, 2017 in RON, in accordance with the International Financial Reporting Standards.

**(b) Presentation of financial statements**

The financial statements are presented in accordance with the requirements of IAS 1 "Presentation of financial statements". The Company adopted a liquidity-based presentation within the situation of the financial position and a presentation of revenues and expenditures according to their nature in the situation of the comprehensive income, considering that these methods of presentation offer information that is reliable and more relevant than those that would have been presented on the basis of other methods allowed by IAS 1.

**(c) Bases of the evaluation**

The financial statements were drawn up on the basis of the historical cost or depreciated cost, except for the financial assets held for trading which are valued at the fair value.

Other assets and financial liabilities are presented at depreciated cost. The methods used to determine the fair value are presented in Note 4.

**(d) The functional currency and the presentation currency**

The Management of the Company considers that the functional currency, as defined by IAS 21 "Effects of exchange rate variation", is the Romanian Leu (LEI) (RON).

The financial statements are presented in Lei, rounded to the nearest Leu, the currency that the Company's Management chose as the currency of the presentation.

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**NOTES ON THE**  
**FINANCIAL STATEMENTS FOR THE**  
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**2. FOUNDATIONS OF PREPARATION (CONTINUATION)**

**(e) Use of professional estimates and reasoning**

The preparation of financial statements in accordance with IFRS adopted by the European Union presupposes the use of estimates and hypotheses which influence the application of the accounting policies, as well as the reported value of assets, liabilities, revenues and expenditures. The estimations and judgments associated with them are based on historical data and other factors considered to be prominent in the given circumstances, and the result of these factors forms the basis of the judgments used in determining the accounting value of assets and liabilities for which there are no other available evaluation sources. The actual results may differ from the estimated values.

Estimates and judgments are reviewed on a regular basis. The reviews of the accounting estimates are recognized for the period during which the estimate is revised, if the review affects only that period or in the current period and in future periods, if the review affects both the current period and the future periods.

**(f) Ongoing activities**

The financial Statements were prepared on the basis of the principle of continuation of business, which implies that the Company will normally continue its operation in a foreseeable future without coming to the impossibility to continue its activity or without significantly reducing it (12 months after the drafting of the financial statements).

**3. SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting Methods and policies have been consistently applied by the Company throughout the financial exercises presented in these financial statements.

The financial Statements are based on the hypothesis that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this hypothesis, the management analyses the forecasts related to future cash inputs.

**(a) Currency Conversions**

The operations denominated in foreign currency are recorded in LEI at the official exchange rate from the date of the transaction's settlement. The monetary liabilities and the assets recorded in quotations at the reporting date shall be expressed in Lei at the exchange rate of that day. The gains or the losses from their settlement and the conversion of monetary liabilities and assets denominated in foreign currency using the exchange rate at the end of the financial year shall be recognized in the result of the exercise. Non-monetary assets and liabilities that are valued at their historical cost in foreign currency are recorded in Lei at the exchange rate from the date of the transaction. The non-monetary assets and liabilities denominated in foreign currency which are valued at fair value are recorded in Lei at the rate on the date on which the fair value was determined.

The differences from conversion are presented in the profit/loss account, except for the differences resulting from the conversion of the financial instruments classified as available for sale, which are included in the reserve resulting from the modification of the fair value of these financial instruments. The exchange rates of the main currencies were the following:

<b>Currency</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
EURO	4.6597	4.5411
USD	3.8915	4.3033

**(b) Financial assets and liabilities**

***Financial assets***

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**b) Financial assets and liabilities (CONTINUATION)**

The Company initially recognizes the receivables and the deposits on the date on which they were initiated. All the other financial assets (including assets designated at fair value through the profit and loss account) are initially recognized at the date of the transaction when the Company becomes part of the contractual conditions of the instrument.

The Company de-recognizes a financial asset when the contractual rights to the cash flows generated by the asset expire or when the rights to collect the contractual cash flows of the financial asset are transformed through a transaction whereby the risks and the benefits of the ownership right on the financial asset are significantly transformed. Any interest in the transferred financial asset which is created or retained by the Company is recognized separately as an asset or a liability.

The financial assets and liabilities are compensated, and in the situation of the financial position, it is presented the net value only when the Company has the legal right to compensate the values and intends either to settle them in the net basis or to achieve the asset and to liquidate the liability simultaneously.

The Company classifies the financial assets held as follows: financial assets at fair value through profit or loss account, held-to-maturity financial assets, receivables and available-for-sale financial assets.

*(i) Financial assets at fair value through profit or loss account*

A financial asset is classified as being at fair value through the profit or loss account if it is classified as held for trading or if it is thus designated for the initial recognition. Financial Assets are designated as valued at fair value through profit or loss account, if the Company manages these investments and makes buying or selling decisions on the basis of fair value. Upon initial recognition, the assigned trading costs are recognized in the profit or loss account when they are being sustained. Financial Instruments at fair value through the profit or loss account are valued at fair value and the subsequent alterations are recognized in the profit or loss account.

Derivatives are classified as being held-for-trading unless they represent instruments used for hedge accounting.

*(ii) Held-to-maturity financial assets*

If The Company has the intention and ability to keep the debt instruments up to maturity, then these financial assets can be classified as held-to-maturity investments. The held-to-maturity financial assets are initially recognized at fair value plus direct attributable trading costs.

After the initial recognition, the held-to-maturity financial assets are evaluated at amortized cost using the effective interest method, minus the amount of losses from depreciation. Any sale or reclassification before the maturity of more than an insignificant value of the investments held to maturity and which does not intervene close to their maturity leads to the reclassification of all the investments held to maturity in the category of assets available for sale, and the Company will no longer be able to classify the investment instruments as held-to-maturity in the current year and in the next two financial years.

On December 31, 2016 and December 31, 2015, the Company did not have assets classified as held-to-maturity investments.

*(iii) Receivables*

The receivables are financial assets with fixed or determinable payments which are not quoted on an active market. Such assets are initially recognized at fair value plus any directly attributable trading costs. After Initial recognition, the receivables are valued at the initial value minus the value of the losses from depreciation. The receivables include commercial receivables and other long-term receivables.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**  
**b) Financial assets and liabilities (CONTINUATION)**

*(iv) Cash and cash equivalents*

Cash and cash equivalents comprise cash balance, amounts in bank accounts for demand deposits and demand deposits with an original maturity of three months or less, owned by the Company on its own behalf.

Bank Accounts on behalf of the customers include amounts deposited with banks on behalf of customers, resulting from the advances paid by those customers for the brokerage of future transactions.

*(v) Financial assets available for sale*

The financial Assets available for sale are non-derivative financial assets that are designated as available for sale and which are not classified in any of the previous categories. The Company's investments in equity instruments and in certain debt instruments are classified as financial assets available for sale.

In year 2016 subsequently to the initial recognition the Company reclassified, these are evaluated at fair value, and the subsequent changes other than the depreciation losses and currency exchange differences related to the equity instruments available for sale are recognized in other elements of the comprehensive income and are presented within equities in the reserve regarding the fair value. When an investment is de-recognized, the gain or loss accumulated (a) in other elements of the comprehensive income is transferred (a) into the profit or loss account.

In case the fair value cannot be reliably established, the participations designated as financial assets available for sale are recorded at retreated cost less the provision for the depreciation of value.

***Financial liabilities***

Financial liabilities are recognized on the date on which they become party in the contractual provisions of the instrument. The Company applies the accounting at the date of the transaction. The financial liabilities are initially recognized at fair value and in the case of the financial liabilities which are not measured at fair value through profit or loss account at directly attributable transaction costs (including brokerage fees).

The Company de-recognizes a financial liability when the contractual obligations are paid, cancelled or expired.

The financial assets and liabilities are compensated, and in the situation of the financial position the net value is presented only when the Company has the legal right to compensate the values and intends either to settle them in the net basis or to achieve the asset and to liquidate the liability simultaneously.

The non-derivative financial debts of the Company consist of commercial debts and other debts. These financial liabilities are initially recognized at fair value plus any directly attributable trading costs. After the initial recognition, these financial debts are evaluated at amortized cost using the effective interest method.

**(d) Tangible assets**

*(i) Recognition and evaluation*

The tangible assets are highlighted at cost, less the accumulated depreciation and the provision for the depreciation of value. It was not necessary to withdraw the cost of fixed assets according to IAS 29 because the Company does not possess fixed assets purchased before December 31, 2003.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**  
**d) Tangible assets (CONTINUATION)**

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**NOTES ON THE**  
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**(ii) Subsequent costs**

The Company recognizes in the accountable value of a tangible immobilization the cost of its replacement if it is likely that the economic benefits included in that immobilization would be transferred to the Company and the cost of this immobilization can be measured in a reliable way. All the other costs are recognized as expense in the profit and loss account at the time of their performance.

The Expenses incurred by the replacement of a component of the elements of tangible assets which is separately highlighted, including inspections or capital repairs, are capitalized. Further subsequent expenses are capitalized to the extent in which they improve the future performances of those elements of tangible assets. All the other expenses with the repairs and the maintenance are recorded in the profit and loss account at the time of their performance.

**(iii) Depreciation of tangible assets**

Depreciation is calculated based on the linear method during the estimated lifetime of each element in the category of tangible assets.

Useful lifetimes for the current period and the comparative periods are as follows:

Machines and equipment	3-5 years
Installations, Furniture and accessories	3-6 years

Depreciation methods, useful lifetimes and the remaining values are reviewed at each financial year end and are appropriately adjusted.

**(e) Intangible assets**

***Other intangible assets***

Other intangible assets (including the software) purchased by the Company and which have the useful lifetime determined are evaluated at cost or re-evaluated cost minus the cumulative depreciation and the accumulated depreciation losses.

**(i) Subsequent expenses**

Subsequent expenditures shall be capitalized only when they increase the value of the future economic benefits incorporated in the asset for which they are intended. All the other expenses, including the expenses for the depreciation of goodwill and internally generated brands, are recognized in the profit and loss account in which they are sustained.

**(i) Depreciation of intangible assets**

Depreciation is calculated for the cost of the asset or another value that substitutes the cost, minus the residual value. Depreciation is recognized in the profit or loss account using the linear method for the useful lifetime estimated for the intangible assets other than the goodwill, starting with the date on which they are available for use; this modality reflecting most faithfully the expected way of consuming the economic benefits incorporated into the asset.

Useful lifetimes for the current period and the comparative periods are as follows:

Software	1-3 years
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Depreciation methods, useful lifetimes and the remaining values are reviewed at each financial year end and are appropriately adjusted.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(f) Depreciation**

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
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*(i) Financial assets*

A financial asset which is not accounted for at fair value through the profit or loss account shall be tested at each reporting date in order to determine whether there is objective evidence of the existence of a loss of value. A financial asset is considered impaired if there is objective evidence indicating that subsequently to the initial recognition an event took place that caused a loss, and this event had a negative impact on the cash flows expected for the asset and the loss can be reliably estimated.

The objective evidence indicating that the financial assets (including the equity instruments) are depreciated may include the failure to fulfil the payment obligations by a debtor, restructuring an amount owed to the Company under some terms which in other circumstances the Company would not accept, indications that a debtor or an issuer will go bankrupt or in impossibility of payment, the disappearance of an active market for an instrument. In addition, for an investment in equity instruments, a significant and prolonged decrease under the cost of its fair value is an objective proof of depreciation.

The Company takes into account the evidence of depreciation for the receivables and investments held to maturity both at the level of a specific asset and at the collective level. All receivables and investments held to maturity that are individually significant are tested for depreciation. All the receivables that are individually significant and for which a specific depreciation has not been found are then collectively tested to determine the existence of a depreciation that has not yet been identified.

The receivables which are not individually significant are grouped according to their similar risk characteristics and are collectively tested for depreciation.

In order to test the collective depreciation, the Company uses the historical trends regarding the probability of non-fulfilment of the payment obligations, the period necessary for recoveries and the amount of losses incurred, adjusted according to the professional reasoning of the management regarding the probability that due to the current economic and lending conditions, the actual losses are higher or lower than those indicated by the historical trends.

A loss from the depreciation related to a financial asset evaluated at amortized cost is calculated as the difference between its accounting value and the present value of the expected future cash flows, updated using the effective interest rate of the asset. Losses are recognized in the profit or loss account and are presented in a receivables' adjustment account. When a subsequent event determines the decrease of the depreciation loss, it is re-taken through the profit or loss account, without exceeding the initial amount of the provision.

The depreciation losses related to the investments available for sale are recognized by transferring into the profit or loss account the cumulative loss that has been recognized in other elements of the comprehensive income and presented in the reserve regarding the fair value of equity. The cumulative loss transferred from other elements of the comprehensive income into the profit or loss account represents the difference between the acquisition costs, the net of the main repayments and the depreciation repayments, and the current fair value minus any loss from the depreciation previously recognized in the profit or loss account.

The changes of the provisions for depreciation attributable to the time value of the money are reflected as a component of the interest income.

If, in a later period, the fair value of a depreciated debt instrument available for sale increases and the increase can be objectively associated with an event that occurred after the loss from depreciation was recognized in the profit and loss account, then the loss from depreciation is resumed, and the value of the resuming is recognized in the profit and loss account. However, any subsequent recovery of the fair value of a depreciated capital instrument available for sale is recognized in other elements of the comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

*(ii) Non-financial assets*

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The accounting values of the non-financial assets of the Company, others than the real estate investments, inventories and receivables on deferred tax, are revised at each reporting date to determine whether there is evidence of the existence of a depreciation. If there is such evidence, the recoverable value of the asset is estimated. For the goodwill and the intangible assets, which have indeterminate useful lifetimes or which are not yet available for use, the recoverable value is estimated simultaneously each year.

The recoverable value of an asset or a cash-generating unit is the maximum between the value of use and the fair value minus the sale costs. When determining the value of use, the expected future cash flows are updated in order to determine the present value by using a pre-tax update rate reflecting the current market evaluations regarding the value in time of the money and the risks specific for the asset.

For testing the depreciation, the assets which cannot be individually tested are grouped at the level of the smallest group of assets that generate cash inputs from the continuous use and which are largely independent of the cash inputs generated by other assets or groups of assets ("cash-generating unit"). In order to test the depreciation of the goodwill, the cash-generating units to which the commercial fund was allocated are monitored for the purposes of internal reporting, under the condition of the restriction (plateau) at the level of the operational segment. The goodwill acquired in the framework of an enterprise combination is allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination.

The corporate assets of the Company do not generate separate cash flow inputs. If there are indications that a corporate asset is depreciated, then the recoverable value is determined for the cash-generating unit the asset belongs to.

A loss of depreciation is recognized if the accounting value of an asset or a cash-generating unit exceeds the estimated recoverable value. The depreciation losses are recognized in the profit or loss account. The depreciation losses recognized in relation to the cash-generating units are first used to reduce the accounting value of the commercial fund allocated to the units, if applicable, and then pro-rata to reduce the accounting value of the other assets within the unit (unit group).

A loss from depreciation in relation to the goodwill is not resumed. In relation to other assets, the depreciation losses recognized in previous periods are evaluated at each reporting date to determine whether there is evidence that the loss has been reduced or no longer exists. A loss from depreciation is resumed if there were changes to the estimates used to determine the recoverable value. A loss from depreciation is resumed only insofar as the accounting value of the asset does not exceed the accounting value that could have been determined, the depreciation net, if no depreciation would have been recognized.

The goodwill that is part of the accounting value of an investment in an associated entity is not recognized separately and therefore is not tested separately for depreciation. Instead, the total value of an investment in an associated entity is tested for depreciation as an individual asset when there is objective evidence that the investment in that associated entity could be depreciated.

**(g) Employee benefits**

**(i) Short-term benefits**

The short-term benefits of employees include wages, allowances and contributions to social insurance. Short-term benefits are recognized as expenditures as services are being rendered.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(g) Employee benefits (CONTINUATION)**

*(ii) Determined contribution plans*

The Company makes payments on behalf of its employees to the Romanian state's pension system, health insurance and the unemployment fund, during the normal activity. All employees of the Company are members and also have the legal obligation to contribute (through social contributions) to the Romanian state's pension system (a governmental plan of determined contributions). All related contributions are recognized in the result of the period in which they are performed.

*(iii) Plan of determined benefits*

A plan of determined benefits is a post-employment benefit plan other than the determined contribution plan.

Based on the Romanian law the Company has no obligation to its employees regarding the pensions and does not participate in any other pension plan. The allowance for pension in case of sickness is granted only if the retirement decision is final.

*(iv) Other long.-term benefits of the employees*

The Company does not grant other long-term benefits to its employees other than those presented above.

*(v) Benefits for the termination of the employment contracts*

Benefits for the termination of employment contracts are recognized as an expense in the moment the Company can demonstrate, without a real possibility of renunciation, commitment to a detailed formal plan either to terminate the employment contracts before the normal retirement date or to provide benefits for the termination of the employment contracts as a result of an offer to encourage the voluntary unemployment.

During the years 2017 and 2016 the Company has not granted benefits for the termination of employment contracts.

**(h) Provisions**

The Provisions are recognized in the situation of the financial position when for the Company an obligation is born related to a past event and it is likely in the future to be necessary the consumption of economic resources to extinguish this obligation and a reliable estimate of the value of the obligation can be made. For the determination of the provision, the future cash flows are updated using a pre-tax update rate reflecting the current market conditions and the risks specific to that liability. The depreciation of the update is recognized as a financial expense.

A provision for restructuring is acknowledged when the Company has approved an official and detailed restructuring plan and the restructuring has either begun or has been publicly announced. Future operational losses are not provisioned.

On December 31, 2017 and December 31, 2016 the Company did not constitute provisions in the situation of the financial position.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(i) Revenues**

*(i) Revenues from services*

Revenues from services rendered are recognized in the profit and loss account during the period in which the services are provided.

The main sources of revenue are represented by the revenue from commissions related to the intermediated transactions. The revenues are recognized at the net value of the Company's commission.

*(ii) Revenues from interests*

The revenues from interests is recognized in the profit and loss account based on the effective interest method. The revenues from interests stem from the interest associated with the current accounts and deposits at the credit institutions.

*(iii) Revenues from dividends*

The revenues from dividends are recognized in the profit or loss account on the date on which the Company's right to receive this revenue is established.

In the case of dividends received in the form of shares as an alternative to cash payment, the revenues from dividends are recognized at the level of the cash that would have been received, in correspondence with the increase in the related participation.

The Company registers revenues from dividends at the gross value that includes the dividend tax, which is recognized as a current expense with the corporation tax.

**(j) Net gains/(losses) from financial instruments held for trading**

Net gains/(losses) from financial instruments available for trading include gains/losses from the sale of financial assets held for trading, the changes in the fair value of the recognized financial assets at the fair value through the profit or loss account, as well as the dividends received after their possession.

The revenues from dividends are recognized in the profit and loss account on the date on which the Company's right to receive dividends is established, which in the case of quoted instruments is the ex-dividend date.

**(k) The income tax**

The income tax on the exercise comprises the current tax and the deferred tax. The income tax is recognized in the result of the exercise, unless it is related to business combinations or to elements recognized directly in the equity or in other elements of the comprehensive income.

The current tax is the tax payable on the profit of the period, or to be received for the loss of the period, determined on the basis of the percentages applied at the reporting date and all the adjustments relating to the income tax's liabilities related to the preceding periods.

The deferred tax is determined for those temporary differences occurring between the tax base for calculating the tax on assets and liabilities and their accounting value used for reporting in the financial statements. The deferred tax is not recognized for the following temporary differences: the initial recognition of the trade fund, the initial recognition of the assets and the liabilities arising from transactions that are not combinations of businesses and which do not affect the accounting profit and the fiscal profit and differences arising from investments in the subsidiaries, provided that they are not returned in the foreseeable future. The deferred tax is calculated on the basis of the forecast method of realization or settlement of the accounting value of the assets and liabilities, using the tax rates provided for in the legislation in force to be applied on the reporting date.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(k) The income tax (CONTINUATION)**

The receivable regarding the deferred tax is recognized only to the extent that it is likely a taxable profit to be obtained in the future after settling with the tax loss of the previous years and with the corporation tax to be recovered. The receivable regarding the deferred tax is diminished to the extent that the related tax benefit is unlikely to be achieved.

The additional taxes arising from the distribution of dividends are recognized on the same date as the obligation of dividend payment.

The income tax rate used in calculating the current and deferred tax was on December 31, 2017, 16% (December 31, 2016:16%).

**(l) Legal reserve**

According to the Romanian legislation, companies must allocate a value equal to at least 5% of the profit before taxation in legal reserves, until they reach 20% of the share capital. When this level has been reached, the Company may make additional allocations only from the net profit. The legal reserve is deductible within a quota of 5% applied on the accounting profit, before the determination of the corporation tax.

**(m) Dividends**

The dividends are treated as profit distribution for the period in which they are declared and approved by the General Meeting of Shareholders. The only profit available for distribution is the profit of the year registered in the statutory accounts, which differs from the profit in these financial statements prepared in accordance with IFRS, due to the differences between the Romanian accounting legislation and IFRS.

**n) New Standards and interpretations**

In the following sections there are presented: the list of new standards, amendments and interpretations of the existing standards which were in force in the financial year ending December 31 , 2015, list of new standards, amendments and Interpretations of standards adopted by the International Accounting Standards Board (IASB) and the European Union (EU) but not yet entered into force for the financial year ending December 31, 2015 and the list of new standards, amendments and interpretations of standards adopted by the International Accounting Standards Boards but not yet adopted by the European Union for the financial year ending December 31, 2015.

**(i) Standards and interpretations that have entered into force in the current period**

The following standards and amendments of the existing standards, issued by the International Accounting Standard Board (IASB) and adopted by the European Union (EU), entered into force during the current period:

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 „Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"- Investment companies: Application of the exception to consolidation – was adopted by the EU on 22 September 2016 (effective for the financial periods starting with January 1, 2016)
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for acquisition of interests in joint ventures – adopted by the EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016)
- Amendments to IAS 1 "Presentation of Financial Statements" – Initiative regarding the presentation requirements – Adopted by the EU on December 18, 2015 effective for annual periods beginning on or after January 1, 2016);

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(i) Standards and interpretations that have entered into force in the current period**

- Amendments to IAS 16 "Property, Plant and Equipment (Tangible Assets)" and IAS 38 "Intangible Assets" Clarification on acceptable depreciation methods – adopted by the EU on December 2, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 16 "Property, Plant and Equipment (Tangible Assets)" and IAS 41 "Agriculture" – Agriculture: Fruit Trees - adopted by the EU on November 23 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015),
- Amendments to IAS 27 "Separate Financial Statements" - The method of equivalence in separate financial statements - adopted by the EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards "Improvements to IFRS (cycle 2010-2012) "resulting from the annual IFRS Improvement Project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the main aim of eliminating the inconsistencies and clarifying certain formulations – adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after January 1, 2016),
- Amendments to various standards "Improvements of IFRS (cycle 2012-2014)" resulting from the annual project to improve IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main aim of eliminating the inconsistencies and clarifying certain formulations-adopted by the EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016).

**(i) Standards and interpretations issued by the IASB and adopted by the EU but not entered into force**

At the time of reporting these financial statements, the following standards, revisions and interpretations were issued by the IASB and adopted by the EU, but were not yet entered into force:

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

IFRS 9 includes requirements for the financial instruments relating to the recognition, classification and evaluation, depreciation losses, de-recognition and hedge accounting:

- *Classification and evaluation:* IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through the profit account or loss. The classification on IFRS 9 is determined by the characteristics of cash flows and the business model in which an asset is held. This unified approach based on principles eliminates the categories of classification of financial assets from IAS 39: held to maturity, credits and advances and financial assets available for sale, the NEW model will also determine the existence of a single depreciation pattern applicable to all financial instruments.

According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the whole hybrid instrument is considered for classification.

- *Depreciation losses:* IFRS 9 introduces a new model of depreciation losses based on the expected losses, which will require a faster recognition of expected losses from the depreciation of receivables. The standard requires the entities to record expected depreciation losses related to receivables from the initial recognition of the financial instruments and also to recognize much faster the expected depreciation losses on their entire lifetime

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUATION)**

**(i) (ii) Standards and interpretations issued by the IASB and adopted by the EU but not entered into force**

- *Hedge accounting:* IFRS 9 introduces a significantly improved model regarding the hedge accounting containing additional requirements for presenting the information on the risk management activity. The new model represents a significant revision of the principles of hedge accounting, which allows the alignment of accounting treatment with the risk management activities.
- *Own credit risk:* IFRS 9 removes the volatility in the profit or loss account due to the change in the credit risk of the liabilities valued at fair value. The alteration of the accounting requirements for these liabilities assumes that it will no longer be recognized by the profit or loss the gains arising from the deterioration of an entity's own credit risk.

**(iii) Standards and interpretations issued by the IASB but not adopted by the EU**

At the time of reporting these financial statements, IFRS as adopted by the EU does not differ significantly from the regulations adopted by the IASB, with the exception of the following standards, amendments and interpretations, the application of which has not yet been approved by the EU until the date of the authorization of such financial statements:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016) – The European Commission has decided not to initiate the process of adopting this interim standard but to wait for the final standard to be issued,
- IFRS 16 „Leasing“ (effective for annual periods beginning on or after January 1, 2019),
- Amendments to IFRS "Share-based Payments" – Classification and evaluation of share-based transactions (effective for annual periods beginning on or after 1 ianuarie 2018), the adoption is expected in the second half of the year 2017,
- Amendments to IFRS 4 "Insurance Contracts" – Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after January 1, 2018 or when IFRS 9 "Financial Instruments" is applied for the first time the adoption is expected in 2017,
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - the sale or contribution of assets between an investor and associated entities or its joint ventures and subsequent amendments (the date of entry into force was indefinitely postponed until the draft research on the equivalence method will be finalized),
- Amendments to IFRS 15 "Revenues from Contracts with Customers" - Clarifications to IFRS 15 Revenues from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018), the adoption is expected in the second semester of the year 2017,
- Amendments to IAS 7 "Statement of Cash Flows" – the initiative on presentation requirements (effective for annual periods beginning on or after January 1, 2017),
- Amendments to IAS 12 "Income Taxes" – Recognition of the receivable from deferred tax from unrealized losses (effective for annual periods beginning on or after January 1, 2017),
- Amendments to IAS 40 „Investment Property“ – the transfer of real estate investments (effective for annual periods beginning on or after 1 ianuarie 2018), the adoption is expected in the second half of the year 2017
- Amendments to various standards "Improvements to IFRS (cycle 2010-2012)" resulting from the annual IFRS Improvement Project (IFRS 1, IFRS 12 and IAS 28) with the main aim of eliminating the inconsistencies and clarifying certain formulations (amendments to IFRS 12 are effective for the annual periods beginning on or after January 1, 2017, and the amendments to IFRS 1 and IAS 28 are effective for the annual periods beginning on or after January 1, 2018), the adoption is expected in the second half of the year 2017
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after January 1, 2018), the adoption is expected in the second half of the year 2017.

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**4. DETERMINATION OF FAIR VALUE**

Certain accounting policies of the Company and requirements for presenting information require the determination of fair value for both financial and non-financial assets and liabilities. The fair values were determined in order to evaluate and/or retrieve information based on the methods described below. Where appropriate, further information regarding the hypotheses employed in determining the fair values shall be presented in the explanatory notes specific to that asset or liability.

**(a) Investments in capital and liability securities**

The Fair value of the financial assets at the fair value through the profit and loss account is determined by reference to the closing quote for the bid price at the reporting date.

The financial assets available for sale are represented by the equity instruments. These instruments owned by the Company do not have a quoted price on an active market and the fair value cannot be reliably determined using an evaluation technique, therefore they are valued at cost, subject to depreciation tests.

**(b) Commercial receivables and other receivables**

The fair value of the commercial receivables and other receivables is estimated as the present value of the future cash flows, updated with the market interest rate at the reporting date and 31 December 2016. This fair value is determined only for the purpose of the presentation.

For financial instruments such as receivables and short-term financial liabilities, the management considers that the accounting value represents a reasonable approximation of the fair value and therefore it is not necessary to present a separate fair value.

**(c) The Hierarchy of fair values**

The Company measures the fair value of financial instruments using one of the following hierarchical classification methods:

- i) Level 1: Quotes from an active market for similar tools.
- ii) Level 2: Evaluation Techniques based on observable data on the market. This category includes instruments evaluated by using: quotes from an active market for similar instruments; market quotations for similar instruments on markets that are considered less active; or other assessment techniques where significant data can be directly or indirectly observed in the market data.
- iii) Level 3: Evaluation techniques based on data that cannot be seen in the market. This category includes all instruments whose valuation method is not based on observable data and unobservable data have a significant influence on the evaluation of the instrument. This category includes instruments that are evaluated on the basis of market quotes for similar instruments where unobservable adjustments or assumptions are required in order to reflect the difference between instruments.

**5. FINANCIAL RISK MANAGEMENT**

The Company is exposed to the following risks as a result of the use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk, which includes the interest risk and the foreign exchange risk;
- Operational risk;
- Risk related to the economic environment;
- Risk of taxation.

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

This note presents information about the Company's exposure to every risk mentioned above, the objectives of the Company, the policies and processes of risk assessment and management and the procedures for capital management.

**(a) General Framework on risk management**

The Board of Directors of the Company has as a general responsibility the establishment and supervision of the risk management framework at the Company's level.

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan, as well as the corporate structure of the Company.

The Company's policies of risk management are defined so as to ensure the identification and analysis of the risks faced by the Company, the setting of the appropriate limits and controls, as well as the monitoring of the risks and the compliance with the established limits. The risk management policies and systems are regularly reviewed to reflect changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop an orderly and constructive control environment, in which all employees understand their roles and obligations.

The Company's internal audit supervises the way in which the management monitors the compliance with the risk management policies and procedures and revises the adequacy of the risk management framework in relation to the risks facing the entities.

**(b) Credit risk**

The credit risk is the risk by which the Company will incur a financial loss as a result of the non-fulfilment of contractual obligations by a customer or a counterparty to a financial instrument, and this risk results mainly from the commercial claims and financial investments of the Company.

*(i) Commercial receivables and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the country in which it operates. Most of the Company's customers operate in Romania.

The customer basis of the Company is composed of natural and legal persons for which they carry out investments in the capital market.

The Company calculates a provision for depreciation of receivables which represent estimates of losses in commercial receivables, other receivables and investments. The first component of this adjustment is the specific loss component of the uncertain customers for which the process of receivable recovery was started.

The second is the collective loss component, corresponding to the losses that have been incurred but have not yet been identified, being calculated on the basis of the analysis of the receivables' ages, after applying the principle of contamination, using the historical loss rates.

*(ii) Financial investments*

The Company limits its exposure to credit risk by investing only in liquid instruments issued by counterparties that have a satisfactory credit quality. The Management constantly monitors the credit quality and, given that the Company has invested only in instruments with high credit quality, the management does not expect that these counterparties would not fulfill their contractual obligations. The table below shows the ratings awarded by the bank rating agencies in which the Company holds cash and deposits at the end of the financial reporting periods:

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

**(b) Credit risk (continuation)**

	<u>December 31, December 31, 2017</u>	<u>December 31, 2016</u>	<u>Rating agency</u>
Kontrollbank Aktiengesellschaft	AA+	AA+	S&P
Banca Comerciala Romana S.A.	BBB	BBB+	Fitch Ratings
Banca Transilvania S.A.	BB-	BB-	Fitch Ratings
BRD Groupe Societe Generale S.A.	BBB+	BBB+	Fitch Ratings

***Exposure to credit risk***

The maximum exposure to credit risk is equal to the balance sheet exposure at the reporting date and it was:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other Long-term financial assets	74.867	306.550
Financial Assets available for sale	207.077	7.559.764
Commercial receivables and other receivables	1.534.260	733.880
Current Assets related to trading activity	8.509.091	3.236.904
Financial Assets for Trading	-	2.022.702
Cash and cash equivalents	1.907.300	27.614.784
Bank Accounts on behalf of the customers	14.723.939	
<b>Total</b>	<b>26.956.534</b>	<b>41.474.585</b>

The Company monitors the exposure to credit risk by analyzing the age of the debts it holds.

The Company is marginally exposed to credit risk in the light of the activity of brokerage of financial transactions for individuals and legal entities, transactions that are made on the basis of the advances received from customers.

**(c) Liquidity risk**

The liquidity risk is the risk the Company to encounter difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash or by the transfer of another financial asset. The Company's approach to liquidity risk is to make sure, as far as possible, that it possesses at all times sufficient liquidity to cover the debts when they become due, both under normal conditions and under conditions of stress, without the emergence of unacceptable losses or jeopardizing the reputation of the Company.

The Company does not employ loans, requiring liquidities only to cover the current operational expenses and settlements made within the offset-settlement systems they operate. Taking into account the fact that a significant weight of the Company's assets consists of placements with a high liquidity degree, the level of liquidity risk to which the Company is exposed is a low one.

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

**(c) Liquidity risk (continuation)**

The contractual maturity of the financial liabilities, including the estimated payments of interest and excluding the impact of the offset agreements, are the following:

December 31, 2017	Accountin g value	Contractual cash flows	Less than 6 months	6-12 month s	1-2 years	2-5 year s	More than 5 years
Current liabilities related to trading activity	14,983,645	14,983,645	14,983,64 5	-	-	-	-
<b>Total (b)</b>	<b>14,983,645</b>	<b>14,983,645</b>	<b>14,983,64 5</b>	-	-	-	-

December 31, 2016	Accountin g value	Contractual cash flows	Less than 6 months	6-12 month s	1-2 years	2-5 year s	More than 5 years
Current liabilities related to trading activity	30,155,814	30,155,814	30,155,81 4	-	-	-	-
<b>Total (b)</b>	<b>30,155,814</b>	<b>30,155,814</b>	<b>30,155,81 4</b>	-	-	-	-

It is not anticipated that the cash flows included in the maturity analysis would occur significantly earlier or at significantly different values.

**(c) Liquidity risk (continuation)**

The Company maintains sufficient liquid assets (residual maturity under 6 months) in order to cover all the due debts as follows:

	Note	Decembe r 31, 2017	Decembe r 31, 2016
Current assets related to trading activity	13b)	207,077	3,236,904
Current Assets related to account activity in banks on behalf of the clients	14	14,723,93 9	27,614,78 4
Cash and cash equivalents	14	1,907,300	2,022,702
<b>Total assets with maturity under 6 months (a)</b>		<b>16,838,31 6</b>	<b>32,874,39 0</b>
<b>Net position (a – b)</b>		<b>1,854,671</b>	<b>2,192,595</b>

The assets and the liabilities which cannot be identified in the above tables have no defined residual maturity at the time of the initial recognition and depend mainly on the company's trading strategy, for example: financial assets held for transactions are not significant in order to be presented in the liquidity risk note.

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

**(d) Market risk**

The market risk is the risk that the variation of market prices, such as the exchange rate, interest rates and the price of equity instruments, would affect the Company's revenues or the value of the financial instruments held.

The objective of managing the market risk is to manage and control exposures to the market risk within acceptable parameters and at the same time to optimize the profitability of the investment.

***Fair values of financial assets and liabilities***

With the exception of financial instruments that are valued at fair value and presented in note 11, the accounting values of the financial assets and liabilities presented in the financial statements represent the fair values of those assets and liabilities which were not presented in the fund's balance at their fair value. The sale prices are used to estimate the fair values of assets, while the bid prices are applied for liabilities.

***Exposure to the foreign exchange risk***

The Company's exposure to foreign exchange risk is presented below, based on nominal values in thousand lei equivalent:

	EUR	RON	USD	GBP	Total
<b>December 31, 2017</b>					
<b>Financial assets</b>					
Financial assets available for sale		75			75
Other long-term financial assets					
Commercial receivables and other receivables	1028				1028
Current assets of the trading activity					
Financial assets for trading	6484	5430	2810		14724
Bank accounts on behalf of the customers	1100	752	25		1877
Cash and cash equivalents					
<b>Total financial assets</b>	<b>8612</b>	<b>6257</b>	<b>2835</b>		<b>17704</b>
<b>Financial liabilities</b>					
Commercial liabilities and other liabilities		29			29
Deferred income tax					
Current liabilities related to trading activity	6355	5382	2810		14547
<b>Total financial liabilities</b>	<b>6355</b>	<b>5411</b>	<b>2810</b>		<b>14547</b>
<b>Net financial assets</b>	<b>2257</b>	<b>846</b>	<b>25</b>		<b>3157</b>

	EUR	RON	USD	GBP	Total
<b>December 31, 2016</b>					
<b>Financial assets</b>					
Financial assets available for sale	7.202	232	125		7.559
Other long-term financial assets	234	72			306
Commercial receivables and other receivables	513	221			734
Current assets of the trading activity	3.091	143	3		3.237
Financial assets for trading					14.865
Bank accounts on behalf of the customers	14.865	7.575	5.175		27.615

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Cash and cash equivalents	1.996	22	6	2.024
<b>Total financial assets</b>	<b>27,456</b>	<b>8,710</b>	<b>5,309</b>	<b>41,475</b>
<b>Financial liabilities</b>				
Commercial liabilities and other liabilities		496		496
Current liabilities related to trading activity		30		30
<b>Total financial liabilities</b>	<b>18,264</b>	<b>6,715</b>	<b>5,177</b>	<b>30,156</b>
<b>Net financial assets</b>	<b>18,264</b>	<b>7,241</b>	<b>5,177</b>	<b>30,682</b>
	<b>9,192</b>	<b>1,469</b>	<b>132</b>	<b>10,793</b>

### *Sensitivity analysis*

A depreciation of the Romanian currency on 31 December 2017 and 31 December 2016 as indicated below compared to EURO, USD, GBP and CAD, would have resulted in an increase in the result of the Company with the values shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Depreciation of Leu by 10% compared to the above mentioned currencies	1,002	1,002

### *Exposure to interest rate risk*

The Company has no financial instruments with variable interest rate. The financial instruments kept to maturity are not affected by the variation in the interest rate. Therefore, a change in the interest rates at the time of reporting would not affect the profit or loss account or the Company's equity.

### *Exposure to the price risk of the financial assets held for trading and the financial assets available for trading*

The risk of the price of financial assets held for trading represents the risk that the value of such instruments will fluctuate as a result of changes in market prices, either due to factors specific for the issuer or factors which affect all the instruments traded on the market.

### **(e) Operational risk**

The operational risk is the risk of direct or indirect losses arising from a wide range of causes associated with the processes, the personnel, the technology and the infrastructure of the Company, as well as from external factors, others than the credit risk, market risk and liquidity risk, such as those coming from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The operational risks come from all operations of the Company. The main responsibility for the development and implementation of the controls related to the operational risk rests with the management. The Responsibility is supported by the development of the general standards of the Company for managing the operational risk in the following areas:

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

**(e) Operational risk (CONTINUATION)**

- Requirements for separation of the responsibilities, including the independent authorization of the transactions;
- Requirements for the reconciliation and the monitoring of the transactions;
- Alignment to the regulatory and legal requirements;
- Documenting Controls and procedures;
- Requirements for the periodic analysis of the operational risk to which the Company is exposed and the suitability of the controls and procedures to prevent the identified risks;
- Requirements for reporting the operational losses and proposals to remedy the causes that generated them;
- Development of operational continuity plans;
- Continuous professional development and training;
- Establishing ethical standards;
- Preventing the risk of litigation, including the insurance where applicable
- Risk mitigation, including the effective use of insurances where applicable.

**(f) Capital adequacy**

The Policy of the Board of Directors is to maintain a solid foundation of the capital necessary to maintain the confidence of the investors, creditors and the market in order to support the future development of the entity. The Board of Directors monitors the profitability of the invested capital, defined by the Company as the net profit from the exploitation activity divided into total equity, less the interests without control.

The Company's report regarding the liabilities to the capital at the end of the period was the following:

	<b>2017</b>	<b>2016</b>
Total liabilities	14,983,645	30,681,795
Cash, cash equivalents and current assets	16,838,316	32,874,390
<b><u>Total liabilities minus current assets</u></b>	<b><u>1,854,671</u></b>	<b><u>2,192,595</u></b>
<b>Total equity</b>	<b>12,000,816</b>	<b>10,899,700</b>

The specific Requirements issued by the Financial Supervisory Authority (formerly CNVM) on equity are: the initial social capital must be greater than 730 thousand euros, the detained funds are greater than 730 thousand euros, i.e. the detained funds must be greater than or equal to the amount of the capital requirements, the requirements being fulfilled throughout the course of the activity in 2017 and 2016.

**g) Risk related to the economic environment**

In recent years, the European financial sector has faced a crisis of public debt, triggered by major fiscal imbalances and large public debts in several European countries. Current fears that the deterioration of financial conditions could contribute at a later stage to an additional reduction in investor confidence, determined a joint effort by the governments and central banks to adopt measures for counteracting the vicious circle of increasing the risk aversion and to ensure the normal operation of the market.

The identification and evaluation of investments influenced by a liquidity-deprived lending market, analysis of the compliance with the credit agreements and other contractual obligations, assessment of significant uncertainties, including the uncertainties related to the ability of an entity to continue to function for a reasonable period of time, all of which raise in turn other challenges.

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**5. FINANCIAL RISK MANAGEMENT (CONTINUATION)**

**g) Risk related to the economic environment (continuation)**

Their effects on the financial market in Romania have been due to prices and liquidity on capital markets and increases in long-term interest rates due to liquidity conditions at international level.

The Company's debtors can also be affected by situations of liquidity crisis that could affect their ability to honor their current liabilities. The deterioration of the operating conditions of the creditors also affects the management of cash flow forecasts and the analysis of depreciation of financial and non-financial assets. To the extent that the information is available, the management reflected revised estimates of future cash flows in its depreciation policy.

The Management cannot reliably estimate the effects on the financial statements of the Company resulting from the deterioration of financial market liquidity, the depreciation of financial assets influenced by non-liquid market conditions and the high volatility of national currency and financial markets.

The Company's Management considers that it takes all necessary measures to support the growth of Society's activity under current market conditions through:

- i) Development of liquidity management strategies and setting specific liquidity management measures in crisis situations;
- ii) Forecasting of the current liquidity;
- iii) Daily monitoring of cash flows and estimation of the effects on the Company's debtors due to limited access to financing and restricted ability to sustain business growth in Romania;
- iv) The careful examination of the conditions and clauses included in the compensation and settlement commitments, now and in the near future.

**(h) Risk of taxation**

Starting January 1, 2007, following the accession of Romania to the European Union, the Company had to obey the regulations of the European Union and therefore has been prepared to apply the changes brought by the European legislation. The Company has implemented these changes, but their implementation remains open to fiscal control by the authorities for 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations harmonized with the European legislation, could vary from entity to entity, and there is a risk that in certain situations the tax authorities would adopt a position different from that of the Company.

In addition, the Romanian Government has a number of agencies authorized to carry out the audit (control) of companies operating on the territory of Romania. These controls are similar to tax audits in other countries, and can cover not only fiscal aspects but also other legal and regulatory issues that are of interest to these agencies. It is possible that the Company continues to be subjected to fiscal audits as new tax regulations have been issued.

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**6. NET RESULT FROM OPERATIONS WITH FINANCIAL INSTRUMENTS HELD FOR TRADING**

The net result of transactions in financial instruments held for trading recognized in the profit and loss account shall comprise:

	<b>2017</b>	<b>2016</b>
Net result from the evaluation of financial instruments held for trading	1,740,074	(385,350)
Net result from the disposal of financial instruments held for trading and closed positions	152,211	(521,789)
Gross income from dividends		41,763
Withholding tax for received dividends	<hr/>	<hr/>
<b>Net result from transactions in financial instruments held for trading</b>	<b>1,892,285</b>	<b>(865,376)</b>

**7. INCOME FROM SERVICES**

The income from brokerage operations and financial services recognized in the profit and loss account are:

	<b>2017</b>	<b>2016</b>
Fees receivable from the activity of financial brokerage	555,222	705,996
Fees receivable from payment agent activity	414,381	459,336
Fees receivable from the activity of custody and administration	400,685	333,740
Other fees received	<hr/>	<hr/>
Total income from brokerage fees and financial services	<b>1,757,190</b>	<b>1,526,610</b>

**8. OPERATIONAL EXPENSES**

The operational expenses comprise:

	<b>2017</b>	<b>2016</b>
Expenses with personnel i)	649,351	683,817
Fees and brokerage taxes paid	294,009	612,821
Rent and utilities headquarters	164,293	185,253
Services rendered by third parties ii)	469,120	492,085
Depreciation of assets (Notes 10,11)	58,228	85,241
Expenses with local taxes and other taxes	60,684	48,934
Transport and travelling	24,946	57,404
Banking fees	25,425	27,674
Other expenses	<hr/>	<hr/>
<b>Total</b>	<b>1,803,136</b>	<b>2,254,769</b>

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**8. OPERATIONAL EXPENSES (continuation)**

- i) Expenses with the personnel comprise the following:

	<b>2017</b>	<b>2016</b>
Wages for the members in management	170,040	
Wages for the operational personnel	516,210	378,323
Social contributions	118,242	121,072
Other expenses	14,899	14,382
<b>Total</b>	<b>649,351</b>	<b>683,817</b>

The Number of employees in the Company was of:

	<b>2017</b>		<b>2016</b>	
	<b>At the end of the year</b>	<b>Average on year</b>	<b>At the end of the year</b>	<b>Average on year</b>
Number of employees	9	10	9	10

- ii) Expenses with the services provided by third parties include communications, repairs, accounting services, translations and others.

**9. EXPENSES WITH THE INCOME TAX**

	<b>2017</b>	<b>2016</b>
Expense with the current income tax	-	-
Expense with the deferred income tax	-	-

Reconciliation of income before tax with the expense with the income tax in the profit and loss account

	<b>2017</b>	<b>2016</b>
<b>Profit/Loss before tax</b>	1,781,299	(1,618,556)
The effect on the income tax of the period		
Non-taxable income	36,752	
Non-deductible expense	10,707	
<b>Fiscal Profit/Loss for the period</b>	(1,644,601)	

For prudential reasons both on 31 December 2017 and 31 December 2016, the company has not recognized receivables from the deferred tax because it had suffered losses in both financial periods.

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**10. TANGIBLE ASSETS**

	Machines and equipment IT	Office supplies, furniture and protective equipment	Tangible assets under execution	Total
<b>Cost</b>				
Balance as at January 1, 2016	210,669	70,401	-	281,069
Acquisitions	4,949	2,200	-	7,149
Outflows	-	-	-	-
<b>Balance as at December 31, 2016</b>	<b>215,618</b>	<b>72,601</b>	<b>-</b>	<b>288,219</b>
Acquisitions	329,558	37,400	96,194	463,152
Outflows	5,691	11,526	-	17,217
<b>Balance as at December 31, 2017</b>	<b>539,485</b>	<b>98,474</b>	<b>96,194</b>	<b>734,154</b>
<b>Depreciation</b>				
Balance as at January 1, 2016	181,095	62,426	-	243,521
Depreciation during the year	29,235	5,095	-	34,330
Outflows	-	-	-	-
<b>Balance as at December 31, 2016</b>	<b>210,329</b>	<b>67,521</b>	<b>-</b>	<b>277,851</b>
Depreciation during the year	16,792	5,716	-	22,507
Outflows	5,691	10,426	-	16,117
<b>Balance as at December 31, 2017</b>	<b>221,429</b>	<b>62,811</b>	<b>-</b>	<b>284,240</b>
<b>Net accounting values</b>				
Balance as at December 31, 2016	5,289	5,079	-	10,368
Balance as at December 31, 2017	318,056	35,663	96,194	449,913

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**11. INTANGIBLE ASSETS**

Cost	Licenses, software	Total
<b>Balance as at January 1, 2016</b>	<b>259,504</b>	<b>259,504</b>
Acquisitions		
<b>Balance as at December 31, 2016</b>	<b>259,504</b>	<b>259,504</b>
Acquisitions		
<b>Balance as at December 31, 2017</b>	<b>259,504</b>	<b>259,504</b>
<b>Cumulated depreciation</b>		
<b>Balance as at January 1, 2016</b>	<b>112,051</b>	<b>112,051</b>
Annual amortization	50,911	50,911
<b>Balance as at December 31, 2016</b>	<b>162,962</b>	<b>162,962</b>
Annual amortization	35,722	35,722
<b>Balance as at December 31, 2017</b>	<b>198,684</b>	<b>198,684</b>
<b>Net accounting values</b>		
<b>Balance as at December 31, 2016</b>	<b>96,542</b>	<b>96,542</b>
<b>Balance as at December 31, 2017</b>	<b>60,820</b>	<b>60,820</b>

**12. FINANCIAL INSTRUMENTS**

The financial instruments owned by the Company consist of;

**12.a) Financial Assets at fair value through profit and loss account**

	2017	2016
<b>Balance as at January 1</b>	<b>7,235,720</b>	<b>8,173,619</b>
Acquisitions		54,232,088
Reduction/Increase in revaluation value		(385,350)
Sales		( 51,129,495)
Differences in exchange rate		( 69,073)
Transfers in financial assets available for sale		(7,235,720)
<b>Balance as at December 31</b>	<b>-</b>	<b>-</b>

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**12. FINANCIAL INSTRUMENTS (CONTINUATION)**

The financial assets available for sale are shares at Casa de Compensare Bucureşti SA, Casa Română de Compensare SA ("CRC"), Fondul de Compensare a Investitorilor SA ("FCI") and IPAC S.A. respectively. They are presented at cost. None of the institutions and companies mentioned are being listed on the stock exchange.

There are financial assets at fair value through profit and loss account, up to 07/08/2016, when according to the adopted decision they passed from the tradable (marketable) portfolio to portfolio owned.

**12.b) Financial Assets available for sale**

	<b>2017</b>	<b>2016</b>
Shares evaluated at fair value	5,226,879	
Other structured financial instruments	2,332,885	
Total financial assets available for sale	<b>7,559,764</b>	
	<b>2017</b>	<b>2016</b>
<b>Balance as at January 1</b>	<b>7,559,764</b>	<b>10,036</b>
Acquisition	472,256	
Transfers from the financial assets to fair value through the profit and loss account	7559764	7,235,720
Increase revaluation to fair value	530,210	
Sales	(724,791)	
Differences in the exchange rate	36,333	
<b>Balance at December 31</b>	<b>7,559,764</b>	

**12.c) The Hierarchy of fair values**

The table below analyses the financial instruments recorded at fair value depending on the valuation method. All financial instruments owned by the Company are valued at fair value on the basis of the quotation available for the last day of trading for each owned symbol, by multiplying the number of instruments owned with this quotation.

**December 31, 2017**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets available for sale	0	0	0	<b>—</b>
Financial assets at fair value through profit and loss account	-	-	-	-

**December 31, 2016**

Financial assets available for sale	10,036	-	-	<b>10,036</b>
Financial assets at fair value through profit and loss account	8,173,619	-	-	<b>8,173,619</b>

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**12. FINANCIAL INSTRUMENTS (CONTINUATION)**

**12.d) Reserve from the revaluation at the fair value of the financial assets available for sale, the net gives the deferred tax.**

	<u>2017</u>	2016
<b>On January 1</b>		
Casting, Net of deferred tax, from revaluation of the financial assets available for sale	-	534,653
Gain/(loss) related to the transfer into the profit or loss account as a result of the sale of the financial assets available for sale.	-	4,444
<b>December 31</b>		<u>530,209</u>

**12.e) Deferred income tax**

	<u>2017</u>	2016
<b>On January 1</b>		
Subtractions in the deferred income tax from the revaluation reserve	-	
Increases in the deferred income tax from the revaluation reserve	-	30,145
<b>December 31</b>		<u>30,145</u>

The financial assets held for trading are mainly non-derivative, quoted and unquoted financial instruments, traded on domestic and external markets. On December 31, 2015, the Company was having opened a single position on derivative financial instruments which reached the maturity in March 2016.

**13. COMMERCIAL LIABILITIES AND OTHER LIABILITIES**

**a) Commercial liabilities and other liabilities have the following structure:**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Amounts to be recovered from former shareholders	432,341	432,341
Advance Expenses	48,957	131,232
Customers-amounts to be cashed	1,026,126	
Liability in relation to personnel	267	6,785
Other liabilities	10	163,523
<b>Total</b>	<u>1,534,260</u>	<u>733,880</u>

**b) Current Assets related to trading activity**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Debtors from the transactions on behalf of the customers	27,795	3,030,528
Debtors from the transactions on behalf of the Company	179,282	206,376
<b>Total</b>	<u>207,077</u>	<u>3,236,904</u>

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**13. COMMERCIAL LIABILITIES AND OTHER LIABILITIES (continuation)**

The values represent amounts received from transactions made in the last trading days and which are in the normal settlement course. The amounts are received at the settlement deadlines stipulated by the markets on which they were performed. The values in the balance at these dates were fully cashed in the first week of the following year.

**14. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents owned by the Company are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Current bank accounts	1,878,104	2,021,040
Cash in the cashier	29,196	1,662
<b>Total</b>	<b>1,907,300</b>	<b>2,022,702</b>

Cash and cash equivalents do not include the amounts deposited in banks on behalf of the customers in amount of 27,614,784 lei on 12/31/2016 (31 December 2015:33,045,080 Lei) representing advances paid by them for the brokerage of future transactions. These amounts are presented in the situation of the financial position at the row "Bank accounts on behalf of the customers".

**15. COMMERCIAL LIABILITIES AND OTHER LIABILITIES**

a) Commercial liabilities and other liabilities comprise:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Commercial liabilities	29,855	59,057
Liabilities towards the personnel	2,700	-
Social contributions and tax on wages	21,103	385
Other liabilities to the state budget	429,148	424,932
<b>Other liabilities</b>	<b>-</b>	<b>11,463</b>
<b>Total</b>	<b>482,806</b>	<b>495,836</b>

i) Commercial liabilities are mainly obligations towards suppliers, paid at the beginning of the year 2018.

ii) Other liabilities to the state budget mainly represent the income tax and related accessories, owed for the sale transactions of BVB shares in 2010 by the Company to the former shareholders and will be paid to the Ministry of Public Finances, after the analysis and communication to the Company of the transfer prices for these transactions.

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**15. COMMERCIAL LIABILITIES AND OTHER LIABILITIES (continuation)**

**b) Current Liabilities related to the trading activity**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Creditor customers	14,547,533	29,847,209
Creditors from transactions in the account of the customers	203,187	103,265
Income in advance	232,925	205,340
<b>Total</b>	<b>30,155,814</b>	<b>30,155,814</b>

The values represent amounts owed from transactions concluded in the last trading days and which are in the normal course of settlement or cash advances received from customers for transactions to be carried out by the Company in the name of the customers. The amounts shall be received under the settlement conditions provided by the markets for which they were made. The amounts outstanding at these dates were fully received in the first week of the following year.

**16. OTHER LONG-TERM ASSETS**

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Security CCP Austria i)		234,587
Security at Depozitarul Central S.A. i)		56,609
Security at Depozitarul Sibex S.A. ii)	10,037	
Securities to Suppliers	64,830	15,354
<b>Total long-term assets</b>	<b>74,867</b>	<b>306,550</b>

- i) The guarantee Fund at Depozitarul Central SA is constituted for market trading in Bucharest.
- ii) Security at the Guarantee Fund of the Depositary Sibex was necessary to carry out transactions on the Sibex Scholarship in Sibiu. Taking into account that the Company withdrew from this market during the year 2015, on 31 December 2015 the balance of the security was 0.

**17. CAPITAL, RESERVES, PROFITABILITY**

**(a) Share capital**

The share capital subscribed and provided on 31 December 2017 amounted to 14,122,654 lei, representing the equivalent of 14,122,654 shares with a nominal value of 1 Leu/action, dematerialized, with the same voting right (December 31, 2016: 14,122,654 Lei).

The subscribed share capital was increased during the year 2013, according to the Decision of the Extraordinary General Assembly No. 1 of 09.09.2013 from 5,181,654 Lei to 14,122,654 Lei, by the subscription of the main shareholder, Blue Rock Capital GmbH (formerly Euro Invest Bank AG), and the contribution in cash.

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**17. CAPITAL, RESERVES, PROFITABILITY (CONTINUATION)**

Shareholder Structure as at 31 December 2017	<u>Number of shares</u>	<u>% in the share capital</u>
<b>Legal Persons, of which:</b>		
- Blue Rock Capital GmbH (former Euro Invest Bank AG)		
	14,116,884	99.959%
<b>Natural persons, of which:</b>		
- foreign	5,770	0.041%
<b>Total</b>	<b>14,122,654</b>	<b>100%</b>
Shareholder Structure as at 31 December 2016	<u>Number of shares</u>	<u>% in the share capital</u>
<b>Legal Persons, of which:</b>		
- Blue Rock Capital GmbH (former Euro Invest Bank AG)		
<b>Natural persons, of which:</b>		
- foreign	5,770	0.041%
<b>Total</b>	<b>14,122,654</b>	<b>100%</b>

The reconciliation of the share capital according to IFRS with the Romanian accounting regulations is presented in the table below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Share capital according to RCR	14,122,654	14,122,654
The effect of hyperinflation – IAS 29	0	0
<b>Total</b>	<b>14,122,654</b>	<b>14,122,654</b>

**(b) Dividends**

In the year 2017 and 2016 no dividends were distributed to shareholders, the Company registering losses.

**(c) Legal reserve**

According to legal requirements, the Company constitutes legal reserves amounting to a minimum of 5% of the registered profit in accordance with the legal requirements up to the level of 20% of the share capital. The legal reserves cannot be distributed to the shareholders.

The amount of the legal reserves in balance on December 31, 2017 is of 47,002 Lei (2016: 47,002 lei).

The legal reserves can be used to cover losses in operating activities.

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**NOTES ON THE**  
**FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**  
**(all the amounts are expressed in LEI, unless otherwise specified)**

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**17. CAPITAL, RESERVES, PROFITABILITY (CONTINUATION)**

**(d) *The retained earnings***

The retained earnings represent the earnings of the Company from previous years, as well as the earnings of the current year which were not allocated for other destinations.

**(e) *Profitability of assets***

EU Regulation No. 575/2013, Art. 431-455 and ASF Regulation No. 3/2014, Art. 134 stipulate that the Company must publish in the annual financial statements of the „profitability of asset indicator”, calculated as a ratio between the net profit realized and the total value of the asset. On December 31, 2015 and December 31, 2016 these indicators were negative because the Company has recorded losses.

**18. TRANSACTIONS WITH THE AFFILIATED PARTIES**

**(a) *Trading Operations with affiliated parties***

The Company has brokered transactions in financial instruments on domestic and international financial markets for customers, affiliated parties, in normal market conditions.

The total volume of transactions in financial instruments carried out by them through the Company in the year 2017 was of 18,267,884 lei (2016: 7,665,747 Lei). The amount of the brokerage fees and the fees for the financial services rendered was of 18,087 lei (2016: 6,587 Lei) and the value of other financial services rendered was in the year 2017 343,806 Lei (2016: 36,953 Lei). The balance of the availability of the customers, affiliated parts, in the Company's records were on 31 December 2017 in the amount of 3,520,586 Lei (2016: 7,997,431 Lei), representing 24.20% (2016: 27.79%) of the total amount of the availability of the customers.

**(b) *Key management personnel***

*December 31, 2017*

**Members of the Board of Directors:**

Ştefan N.M. UNGUREANU – president  
Franz WANOVITS - member  
Martin Alexander NEDELKO - member

**Members of executive management:**

Ştefan N.M. UNGUREANU – General Manager  
Mihaela-Carmen PRISACARIU – Deputy General Manager

*December 31, 2016*

**Members of the Board of Directors:**

Gunter Woinar – President Franz Wanowitz  
Josef Julius Stummer - member Brandstetter Christian  
Ivan Monica Adriana - member

**Members of executive management:**

Ivan Monica Adriana – General Manager  
Tod-Raileanu Adrian – Deputy General Manager

**S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.**  
**NOTES ON THE**  
**FINANCIAL STATEMENTS FOR THE**  
**FINANCIAL EXERCISE CONCLUDED ON THE 31<sup>ST</sup> OF DECEMBER 2017**  
**(all the amounts are expressed in LEI, unless otherwise specified)**

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**18. TRANSACTIONS WITH THE AFFILIATED PARTIES (CONTINUARE)**

**(b) Key management personnel (continuation)**

During the year 2017, the expense with the wages paid to the key management persons were of 0 Lei (2016: 170,040 Lei).

The members of the Board of Directors received no indemnities.

The Company granted no loans, advances or securities in favor of the members of the Board of Directors and the operational managers.

**19. ENGAGEMENTS AND CONTINGENT DEBTS**

**(a) Legal actions**

On December 31, 2017 and December 31, 2016, the Company was having no ongoing litigations.

**(b) Off-balance commitments**

The Company was having no off-balance engagements commitments given or received on December 31, 2017 and December 31, 2016.

**(c) Transfer price**

Starting with year 2000, the Romanian tax legislation contains rules regarding the transfer prices between affiliated persons. The current legal framework defines the principle of „market value” for the transactions between affiliated persons, and the methods of establishing the transfer prices. As a result the tax authorities are expected to initiate minute checks on the transfer pricing in order to ensure that the tax result and/or the customs value of the imported goods are not distorted by the effect of prices charged in the relations with the affiliated persons.

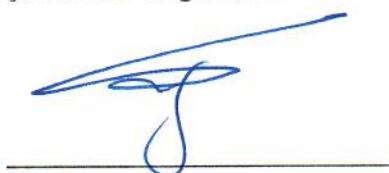
**20. EVENTS SUBSEQUENT TO THE DATE OF THE BALANCE**

Until the date of the approval of these financial statements, no significant events took place subsequent to the reporting date except those detailed in the notes to the present financial statements.

The Board of Directors is authorized by ASF according to the authorization 305/12/20/2017, with the members: Stefan N.M. UNGUREANU, Franz WANOVITS and Martin Alexander NEDELKO, the demarches of registration with ONRC<sup>1</sup> being finalized in March 2018.

The executive management is at this moment being ensured by Mr. Stefan Nicolae Marius Ungureanu, in his quality of general manager, according to the ASF Administrator Authorization No. 55/22.03.2017

Manager,  
Stefan NM Ungureanu



<sup>1</sup> Trade Register Office

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## ANNUAL REPORT OF THE BOARD OF DIRECTORS RELATED TO THE FINANCIAL EXERCISE 2017

**SSIF BLUE ROCK FINANCIAL SERVICES S.A.** is a company of financial investment services, authorized in accordance with the Romanian capital market legislation, respectively, Law No. 297/2004 and Regulation C.N.V.M./A.S.F. No. 32/2006, which transpose the provisions of the Directive 2004/39/EC (MIFID). The Company was established in 1997, and the current share capital is of 14,122,654 Lei.

Starting with 2011 the shareholding is 100% Austrian. The Austrian Shareholders possess a vast experience in the Romanian capital market, as they have owned Austro-Rom (founding member of the Bucharest Stock Exchange) from the year 1995 until the year 2006.

Blue Rock Financial Services operated under the name of Transilvania Capital until the date of 05/22/2014. By Resolution No. 184392/22.05.2014 the Company submitted with the Trade Register Office of the Bucharest Court a request to change the name of the company and the logo.

### 1. Share capital

SSIF BLUE ROCK FINANCIAL SERVICES S.A. has a share capital of 14,122,654 Lei according to the decision of the Extraordinary General Meeting of Shareholders No. 01 of 09/09/2013, registered at the Trade Register Office of the Bucharest Court, on the basis of Resolution 460765 of 01/30/2013. The capital was increased by the cash contribution subscribed exclusively by the shareholder Euro Invest Bank AG, current Blue Rock Capital GmbH, with the amount of 2,000,000 Euros, equivalent to 8,941,000 Lei, so that the its contribution to the share capital reaches 14,122,654 Lei (99,959%), the minority shareholder Gunter Woinar remaining with the contribution to the share capital of 5,770 Lei (0041%). The share capital of the company after the increase is 14,122,654 Lei. The increase was authorized by ASF by Authorization No. A/148/10/15/2013.

### 2. Authorized agencies

At the end of 2017, the company owned an agency-type office located in Brasov (registered office under ASF Authorization No. 266/11/18/2014).

### 3. Change of the name and the logo of the Company

During year 2017 there have been no changes in the name or logo of the company.

### 4. Change in the structure of the management

The Management of the company is authorized by ASF, in accordance with the legal provisions in force, with the following structure:

No.	Name and forename	Position with SSIF	Authorization decision
1.	Ungureanu N.M. Stefan	Administrator-General Manager	55/03/22/2017
2.	Prisacariu –Mihaela-Carmen	Administrator-Deputy General Manager	151/07/20/2017

The executive Management is currently ensured by Mr. Stefan Nicolae Marius Ungureanu as general manager, according to the ASF Administrator Authorization No. 55/22.03.2017

### 5. Modification of the structure of the Board of Directors

At the end of year 2017, the structure of the Board of Directors, approved by the Financial Supervision Authority (ASF) and registered with the Trade Register Office, was comprising 3 members, in the following structure:

No.	Name and forename	Position with the Board Directors	Authorization decision
1.	UNGUREANU N.M. STEFAN	President	95/05/24/2017
2.	NEDELKO MARTIN ALEXANDER	Member	305/12/20/2017
3.	FRANZ WANOVITS	Member	13/01/12/2017

The Board of Directors is authorized by ASF according to the Authorization No. 305/20.12.2017, having as members Stefan N.M. UNGUREANU, Franz WANOVITS and Martin Alexander NEDELKO.

All changes in the organization and operation mode were previously authorized by ASF (former CNVM) and were registered at ONRC.

The Company's Board of Directors took the following decisions in the year 2017:

- a) Nomination of persons responsible for different functions (general manager, deputy general manager, representative for the internal control compartment);
- b) Approval of the Internal Control Report, the Activity Plan of the representatives of the internal control compartment for the year 2017.
- c) Approval of IFRS financial statements
- d) Approval of the business lines of the company and their presentation within the general meeting of the shareholders of the Company
- e) Approval of the appointment of persons in the committees internally established, according to the applicable regulations
- f) Approval of procedures established by ASF and other capital market institutions
- g) Others

## 6. Internal Control

According to Article 68, Reg. CNVM/ASF No. 32/2006, Persons employed within the Internal Control Compartment are subject to the authorization of the Financial Supervision Authority and registered in its Register.

The persons who activated as representatives of the Internal Control Compartment, during the year 2017, were the following:

No.	Name and forename	RCC Authorization Decision	RCC Authorization Withdrawal Decision	No. QASF Register
1.	Ilie Corneliu Gabriel	148/10.10.2016		PFR13RCCI/400618
2.	Matei George Mircea	312/12/28/2017		PFR13RCCI/400645

The responsibilities of the representatives of the Internal Control Compartment, in accordance with art. 76, Reg. CNVM/ASF No. 32/2006, are the following:

- To regularly monitor and verify the application of the legal provisions of the S.S.I.F. activity and internal procedures, and to keep track of the irregularities discovered;
- To provide information to the company and its employees on the legal regime applicable to the capital market;
- To endorse the documents submitted by S.S.I.F. to A.S.F. in order to obtain the authorizations provided for in the Regulations C.N.V.M./A.S.F., as well as the reports submitted A.S.F. and the entities of the capital market;
- To prevent and propose measures to remedy any situation of breaches of laws and regulations in force, incidents of the capital market, or internal procedures of the company by S.S.I.F. or its employees;
- To keep track of all the complaints received from the customers and the way of settle them;
- To analyze and endorse the information/advertising materials of S.S.I.F
- To ensure that the access codes and passwords transmitted by the capital market entities are exclusively used by each agent for financial investment services;;

- To report to the Board of Directors, the internal administrators and auditors the situations of breaches of legislation, regulations in force or internal procedures, according to individual and legal responsibilities.

## 7. Findings

As a result of the audit carried out by the representatives of the Internal Control Compartment, during the year 2017, no deviations were identified that would be significantly inconsistent with the applicable legal provisions; the audit body did not apply sanctions for the company or its employees.

## 8. Risks

The Company is exposed to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk, which includes the interest risk and the foreign exchange risk;
- Operational risk;
- Risk related to the economic environment;
- Risk of taxation

The Company's Board of Directors has the general responsibility for establishing and supervising the risk management framework at the Company's level.

The Board of Directors is also responsible for examining and approving the strategic, operational and financial plan, as well as the corporate structure of the Company.

The Company's policies of the risk management are defined so as to ensure the identification and analysis of the risks faced by the Company, setting the appropriate limits and controls, as well as monitoring the risks and the compliance with the established limits. Risk management policies and systems are regularly reviewed to reflect the changes in the market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop an orderly and constructive control environment, in which all employees understand their roles and obligations.

## 9. Subsequent events

The Board of Directors is authorized by ASF according to the authorization 305/12/20/2017, with the members: Stefan N.M. UNGUREANU, Franz WANOVITS and Martin Alexander NEDELKO, the demarches of registration with ONRC<sup>2</sup> being finalized in March 2018

On 03/15/2017 the Board of Directors decides to co-opt Mr. Stefan Nicolae Marius Ungureanu as a member. The executive management is currently ensured by Mr. Stefan Nicolae Marius Ungureanu as general manager, according to the ASF Administrator Authorization No. 55/22.03.2017

## 10. Remarks

On the investment plan, the company continued its development/modernization policy regarding the technical facilities (equipment, licenses/software).

At the same time, the Company possesses a trading portfolio consisting of financial instruments traded on domestic markets as well as other financial instruments traded on foreign markets. In the Company's ownership, there is a portfolio of financial instruments, consisting of unquoted shares, the possession of which is stipulated in the legislation applicable to the capital market, including shares in Casa Română de Compensație<sup>3</sup>, Casa de Compensare București<sup>4</sup> and Fondul de Compensare a Investitorilor<sup>5</sup>.

<sup>2</sup> Trade Register Office

<sup>3</sup> Romanian House of Compensation

<sup>4</sup> Bucharest House of Compensation

<sup>5</sup> Investor Compensation Fund

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Regarding the financial risks, the appropriation of capital is monitored and analyzed and it is an integral part of the daily risk management. SSIF BLUE ROCK FINANCIAL SERVICES S.A. calculates the capital requirements according to the calculation models described in the specific regulations on the adequacy of capital of the financial investment services companies, with the subsequent modifications and additions, and does not use internal calculation methods.

In the year 2017 SSIF BLUE ROCK FINANCIAL SERVICES S.A. registered a profit-type result in the amount of 1,781,299 Lei at a turnover of 1,757,190 Lei in a non-liquid market context and with complex organizational requirements from the authorities. The equity on 12/31/2017 was 12,000,816 Lei, and total assets were at the level of 27,467,267 Lei.

The Company planned for the year 2018 the continuation of investments in the development of trading software – accounting, which will comprise calculation procedures according to the methodology described by A.S.F. for the covering of the risks specific to the capital market.

The total volume of transactions in financial instruments carried out by the Company in the year 2017 on the markets administered by the Bucharest Stock Exchange was of 111,813,206 Lei (2016: 104,766,687 Lei). The amount of brokerage fees and fees for financial services rendered was of 445,891 Lei, 360 USD (at a volume of transactions of 101,494 USD), 480 CHF ((at a volume of transactions of CHF 68,801) and EUR 12,245 (at a volume of transactions of EUR 16,974,549). The balance of the availability of the Company's customers were on December 31, 2017 in the amount of 14,547,424 Lei (2016: 28,837,778 Lei), representing 24.20 % (2016: 27.79 %) of the total value of the customers' availability.

In the year 2018, the company's development policy is based on the brokerage activity, SSIF BLUE ROCK FINANCIAL SERVICES S.A. will focus on increasing the trading volume on the BVB, as well as on the external markets. A special interest will be given to any IPOs that may appear on the domestic market, as well as derivate financial instruments, both in the event of their introduction to the BVB and on the external markets. SSIF BLUE ROCK FINANCIAL SERVICES S.A. is a distribution agent on the Romanian market for two passported investment funds, which it intends to actively promote.

Starting with 2018, BRFS has resumed its activity of house trading. It will be conducted both on the BVB and on the external markets, covering a wide range of instruments. Special attention will be given to investment funds, in which BRFS intends to place on its own behalf part of the availability or liquidity. The issue of financial instruments will still be one of the basic pillars of the BRFS activity. In 2018 we intend to broker the programs and even issue instruments on our own behalf, both on the internal market (AeRO and BVB) and on the external markets.

In 2018 the Company intends to submit a project in the framework of a competition of research and development projects with funding from European sources. This Project aims to develop an innovative product for the capital market as well as a methodology for analyzing information with higher synergist results.

The Internal Control and the accounting and administrative procedures, the Accounting Compartiment by the designated person, must at any time ensure the possibility of verifying the degree of risk to which S.S.I.F. is exposed, as well as the compliance with the requirements regarding the capital adequacy, with subsequent amendments and additions.

Subsequent to the reference date of the financial statements, no significant events have emerged with economic and financial impact on the Company.

## 11. Corporate governance

The Declaration on the Application of Corporate Governance Principles, prepared pursuant to the Annex to Regulation 2/2016, was filed with the ASF within the legal deadline (January 2017).

Explanatory note on events relevant to the application of the provisions of Regulation no. 2/2016.

The set of rules of corporate governance defines the structure by which the objectives of S.S.I.F. Blue Rock Financial Services S.A., the means by which they can be reached effectively and transparently in relation to shareholders and to monitor their activity and performance.

Thus, for the purpose of applying the A.S.F. no. 2/2016, the attributions of the Board of Directors and the Executive management were modified, by redefining some existing ones, as well as by adding new attributions.

We mention here:

- responsibility for strategic management of the company and evaluation of its financial position;
- the six-month evaluation of the effectiveness of the risk management system, business continuity plans and emergency situations;
- Establishing relevant monitoring criteria for management performance and annual assessment of these criteria;
- the conditions and requirements for the occupation of management positions as well as the provisions regarding the recruitment, selection and appointment of the executive management / senior management members and renewal of the mandate of the existing ones within the Company;
- Providing qualitative and quantitative information to the board of directors in a timely manner at the request of the board of directors or on its own initiative as a result of the task being performed efficiently and effectively.

This report was approved on 05/14/2018

**MANAGER,**

Name and forename

**Stefan N.M UNGUREANU—member of the Board of Directors**

Signature

