



ANNUAL REPORT
31.12.2018

TABLE OF CONTENTS

1. ANALYSIS OF THE COMPANY ACTIVITY

1.1. a) PORTFOLIO MANAGEMENT

1.1. b) INVESTMENTS AND TRANSACTIONS

1.1. c) MONEY INSTRUMENTS MANAGEMENT

1.1. d) STRUCTURE OF ASSETS MANAGED AS AT 31.12.2018

1.1. e) NET ASSET EVOLUTION

1.1. f) EVOLUTION OF S.I.F. OLTENIA S.A. SHARES AT BUCHAREST STOCK EXCHANGE

1.1.1. GENERAL ASSESSMENT ELEMENTS:

a) PROFIT

b) TURNOVER

c) EXPORT

d) COSTS

e) % OF THE MARKET HELD

f) LIQUIDITY

1.1.2. ASSESSMENT OF THE COMPANY TECHNICAL LEVEL

DESCRIPTION OF MAIN PRODUCTS MADE AND/OR SERVICES PROVIDED

a) MAIN SALES MARKET

b) WEIGHT OF EACH CATEGORY OF PRODUCTS OR SERVICES IN INCOME AND TOTAL TURNOVER

c) NEW PRODUCTS CONSIDERED IN THE FUTURE FINANCIAL YEAR

1.1.3. ASSESSMENT OF THE TECHNICAL-MATERIAL SUPPLY ACTIVITY (INDIGENOUS SOURCES, IMPORT SOURCES)

1.1.4. ASSESSMENT OF THE SALES ACTIVITY

1.1.5. ASSESSMENT OF ASPECTS RELATED TO COMPANY EMPLOYEES / PERSONNEL

1.1.6. ASSESSMENT OF ASPECTS RELATED TO THE IMPACT OF THE ISSUER'S BASIC ACTIVITY ON THE ENVIRONMENT

1.1.7. ASSESSMENT OF RESEARCH AND DEVELOPMENT ACTIVITIES

1.1.8. ASSESSMENT OF THE COMPANY ACTIVITY IN TERMS OF RISK MANAGEMENT

ECONOMIC ENVIRONMENT RISK

OPERATIONAL RISK

MARKET RISK

CREDIT RISK

LIQUIDITY RISK

PORTFOLIO RISK

1.1.9. PERSPECTIVE ELEMENTS REGARDING THE COMPANY BUSINESS

2. COMPANY'S TANGIBLE ASSETS

3. MARKET OF SECURITIES ISSUED BY THE COMPANY

3.1. STATEMENT OF THE MARKETS IN ROMANIA AND OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE NEGOTIATED

3.2. DESCRIPTION OF THE COMPANY DIVIDEND POLICY

3.3. DESCRIPTION OF ANY COMPANY'S ACTIVITIES FOR THE ACQUISITION OF ITS OWN SHARES

3.4. S.I.F. OLTENIA S.A. REGISTERED BRANCHES

3.5. BONDS AND/OR OTHER DEBT SECURITIES ISSUED BY S.I.F. OLTENIA S.A.

- 4. COMPANY MANAGEMENT**
- 5. SITUATION OF LITIGATIONS**
- 6. FULFILLMENT OF COMMUNICATION OBLIGATIONS ESTABLISHED BY LAW**
- 7. OTHER IMPORTANT EVENTS**
- 8. ECONOMIC AND FINANCIAL RESULTS AND THE PATRIMONY STATUS**
- 9. CORPORATE GOVERNANCE**
- 10. SOCIAL RESPONSIBILITY**

ANNUAL REPORT
of the Board of Directors
in accordance with
the Regulation of the Financial Supervisory Authority (ASF) no. 5/2018
for the 2018 financial year

Report date: 31.12.2018

Company name: **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**
Registered office: **Dolj County, Craiova City, 1, Tufănele Street, postal code 200767**
Telephone/fax: **0251-419.343; 0251-419.340**
Tax identification number: **RO 4175676**
Number of registration with the Trade Register Office: **J16/1210/30.04.1993**
Number in ASF Register: **PJR07¹AFIAA/160004/15.02.2018**
ISIN: **ROSIFEACNOR4**
LEI code: **254900VTOOM8GL8TVH59**
Regulated market where issued securities are traded: **Bucharest Stock Exchange**
Premium category (SIF5 market symbol)
Subscribed and paid-up share capital: **RON 58,016,571**

The main characteristics of securities issued by the trading company: *S.I.F. OLTENIA S.A. shares are nominative, issued in a dematerialized form and grant equal rights to their holders. The face value of one share is RON 0.1.*

1. ANALYSIS OF THE COMPANY ACTIVITY

Societatea de Investiții Financiare OLTENIA S.A. - Romanian legal person – incorporated as a joint-stock company on 01.11.1996, under the Law no. 133/1996, has the Tax Identification Number RO 4175676 and is registered with the Trade Register Office under no. J16/1210/30.04.1993 (Trade Register Office attached to Dolj Regional Court).

According to the Articles of Incorporation approved at the Extraordinary General Meeting of Shareholders dated 05.09.2017 and endorsed by the Financial Supervisory Authority in February, 2018 through the Notice of Approval no. 48/15.02.2018, as at 31.12.2018 the Company has the following object of activity:

- administration and management of shares in trading companies for which own shares were issued, according to Property Deeds and Privatization Nominative Coupons subscribed by citizens, according to the provisions of art. 4 paragraph 6 of the Law no. 55/1995;

- administration and management of their own securities portfolio and performance of investments in securities in accordance with the regulations in force;
- risk management;
- other auxiliary activities and adjacent to the collective management activity.

The **subscribed and paid-up share capital**, registered as at 31.12.2018, was of RON **58,016,571**, divided in **580,165,714 acțiuni, shares** with a **face value of RON 0.1 /share**.

During the reporting period, S.I.F. OLTENIA S.A. has performed its activity in compliance with the legal provisions contained in:

- Law no. 31/1990 on trading companies - republished, as subsequently amended and supplemented;
- Law no. 297/2004 on the capital market, as subsequently amended and supplemented;
- Law no. 74/2015 on alternative investment fund managers;
- Law no. 24/2017 on issuers of financial instruments and market operations;
- CNVM - National Securities Commission (ASF - Financial Supervisory Authority) Regulation no. 15/2004 on the authorization and functioning of investment management companies, collective investment undertakings and depositaries;
- CNVM - National Securities Commission (ASF - Financial Supervisory Authority) Regulation no. 1/2006 on issuers and operations with securities;
- ASF - Financial Supervisory Authority Regulation no. 9/2014 on the authorization and functioning of investment management companies, undertakings for collective investment in securities and depositaries of undertakings for collective investment in securities;
- ASF - Financial Supervisory Authority Regulation no. 10/2015 on the management of alternative investment funds;
- ASF - Financial Supervisory Authority Regulation no. 14/2015 on the evaluation and approval of members of the management structure and of persons holding key positions within the entities regulated by the Financial Supervisory Authority;

- ASF - Financial Supervisory Authority Regulation no. 2/2016 on the application of the principles of corporate governance by entities authorized, regulated and supervised by the Financial Supervisory Authority;
 - ASF - Financial Supervisory Authority Regulation no. 2/2018 for the amendment and completion of some normative acts;
 - Regulation no. 5/2018 on Issuers of Financial Instruments and Market Operations;
 - Bucharest Stock Exchange Code;
 - Bucharest Stock Exchange Corporate Governance Code;
- and
- Articles of Incorporation.

The deposit-taking activities provided by the laws and ASF regulations were secured in 2018 by RAIFFEISEN BANK S.A.

The evidence of S.I.F. OLTENIA S.A. shareholders is kept by S.C. DEPOZITARUL CENTRAL S.A. in Bucharest.

The shares of S.I.F. OLTENIA S.A. **are included in the Premium Category** of Bucharest Stock Exchange, being negotiable and freely transferable, in compliance with the legal provisions.

During the 2018 financial year there has been no significant merger or reorganization of Societatea de Investiții Financiare OLTENIA S.A. or of the trading companies controlled by it.

ECONOMIC BACKGROUND

The year 2018 was marked on the Romanian market by contradictory news from the political area, which could worsen the investors' sentiment towards this. Even if they have not materialized completely, the persistence of these news in public space has created negative emotions on the stock market with effects on quotations.

The first 4 months of 2018 were marked by the increase in quotations, which led the BET index - the representative stock exchange index - to a new post-crisis pick, above the level of 9,000 points, the market being practically decoupled from foreign markets where we witnessed a strong decline in the Dow Jones Industrial Average index.

This positive trend was due to the good preliminary results for 2017 and the consistent dividend proposals.

The end of April was marked by the beginning of major sales of shares following rumours of major changes to the privately managed pension fund scheme - Pillar II.

The market lost almost 15% of April picks by the beginning of July, the negative reaction of investors being natural, knowing that pension funds are the most important buyers on the Romanian capital market.

The beginning of the second semester marked an upward trend of the market in an attempt to recover the level of quotations. The eventuality of distributing additional dividends, the prefiguration of partial dividends, as well as the good results of the companies at 6 months led to the buy-in of investors.

The upward trend slowed in November, amid falling quotations on foreign markets.

The end of the year led to an unexpected drop in the Romanian stock market. The Government Emergency Ordinance (GEO no. 114/2018), which includes a tax on bank assets, natural gas price limitation, turnover tax for energy and telecom companies, reform of the operating framework of the private pension scheme has led to a real stock exchange quake, the BET index crashed 11.21% and cancelled investors' earnings over the year.

The blue-chip stock index fell even below the 7,000 point benchmark to a minimum of the past two years.

Some counter-weight to the fall in stock quotes in 2018 was the dividends distributed by the most liquid shares in the BET index (BRD Groupe Société Générale, Banca Transilvania, SN Nuclearelectrica S.A., S.N.G.N. Romgaz S.A., S.N.T.G.N. Transgaz S.A.).

From the point of view of the Initial Public Offering, 2018 was extremely poor with only one bid, namely that of Purcari Wineries Public Company Limited (WINE) wine producer, which fell to BVB quotation in February 2018 as a result of a 40-million EURO operation.

An increased activity on the stock exchange was recorded by the bond segment (bonds issued by Globalworth, Banca Transilvania, Bucharest City Hall, International Investment Bank).

Regarding the passage of the Romanian stock market to the emerging market status, it is delayed especially due to small turnovers. The FTSE RUSSELL Financial Assessment Agency keeps the BVB on the watch list for promotion to emerging market status, the next move being scheduled for September 2019.

S.I.F. Oltenia S.A. contributed with an important transaction to the balance sheet of the 2018 stock market balance by selling the 6.29% stake in the Romanian Commercial Bank to Erste Bank AG, which resulted in a EUR 140 million input in the company accounts.

1.1. a) PORTFOLIO MANAGEMENT

S.I.F. OLTENIA S.A. has as main objective of the activity the management of a diversified portfolio of assets capable of providing a steady stream of income, revenue that will ensure both the dividend policy and the resources needed to achieve the investment program, the long-term preservation and increase in capital, in order to satisfy the interests of its shareholders.

Through our activity, we aim to improve the allocation of resources, achieve high returns on the invested capital, and develop the Company by increasing the value of the assets managed.

The asset allocation strategy aims at maximizing the performance of the managed portfolio, under the prudential conditions imposed by the regulations governing the operation of the Company.

S.I.F. OLTENIA S.A. also continued in 2018 the restructuring policy of the portfolio in particular by increasing the value of shareholdings in profitable companies that ensure portfolio stability, as well as by reducing the number of shareholdings.

As at **31.12.2018**, the Company's portfolio included a number of **49 issuers**, as compared to **51 issuers** as at **31.12.2017**, the **face value** of the shares being **RON 540,162,674** and a **market value of RON 1,478,457,359**, superior by **173.71%** to the face value. Valuation of S.I.F. OLTENIA S.A. assets is done according to ASF Regulations no. 9/2014 and no. 2/2018.

The market value of the managed stock portfolio, **of RON 1,478,457,359**, is **lower by 18.02%** of that recorded as at 31.12.2017 (**RON 1,803,438,685**).

The decrease in the market value of the managed stock portfolio is due to the sale of the stake in Banca Comercială Română (Romanian Commercial Bank) to Erste Bank AG. This sale is the main factor that has led to a decrease in the value of the shares held in closed-end trading companies, from **RON 614,896,621** to **RON 159,052,930**, respectively a decrease of **74.13%**.

Throughout 2018, S.I.F. OLTENIA S.A. has left the shareholders of three issuers:

- SIBEX S.A. Sibiu Depository – closed-end company, S.I.F. Oltenia S.A. requested the withdrawal from the company's shareholders because the General Meeting of Shareholders decided to change the object of activity;
- MAT S.A. Craiova - sale on the Bucharest Stock Exchange;

→ Banca Comercială Română, by concluding a sales and purchase agreement (closed-end trading company). The value of the sales and purchase agreement is of EUR 140 million

Only one issuer, respectively S.I.F. Banat Crișana S.A., entered the Company's portfolio of managed shares.

The structure of the shares portfolio as at 31.12.2018, according to the market where they are traded and the modality they enter in the calculation of the net asset, appears as follows:

Nr. crt.	Portfolio structure	Issuers		Face value of stock packages		Market value of stock packages	
		Nr. Sc.	%	lei	%	lei	%
1	Trading companies quoted on BVB.	18	36.73	337,136,429	62.41	1,032,467,421	69.83
2	Trading companies quoted on AeRO (BVB.)	10	20.41	83,867,663	15.53	267,522,320	18.10
3	Listed and non-traded trading companies	3	6.12	5,807,900	1.08	19,414,688	1.31
4	Closed-end trading companies	13	26.53	97,446,428	18.04	159,052,930	10.76
5	Trading companies in reorganization, judicial liquidation	5	10.20	15,904,254	2.94	-	-
	TOTAL	49	100.00	540,162,674	100.00	1,478,457,359	100.00

From the analysis of the portfolio structure, **89.24%** of the market value (calculated according to the ASF Regulation no. 9/2014) is given by the value of the listed shares, as compared to **65.90%** at the end of 2017. This fact is due to the exit from the portfolio of the shareholding held in BCR and investments made on the capital market.

We mention that the market value of the listed and traded shares is calculated in accordance with the ASF Regulations no. 9/2014 and no. 2/2018 and represents the closing price of the market section considered as the main market or the reference price provided under schemes other than the regulated markets, including the alternative systems of the day for which the calculation is made. The price used as a reference price is calculated based on the day-to-day trading activity for which the calculation of the asset is used as a benchmark in the opening of the trading session the next day.

According to art. 192¹ of the CNVM Regulation no. 15/2004 (article introduced by the ASF Regulation no. 2/2018), joint stock companies not admitted to trading on a regulated market or alternative trading system, in which S.I.F. Oltenia S.A. owns more than 33% of the share capital, are valued as an asset only in accordance with international valuation standards based on an assessment report, updated at least annually. This is the case for VOLTALIM S.A. Craiova, PROVITAS S.A. Bucharest, COMPLEX HOTELIER DÂMBOVIȚA S.A. Târgoviște, TURISM S.A. Pucioasa and GEMINA TOUR S.A. Râmnicu Vâlcea.

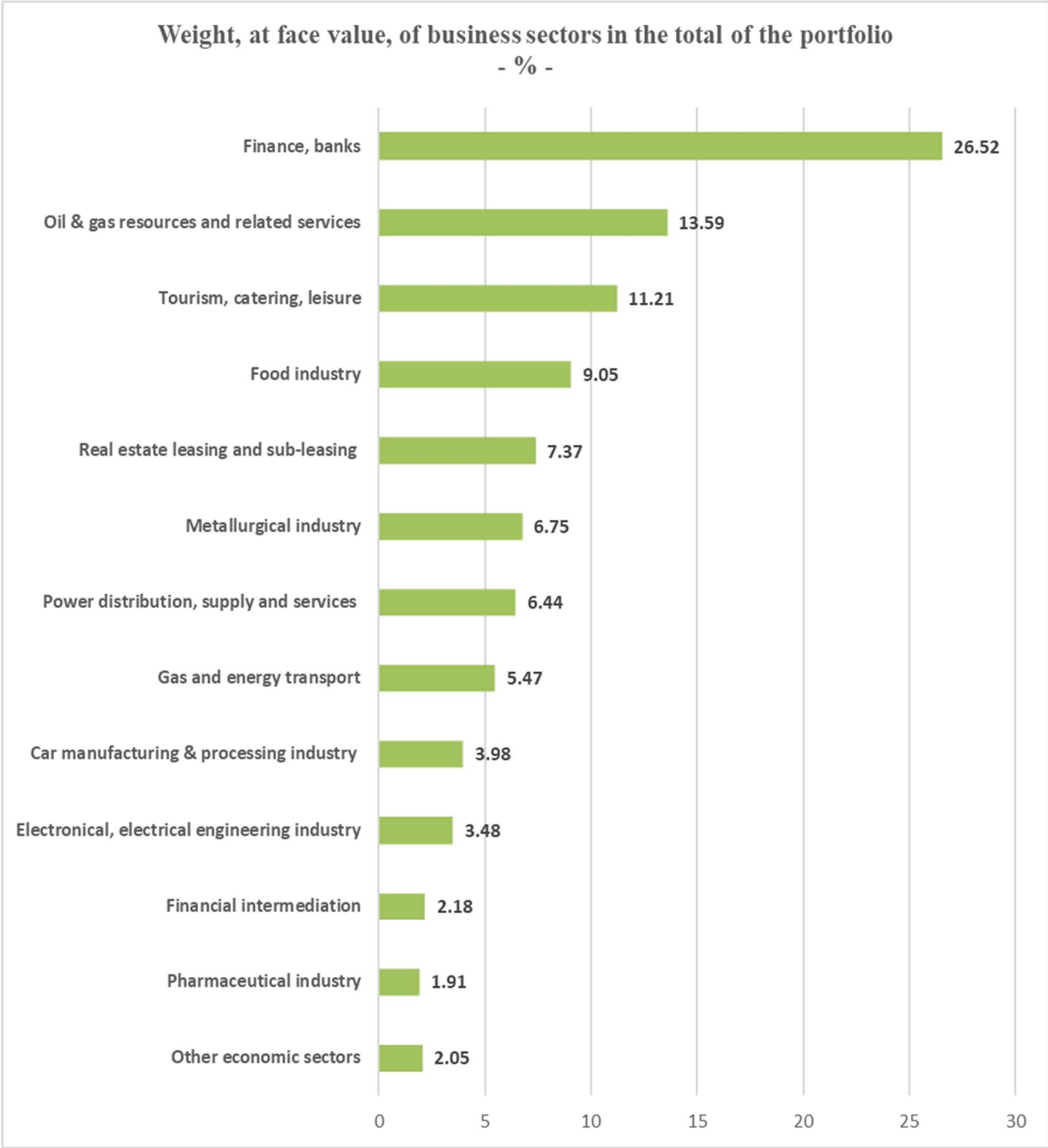
Shares not admitted to trading on a regulated market or in an alternative trading system in Romania issued by companies in which S.I.F. Oltenia S.A. owns less than 33% of the share capital are valued at the carrying amount per share, as evidenced by the last approved annual financial statement of the respective entity. In the case of credit institutions, the carrying amount per share is based on the calculation of the equity included in the monthly reports sent to the National Bank of Romania (NBR).

The structure of the portfolio on categories of shares is:

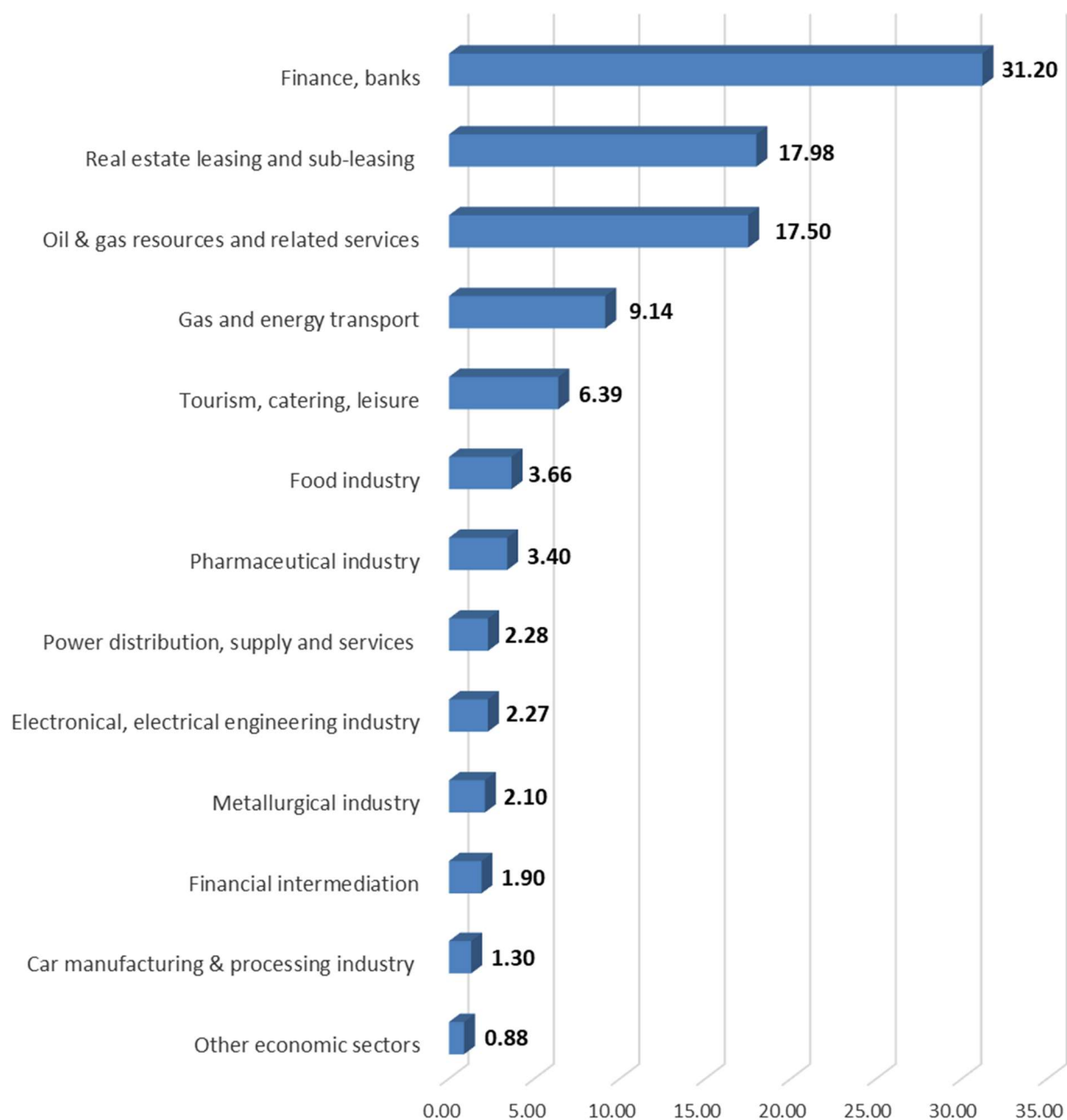
Quota held from the issuer's total social capital	31.12.2018			31.12.2017		
	Nr. sc.	Face value of stock packages - RON -	Weight in the total portfolio of shares %	Nr. sc.	Face value of stock packages - RON -	Weight in the total portfolio of shares %
0.01% - 5%	15	287,943,041	53.31	13	196,667,215	35.98
5.01% - 33%	22	154,044,133	28.52	26	250,029,673	45.73
33.01% - 50%	1	2,493,255	0.46	1	2,451,093	0.45
50.01% - 100%	11	95,682,245	17.71	11	97,518,954	17.84
TOTAL	49	540,162,674	100.00	51	546,666,935	100.00

Companies that came out of the portfolio fall into the category of shareholdings in which S.I.F. OLTENIA S.A. holds a share of less than 33% of the share capital. The share of these companies in the face value of their share portfolio decreased from **45.73%** as at 31.12.2017 to **28.52%** as at 31.12.2018, at the same time with an increase in the weight of shareholdings in the portfolio in which S.I.F. OLTENIA S.A. holds a share of up to 5% of the share capital (from **35.98%** as at 31.12.2017 to **53.31%** as at 31.12.2018).

The **main sectors of activities** represented in the portfolio as at 31.12.2018 are:



Weight, at market value, of business sectors in the total of the portfolio- % -



The finance and banking sector, best represented in the portfolio, accounts for **26.52%** of the total face value of the portfolio as at 31.12.2018, i.e. **31.20%** of the market value. It is noticed that the weight of the sector has decreased as compared to 31.12.2017, which is justified by the exit from the portfolio of the shares held in BCR, which took place in October 2018 by signing in the Shareholders' Register the transfer of shares from S.I.F. Oltenia at Erste Group Bank AG. (the finance and banking sector had a weight of 34.93% of the total face value of the portfolio as at 31.12.2017, i.e. 44.47% of the market value)

Regarding the market value of the portfolio of S.I.F. OLTENIA S.A., the first two sectors ("finances, banks" and "oil & gas resources and related services"), represent, in weight, **48.70%**. These are areas where S.I.F. OLTENIA S.A. has invested heavily in recent years and which we believe they still have a high growth potential.

S.I.F. OLTENIA S.A. is a shareholder in 2 the most important banks of the system, in terms of market share: BANCA TRANSILVANIA S.A. Cluj-Napoca (1st place in the ranking of banking groups) and BRD GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest (third place in the ranking of the banking groups).

During the year 2018, the market value of the shares in BANCA TRANSILVANIA S.A. Cluj-Napoca increased, the number of shares held as at 31.12.2018 being higher by **103.16%** than as at 31.12.2017 (number of shares as at 31.12.2017 - 47,566,896, number of shares as at 31.12.2018 - 96,636,050).

In the case of BRD GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest, the number of shares increased by **37.65%**, from 14,835,135 shares as at 31.12.2017 to 20,421,287 shares as at 31.12.2018.

The number of shares held in the two issuers (TLV, BRD) increased significantly as a result of the investment policy, whereby a part of the liquidity obtained from the sale of BCR was directed to the acquisition of bank shares. S.I.F. OLTENIA S.A. took advantage of the favourable context created by the Government's issuance of the Emergency Ordinance no. 114/28.12.2018 regarding the introduction of some measures in the field of public investments and fiscal-budgetary measures, the amendment and completion of some normative acts and the extension of some deadlines, a normative act that caused large decreases in the quotations of the banking and energy sector.

The strategy of S.I.F. OLTENIA S.A. was and is to maintain high stakes in the banking sector, considering that the banking market still has growth potential.

The positive evolution of the Romanian banking system's profitability indicator in recent years determines us to be optimistic and maintain a high

exposure of the portfolio managed in this sector, even if the last governmental decisions of the end of 2018 seem to affect this sector of activity.

As mentioned in the December 2018 Report on the Financial Stability of the National Bank of Romania, in 2018, the banking sector remained healthy. Solvency and liquidity remained in the right parameters, while asset quality improved.

The activity of the trading companies in the portfolio – especially those in which we hold controlling or majority shares – was constantly monitored, the main objectives pursued being:

- the assessment of the real potential of companies;
- the estimation of investment needs for business development;
- the improvement of economic-financial results;
- the promotion of an efficient management;
- the establishment of arrangements regarding an eventual recovery of the shares.

The managerial involvement of S.I.F. OLTENIA S.A. in the case of the companies in which it is holding a majority position resulted in:

- providing consultancy in the preparation and optimization of budgets;
- negotiating competitive performance criteria with management teams;
- introducing good corporate governance practices;
- analysing, together with management teams, the results, prospects, opportunities and potential risks;
- looking for solutions to reduce costs;
- identifying new sales markets.

Through representatives in the boards of directors, S.I.F. OLTENIA S.A. has conducted an intense analysis, monitoring and administration activity of companies in the portfolio in which it holds a majority stake, in order to preserve the patrimonies of the companies concerned and render efficient the economic indicators.

The exercise of the shareholder duties conferred by the Law no. 31/1990 republishes, as subsequently amendment and supplemented, was made through the representatives in the General Meetings of Shareholders.

As at 31.12.2018, S.I.F. OLTENIA S.A. held majority stake in 11 companies:

No.	Company name	Share percentage S.I.F. OLTENIA S.A.	Weight in the total asset S.I.F. OLTENIA S.A.
		- % -	- % -
1.	COMPLEX HOTELIER S.A. DÂMBOVIȚA	99.94	0.33
2.	VOLTALIM S.A. CRAIOVA	99.19	2.12
3.	MERCUR S.A. CRAIOVA	97.86	6.81
4.	GEMINA TOUR S.A. RM.VÂLCEA	88.29	0.22
5.	ARGUS S.A. CONSTANȚA	86.42	2.67
6.	FLAROS S.A. BUCHAREST	81.07	3.11
7.	CONSTRUCTII FERROVIARE S.A. CRAIOVA	77.50	0.02
8.	UNIVERS S.A. RM.VALCEA	73.75	0.72
9.	PROVITAS S.A. BUCHAREST	70.28	0.30
10.	TURISM S.A. PUCIOASA	69.22	0.25
11.	ALIMENTARA S.A. SLATINA	52.24	0.25
TOTAL		-	16.80

Evolution of shares portfolio during the period

2015 - 2018

	2015		2016		2017		2018		2018 / 2017 %
Number of trading companies in the portfolio	56		52		51		49		96,08
Portfolio face value - RON -	530,350,717		522,663,899		546,666,935		540,162,674		98.81
	-lei-	%	-lei-	%	-lei-	%	-lei-	%	
Portfolio market value	1,682,125,271	100.00	1,514,995,674	100.00	1,803,438,685	100.00	1,478,457,359	100.00	81.98
Closed-en company market value	552,671,449	32.86	543,706,344	35.89	614,896,621	34.10	159,052,930	10.76	25.87
Listed trading company market value	1,129,453,822	67.14	971,289,330	64.11	1,188,542,064	65.90	1,319,404,429	89.24	111.01
Totala asset value	1,708,098,544		1,570,989,901		1,824,576,020		1,982,611,377		108.66
Net asset value	1,622,765,774		1,494,899,450		1,770,430,599		1,838,322,127		103.83
Net unitary asset value	2.7971		2.5767		3.0516		3.1686		103.83

Throughout 2018, the stock portfolio has seen, in summary, the following evolution:

- the number of companies decreased from 51 companies to 49, decreasing by **3.92%**;
- the face value of the stock portfolio decreased by **1.19%**;
- the market value of the equity portfolio depreciated by **18.02%**;
- the asset value increased by **8.66%**;
- the net asset value increased by **3.83%**;
- the net unitary asset value increased by **3.83%**.

1. 1. b) INVESTMENTS AND TRANSACTIONS

Between January 2018 and December 2018, share sales transactions were made to obtain the necessary funds to pay the dividends to the shareholders of the Company, but mainly to optimize the structure of the portfolio, taking into account the opportunities offered by the market. Of the stock packages that were the subject of sales transactions, we mention:

- C.N.T.E.E. TRANSELECTRICA S.A. Bucharest
- OMV PETROM S.A. Bucharest
- CONTACTOARE S.A. Buzău
- MAT S.A. Craiova
- BANCA COMERCIALĂ ROMÂNĂ S.A.

The value of the sale of the stock packages was of **RON 668.59 million**.

The proceeds from the sale of BCR represent **97.73%** of the proceeds from disinvestment.

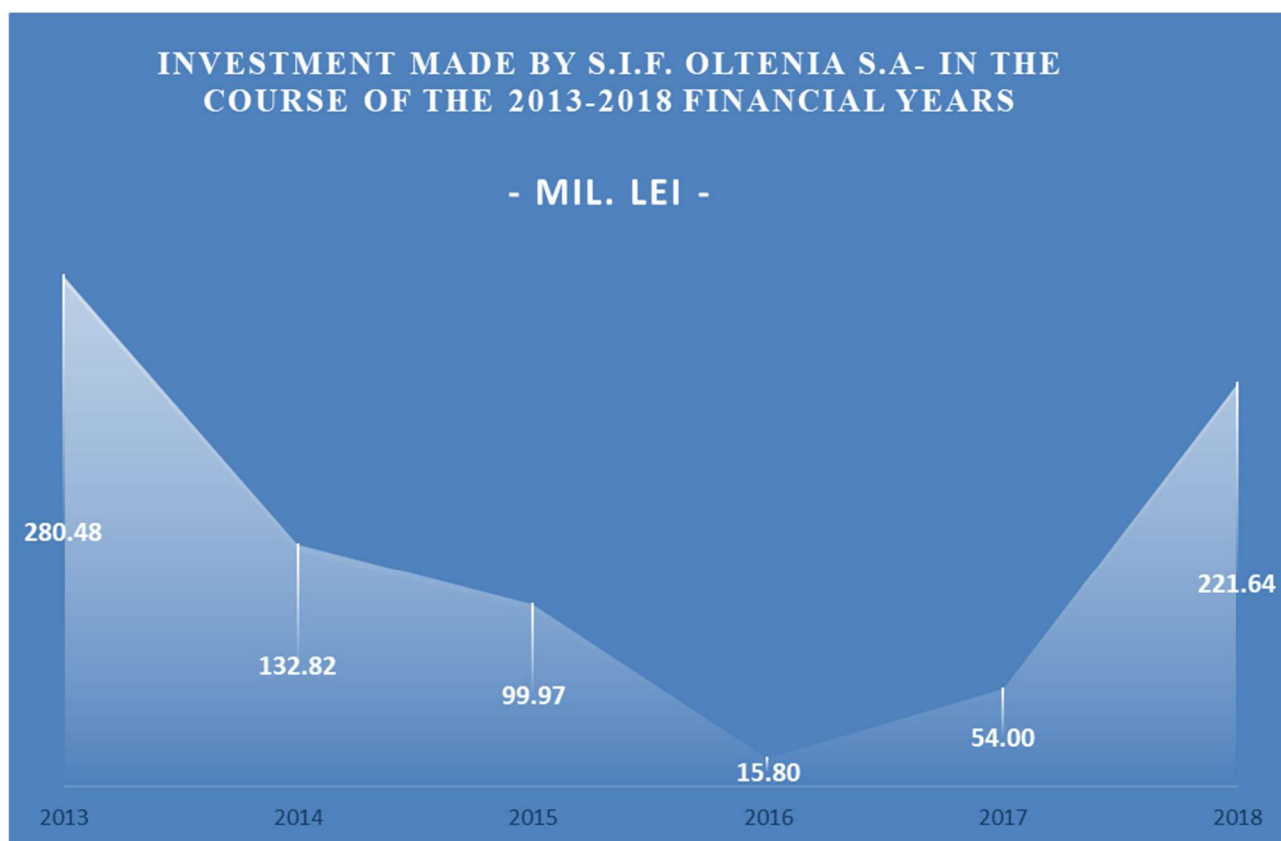
The sale of BCR shares at a price of EUR 140 million was appreciated by investors and specialists on the capital market, S.I.F. Oltenia S.A. being rewarded with the "Transaction of the Year 2018" prize at the "Inauguration of the 2019 Stock Exchange Year" organized by Bucharest Stock Exchange, "Award for the Highest Transaction Value - S.I.F. Category" within the "2018 Capital Market Awards Gala" event organized by the Brokers' Association, and during this event Mr. Tudor Ciurezu received the "Award for the Best Transaction Coordination carried out by a SIF" as well as the "Diploma of Excellency for the Most Important Transaction on the Romanian Capital Market in 2018" within the "2018 Stock Exchange Gala" event organized by Bursa Newspaper.

During the analysed period, total investments were made in the amount of **RON 221.64 million**.

The most important investments in the capital market were in securities issued by:

- ELECTRICA S.A. Bucharest
- BRD GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest
- BANCA TRANSILVANIA S.A. Cluj-Napoca
- S.I.F. BANAT CRIȘANA S.A. Arad
- ANTIBIOTICE S.A. Iași
- S.N.G.N. ROMGAZ S.A. Mediaș

The amounts allocated to investments (**RON 221.64 million**) are inferior to those obtained from the disinvestment (**RON 668.59 million**) because the value of the stock package held by S.I.F. Oltenia S.A. in BCR was collected in October 2018 and acquisitions of listed shares were made preponderantly in December when the listed shares experienced a significant depreciation.



<i>Year</i>	<i>- million RON -</i>
2013	280.48
2014	132.82
2015	99.97
2016	15.80
2017	54.00
2018	221.64
TOTAL	804.71

Between 2013 and 2018, total investments amounted to **RON 804.71 million (EUR 173 million, EUR 1 = RON 4.6639 as at 31.12.2018)**, representing a high financial effort for the Company.

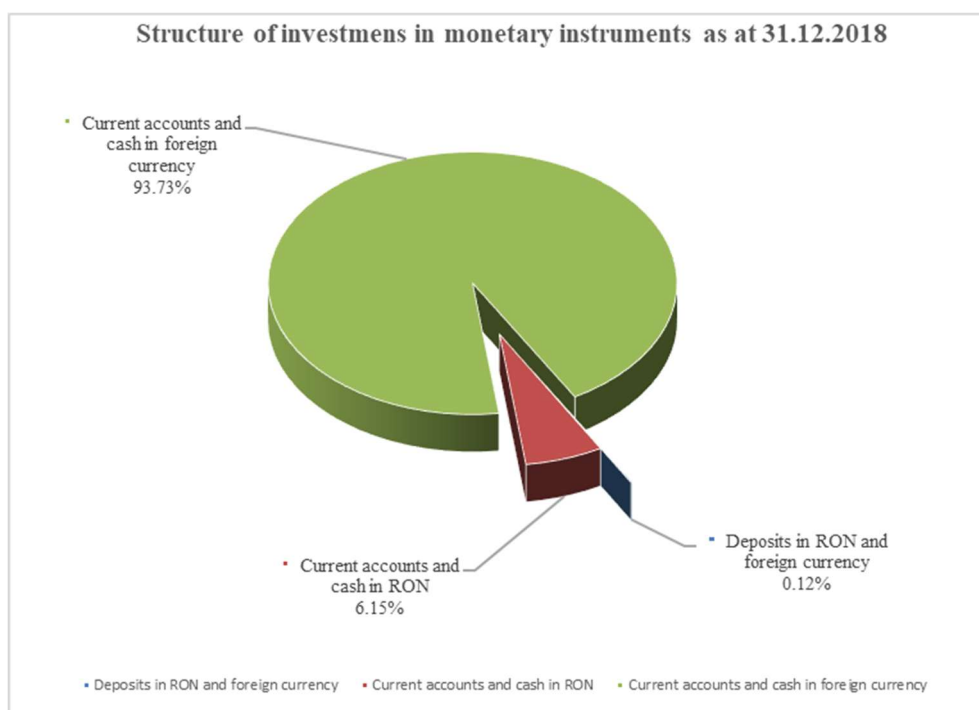
In 2018, the investment value was 4 times higher than in 2017 and 14 times higher than in 2016.

1.1. c) MONEY INSTRUMENTS MANAGEMENT

The liquid asset placement policy was prudent and pursued the diversification of risk by using several types of investment instruments and by working with several bank institutions.

In 2018, the partner banks were: BANCA COMERCIALĂ ROMÂNĂ, BANCA TRANSILVANIA and RAIFFEISEN BANK.

Liquid assets were placed in 2018, after a rigorous analysis of the opportunities offered by money market, in deposits in RON and foreign currency. They hold a weight of **23.85%** in the total assets managed as at 31.12.2018.



The placements were generally made on short terms, on different maturity dates, in order to have provided necessary liquidities for the payment of due debts and to diminish, also in this way, the investment risk.

As of 31.12.2018 the amounts in current accounts are **RON 472,375,238** of which **RON 443,275,124**, respectively **EUR 95,043,629 (93.84%)** are amounts in foreign currency.

This is due to the cashing in October of the equivalent of the BCR stock package, namely EUR 140 million. It was chosen to maintain these foreign currency cash in current accounts as interest rates on foreign currency deposits were negative. At the same time, anticipating an appreciation of the EURO/RON exchange rate, it was preferable to maintain the liquid assets in foreign currency.

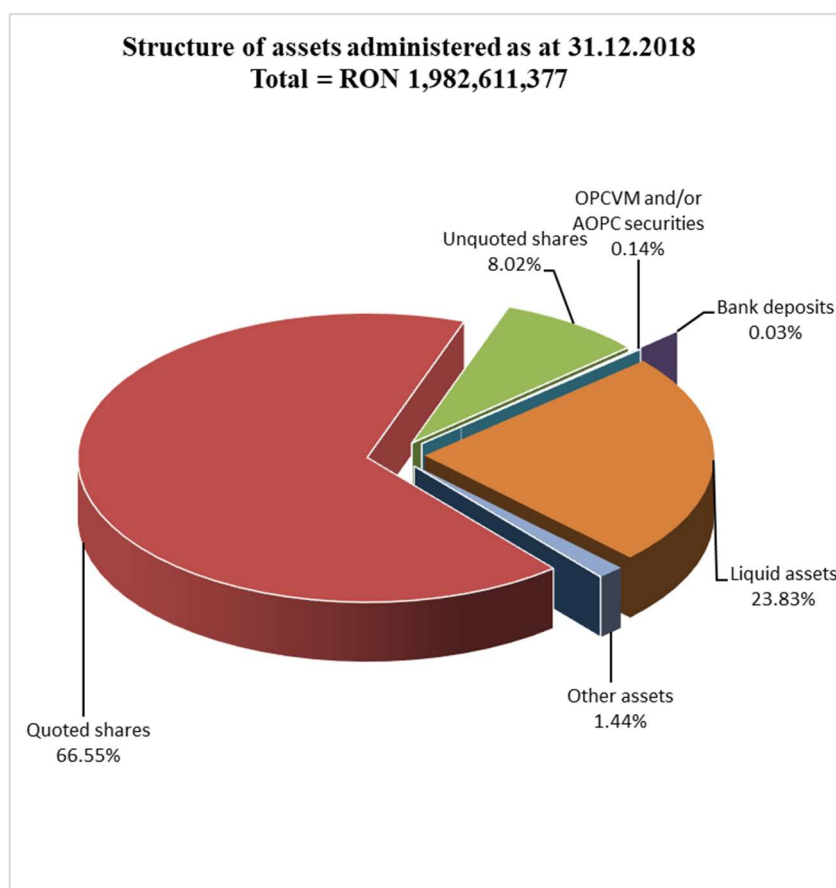
The amounts placed in money instruments as at 31.12.2018 were of **RON 472,929,578** - according to the asset data, including interest receivable.

1.1. d) STRUCTURE OF ASSETS MANAGED AS AT 31.12.2018

As at 31.12.2018, the value of the managed assets – calculated in accordance with the ASF Regulation no. 9/2014 – is of **RON 1,982,611,377**, representing an **increase by 8.66%** as compared to the value recorded as at 31.12.2017 (**RON 1,824,576,020**).

31.12.2018

No.	Asset type	Value - RON -	Weight - % -
1	Quoted shares	1,319,404,429	66.55
2	Unquoted shares	159,052,930	8.02
3	Bank deposits	554,340	0.03
4	OPCVM and/or AOPC securities	2,732,940	0.14
5	Liquid assets	472,375,238	23.82
6	Other assets	28,491,500	1.44
TOTAL		1,982,611,377	100.00



It is noted that quoted shares account for **66.55%** of the assets managed.

The financial assets of the type of shares have a market value of **RON 1,478,457,359**, i.e. **74.57%** of the total assets, registering a **decrease by 18.02%** as compared to the value recorded as at 31.12.2017 (of **RON 1,803,438,685**).

Main 10 shareholdings in the portfolio

31.12.2018

31.12.2017

No.	Issuer	No. of shares S.I.F. OLTENIA S.A.	Market value	Weight in the share capital of the issuer	Weight in the total assets of S.I.F. OLTENIA S.A.	Weight in the net assets of S.I.F. OLTENIA S.A.	No. of shares S.I.F. OLTENIA S.A.	Market value	Weight in the share capital of the issuer	Weight in the total assets of S.I.F. OLTENIA S.A.	No. of shares S.I.F. OLTENIA S.A.
1.	BRD GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest	20,421,287	232,802,672	2.9303	11.7422	12.6639	14,835,135	191,373,242	2.1287	10.4886	10.8094
2.	OMV PETROM S.A. Bucharest	718,100,277	214,711,983	1.2677	10.8298	11.6798	726,500,277	207,779,079	1.2826	11.3878	11.7361
3.	BANCA TRANSILVANIA S.A. Cluj-Napoca	96,636,050	193,755,280	2.0080	9.7727	10.5398	47,566,896	101,317,488	1.0956	5.5529	5.7228
4.	MERCUR S.A. Craiova	7,104,836	134,991,884	97.8593	6.8088	7.3432	7,104,836	117,229,794	97.8593	6.4250	6.6215
5.	SNTGN TRANSGAZ Mediaş	243,311	76,886,276	2.0665	3.8780	4.1824	193,270	74,215,680	1.6415	4.0676	4.1920
6.	FLAROS S.A. Bucharest	1,233,390	61,669,500	81.0712	3.1105	3.3547	1,232,894	55,480,230	81.0386	3.0407	3.1337
7.	C.N.T.E.E. TRANSELECTRICA Bucharest	2,711,808	58,303,872	3.6994	2.9408	3.1716	2,811,808	69,029,886	3.8359	3.7833	3.8990
8.	ARGUS S.A. Constanţa	30,920,056	52,873,296	86.4160	2.6669	2.8762	30,891,705	87,423,525	86.3368	4.7914	4.9380
9.	ANTIBIOTICE S.A. Iaşi	103,326,461	50,319,987	15.3911	2.5381	2.7373	96,764,108	52,059,090	14.4136	2.8532	2.9405
10.	SNGN ROMGAZ S.A. Mediaş	1,583,729	44,027,666	0.4109	2.2207	2.3950	-	-	-	-	-
	BANCA COMERCIALĂ ROMÂNĂ S.A. Bucharest	-	-	-	-	-	1,023,534,303	475,816,901	6.2973	26.0782	26.8758
	TOTAL		1,120,342,416		56.5085	60.9439		1,431,724,915	-	78.4687	80.8688

Total asset					1,982,611,377					1,824,576,020	
Net asset						1,838,322,127					1,770,430,599

The market value as at 31.12.2018 of **the first 10 issuers** present in the portfolio represents **56.51%** of the total asset value of S.I.F. OLTENIA S.A., calculated in accordance with ASF Regulations no. 9/2014 and no. 2/2018.

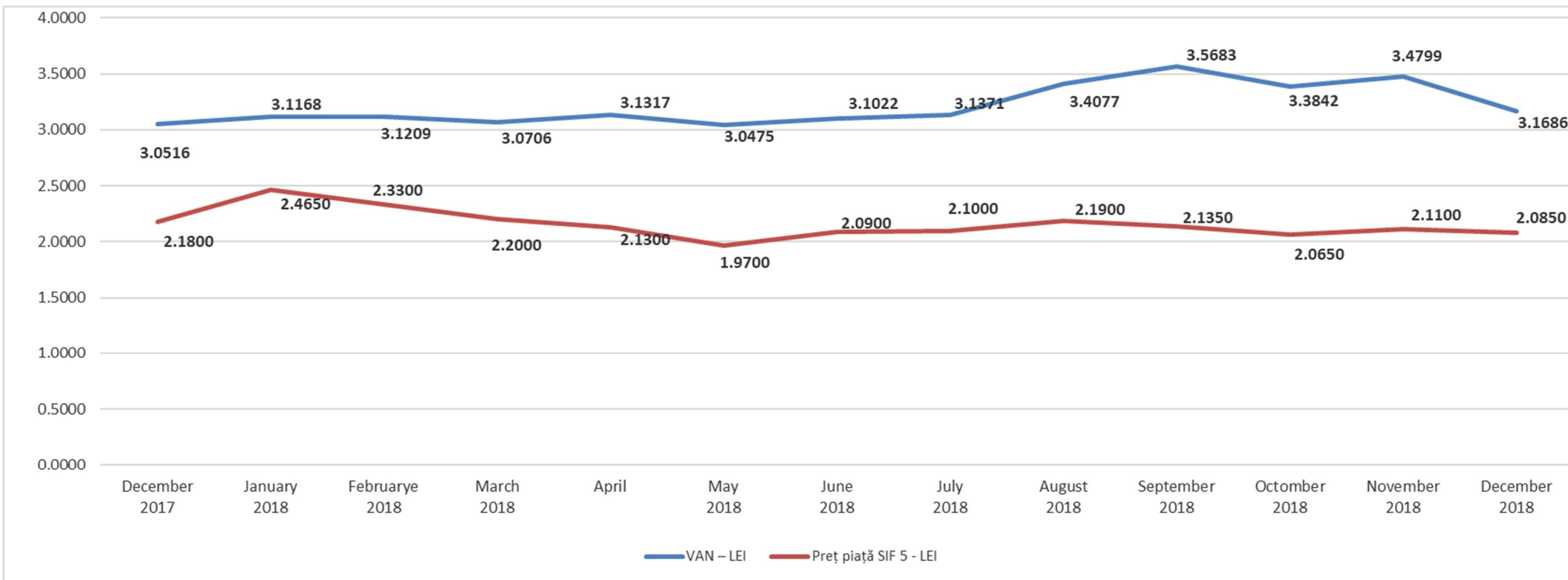
S.I.F. OLTENIA S.A. increased its shareholding, as compared to 31.12.2017, to the share capital of:

- BRD GROUPE SOCIÉTÉ GÉNÉRALE S.A. Bucharest
- BANCA TRANSILVANIA S.A. Cluj-Napoca
- SNGN TRANSGAZ S.A. Mediaş
- ANTIBIOTICE S.A. Iaşi
- S.N.G.N. ROMGAZ S.A. Mediaş

In order to ensure the necessary liquid assets for the payment of dividends, stock packages were sold to issuers such as C.N.T.E.E. TRANSELECTRICA S.A. Bucharest, OMV PETROM S.A. Bucharest, so that the shareholding in their share capital has decreased.

1.1. e) NET ASSET EVOLUTION

With a value of **RON 3.1686** as at 31.12.2018, the net assets represent an increase by **3.83%** as compared to the value recorded as at 31.12.2017 (**RON 3.0516**).



The valuation of S.I.F. OLTENIA S.A. assets is made according to the ASF Regulations no. 9/2014 and no. 2/2018.

1.1. f) EVOLUTION OF S.I.F. OLTENIA S.A. SHARES AT BUCHAREST STOCK EXCHANGE

The shares of S.I.F. Oltenia S.A. were traded, at the end of the year, with a discount of **34.20%** as compared to the value of net unitary asset.

The closing price on 31.12.2018 – the last trading day of the year 2018 – for a S.I.F. 5 share was of RON **2.0850**, which represents a decrease by **4.36%** as compared to the closing price of 2017 - of **RON 2.1800**.

On the whole, the closing price situation over the last three years is as follows for the five SIFs:

	Closing price 30.12.2016	Closing price 29.12.2017	Closing price 31.12.2018	31.12.2018 / 29.12.2017
S.I.F. BANAT CRIȘANA S.A.	1.8480	2.7700	2.0400	73.65
S.I.F. MOLDOVA S.A.	0.7800	1.4100	1.2080	85.67
S.I.F. TRANSILVANIA S.A.	0.2500	0.2430	0.2150	88.48
S.I.F. MUNTENIA S.A.	0.6560	0.9800	0.5980	61.02
S.I.F. OLTENIA S.A.	1.6300	2.1800	2.0850	95.64

It is noted that the securities issued by the financial investment companies recorded at the end of the year 2018 decreases in quotations following the trend of the shares listed on the BVB.

- ✓ **Total number of S.I.F. Oltenia S.A. traded assets: 154,931,361**
- ✓ **Transaction amount: RON 331,167,020**
- ✓ **Average trading price: RON 2.1375**
- ✓ **Stock market capitalization of S.I.F. Oltenia S.A. as at 31.12.2018 was RON 1,209,645,514 (EUR 259.4 million, exchange rate EUR 1 = RON 4.6639 as at 31.12.2018)**

		31.12.2016	31.12.2017	31.12.2018
Asset value	- RON -	1,570,989,901	1,824,576,020	1,982,611,377
Net asset value	- RON -	1,494,899,450	1,770,430,599	1,838,322,127
Net unitary asset value	- RON -	2,5767	3,0516	3,1686
BVB quotation (Closing price on the last trading day of the year)	- RON -	1.6300	2.1800	2.0850
BVB quotation / Net unitary asset value	- % -	63.26	71.44	65.80
Discount	- % -	- 36.74	-28.56	-34.20

1.1.1. GENERAL ASSESSMENT ELEMENTS:

a) PROFIT

Gross profit recorded as at 31.12.2018, affected including by the fund of participation of personnel in the profit, the Company senior management and administrative personnel is of **RON 101,385,703**. Following a **profit tax** of **RON 5,255,903**, a **net profit** of **RON 96,259,800**, higher by **28.12%** of the net profit stipulated in the Income and Expenditure Budget for the year 2018 (**RON 75,135,320**) resulted.

In accordance with the provisions of IFRS 9, effective as from 01.01.2018, the results of transactions involving financial assets measured at fair value through other comprehensive income are reflected in retained earnings. Thus, gross profit recorded does not include the result obtained from the sale of BCR.

b) TURNOVER

According to the specificity of the activity, S.I.F. Oltenia S.A. registers a **total income** of **RON 123,632,287**.

c) EXPORT – not applicable.

d) COSTS

Total expenses are, as at 31.12.2018, of **RON 22,246,584**.

According to the specific activity, the main expenditure groups are:

- commissions and administration and supervision fees – **RON 2,438,351**;
- other operational expenses – **RON 18,765,032**;

The Company's expenses are covered by the dividends received from the companies in the portfolio.

e) % OF THE MARKET HELD – not applicable.

f) LIQUIDITY

As at 31.12.2018, the **liquid assets** of S.I.F. Oltenia S.A. - according to the balance sheet data - were **RON 472,929,578**, out of which **RON 472,375,238** representing **99.88%** - placed in current accounts and cash.

**1.1.2. ASSESSMENT OF THE COMPANY TECHNICAL LEVEL
DESCRIPTION OF MAIN PRODUCTS MADE AND/OR
SERVICES PROVIDED**

a) **MAIN SALES MARKETS** – not applicable

b) **WEIGHT OF EACH CATEGORY OF PRODUCTS OR SERVICES
IN INCOME AND TOTAL TURNOVER**

Indicator	2015		2016		2017		2018	
	-RON-	%	-RON-	%	-RON-	%	-RON-	%
TOTAL INCOME , of which:	187,332,371	100.00	150,471,930	100.00	108,505,698	100.00	123,632,287	100.00
- Income from financial assets	29,501,952	15.75	44,249,147	29.41	68,321,469	62.97	90,616,735	73.30
- Gains from disposed financial investments	55,479,287	29.62	55,253,217	36.72	12,216,446	11.26	*	*
- Interest income	303,769	0.16	53,278	0.04	68,419	0.06	432,173	0.35

* - In accordance with IFRS9 with effect as from 01.01.2018, the results of transactions in financial assets measured at fair value through other comprehensive income are reflected in retained earnings.

Note: The indicators are presented under IFRS reporting terms throughout the period

c) **NEW PRODUCTS CONSIDERED IN THE FUTURE FINANCIAL YEAR** – not applicable

**1.1.3. ASSESSMENT OF THE TECHNICAL-MATERIAL SUPPLY
ACTIVITY (INDIGENOUS SOURCES, IMPORT SOURCES)**

The technical and material supply of the Company is related to the products and materials necessary for carrying out the current administrative activity, the weight of these expenses being insignificant.

1.1.4. ASSESSMENT OF THE SALES ACTIVITY – not applicable

**1.1.5. ASSESSMENT OF ASPECTS RELATED TO COMPANY
EMPLOYEES / PERSONNEL**

S.I.F. OLTENIA S.A. had as at 31.12.2018 a number of **44** employees and **2** members of the senior management (General Manager and Deputy General Manager). Of the employees, **29** are employed in positions requiring higher education.

	No. of employees	of which, with higher education
2013	51	33
2014	51	33
2015	53	35
2016	50	32
2017	47	31
2018	44	29

During 2018, the number of employees decreased by **6.38%**.

No union was organized within the Company. Employees have appointed a representative to promote and protect their interests in the relationship with the management of the Company.

1.1.6. ASSESSMENT OF ASPECTS RELATED TO THE IMPACT OF THE ISSUER'S BASIC ACTIVITY ON THE ENVIRONMENT – Not applicable

1.1.7. ASSESSMENT OF RESEARCH AND DEVELOPMENT ACTIVITIES – Not applicable

1.1.8. ASSESSMENT OF THE COMPANY ACTIVITY IN TERMS OF RISK MANAGEMENT

The management team of S.I.F. OLTENIA S.A. assesses at all times the risks that may affect the achievement of the Company's objectives and takes the necessary measures in the event of a change in the conditions in which it operates.

The risk management activity, an important component of the Company's activity, covers both the general risks and the specific risks, as provided by the Law no. 297/2004, as subsequently amended and supplemented, and by CNVM/ASF Regulation no. 15/2004, as subsequently amended and supplemented, the Regulation (EU) no. 575/2013 of the European Parliament and of the Council of June 26th, 2013, the Law no. 74/2015 on alternative investment fund managers, the Regulation no. 10/2015 on the management of alternative investment funds and the Delegated Regulation (EU) no. 231/2013 of the Commission supplementing the Directive no. 2011/61/EU of the European Parliament and of the Council as regards exemptions, general conditions of operation, deposit-taking, leverage effect, transparency and supervision.

The Company's approach to risk management is consistent with the overall business strategy and is planned to deliver business objectives aligned with the risk strategy objectives.

Among the main objectives of the risk strategy we highlight:

- development and implementation of a high transparency risk management process for risk identification and management;
- promotion at the Company level of a risk management approach through education and awareness raising;
- identification of options for permanent risk management;
- description of the external environment expected to have an impact on the planned business and its evolution, such as: market outlook, regulatory developments;
- description of the Company's business strategy, strategy goals, core activities;
- definition of the key elements of the risk management framework to ensure the implementation of a strategy corresponding to the overall business strategy;
- description of the current and targeted risk profile for the main types of risks.

At S.I.F. OLTENIA S.A. level there is a special, independent structure organized to supervise and coordinate this activity - the Risk Manager. The risk manager received the ASF Authorization no. 46/15.02.2018, being registered in the ASF Register under no. PFR13²FARA/160051, upon receipt by S.I.F. Oltenia S.A. of the Authorization no. 45/15.02.2018 through which the Company is authorized as an AFIA.

The Company attaches the utmost importance to effective risk management to achieve the objectives of the strategy and to provide shareholders with benefits.

The management of significant risks involves providing the framework for identifying, evaluating, monitoring and controlling these risks in order to maintain them at an acceptable level in relation to the Company's appetite to risk and its ability to mitigate or hedge these risks.

Risk monitoring is done at each hierarchical level, with procedures for supervising and approving decision-making limits.

Internal reporting of risk exposure is made on a continuous basis, on each line of business, the management of the Company being constantly informed about the risks that may arise in the course of the business.

By nature of the object of activity, the Company is exposed to various types of risks associated with the financial instruments and markets it has exposure to.

The main risks identified in S.I.F. OLTENIA S.A. activity are:

- economic environment risk
- operational risk
- market risk (price risk, currency risk, interest rate risk)
- credit risk
- liquidity risk.

ECONOMIC ENVIRONMENT RISK

This risk is extremely important, through the direct effect on S.I.F. OLTENIA S.A., as well as indirectly through the companies in which S.I.F. OLTENIA S.A. holds shares.

The Romanian economy continues to show the peculiarities of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment.

From the point of view of the Romanian economy, 2018 was a very good year, with GDP growth of 5.5%.

The Romanian economy is still a fragile economy and is affected by the evolution of other economies, especially of the EU countries, which are the main business partners for our country.

The EU economy will be subject to political risks in 2019. Politics will influence the economy and generate uncertainty.

The way Great Britain will leave the EU, the conditions to be negotiated, still raises questions about the evolution of the EU economy in 2019.

These changes also mark the economic evolution. In Romania, there is also a high political risk. In the year 2018 there have been many changes at government level and they will probably continue in 2019.

We estimate that the risk to the economic environment to which the Company is exposed is moderate (medium).

RISCU OPERAȚIONAL

Operational risk is defined as the risk of loss or failure to achieve profit due to internal factors such as inadequate performance of internal activities, the existence of inadequate personnel or systems, or due to external factors such as changes in economic conditions, legislative changes on the capital market, socio-political events.

The main responsibility for the development and implementation of operational risk controls lies with the risk manager and the Company's management, acting on the development of the Company's general risk management standards in the following areas:

- the proper establishment of the organizational structure and duties;
- requirements for separation of duties;
- alignment with the requirements of the regulatory framework;
- requirements for reporting operational losses and proposals for remediation;
- professional development and training;
- setting standards of ethics for staff;
- documentation of controls and procedures;
- prevention of the litigation risk;
- the establishment and implementation of conflict prevention and management procedures;
- establishment and implementation of the risk management strategy, establishment of the risk appetite and risk profile.

Operational risks are inherent to the Company's business.

S.I.F. Oltenia S.A. manages operational risk by identifying, estimating, monitoring and controlling risks.

It should be emphasized that in the management of operational risk, not the models and techniques are the most important, but the attitude towards risk, which is formed in time and is an aspect of the organizational culture.

In 2018, S.I.F. Oltenia S.A. carried out the internal assessment of the operational risks generated by the IT systems according to the ASF Rule no. 4/2018 on the management of operational risks generated by computer systems used by entities authorized / approved / registered, regulated and/or supervised by the Financial Supervisory Authority.

From the point of view of ASF Rule no. 4/2018, S.I.F. Oltenia S.A. falls within the "medium" risk category.

Company department/division officers have reassessed the risks of their own organizational structure and attempted to identify new emerging risks. In order to document the process of risk reassessment, the "Reporting on the Management and Review of the Operational Risks Generated by the Information Systems" was drawn up in compliance with the procedure "Procedure for Internal Assessment of Operational Risks Generated by the Information Systems", approved by the management of the Company.

The person designated by the leadership team with responsibilities for the management of the operational risks generated by the IT systems has received the "Reports on the Management and Review of the Operational Risks Generated by the Information Systems" from the department/division officers and updated the Risk Register with the data / information on the risks to be managed at the level of all organizational structures.

Company department/division officers have monitored existing risk control measures, finding that no new measures are needed.

Based on the risk analysis, it was found that the probability of occurrence of unwanted events generated by computer systems is negligible or low, the impact level is negligible or medium, resulting in a low risk level. It has also been found that the necessary control measures have already been implemented, without the need for further measures.

According to art. 49 let. a) of the ASF Rule no. 4/2018, the outcome of S.I.F. Oltenia S.A.'s internal operational risk assessment should be transmitted to ASF by March 31st, 2019 for 2018. It was submitted on February 26th, 2019.

Also, according to art. 21 of the ASF Rule no. 4/2018, the Company has the obligation to audit IT externally or with internal certified resources the major computer systems used, once every 3 years, so that the audit period is 3 consecutive calendar years, starting with the first month of January after the end of the period under the previous IT audit, according to the classification in the "medium" risk category.

At the end of 2016, the external audit of the relevant information systems of the Company was carried out by Mazars România S.R.L. at the Company's premises. The next audit of the relevant information systems of the Company is to be carried out in 2020.

The frequent legislative changes induce some risks related in particular to understanding the complexity of the activity and adapting it to legislative requirements and, on the other hand, lead to a higher (professional) supervision of risk-generating activities. An important element of risk taking into account the structure of the administered portfolio is the way in which the Government Emergency Ordinance no. 114/2018 shall be applied at the level of trading companies and how it will affect the quotations of the shares listed on the BVB.

We estimate at Company level that this **risk is moderate (medium)**.

MARKET RISK

Market risk is the current or future risk of adverse outcome on profits, caused by fluctuations in the market prices of equity securities - in terms of activities belonging to the trading portfolio - interest rate and exchange rate fluctuations for the entire activity of the Company.

The Interest rate risk is the current or future risk of adverse impact on the profits and equity due to adverse changes in interest rates.

As far as currency risk is concerned, S.I.F. OLTENIA S.A. is exposed to this risk, the proceeds from the sale of BCR being in EURO. As at 31.12.2018, foreign exchange reserves amounted to **RON 443,707,220**, representing **93.82%** of total assets.

The management of the Company has continuously pursued and pursues the minimization of the possible market risk side effects through an active policy of prudential diversification of the portfolio of managed financial assets.

We estimate that the **market risk to which the Company is exposed is medium.**

CREDIT RISK

The credit risk is the Company's risk of incurring losses as a result of the insolvency of its debtors.

The credit risk expresses the possibility for debtors or issuers not to meet their obligations at maturity due to the deterioration of the borrower's financial situation or the general economic situation. The credit risk arises in relation to any type of receivable.

The issuer risk is the risk of loss in the value of a security in a portfolio as a result of the deterioration in its economic and financial position.

The main credit risk items identified, that can significantly influence S.I.F. OLTENIA S.A. activity are:

- the risk of non-collection of dividends from companies in the portfolio;
- the risk of non-collection of the value of the contract in the case of the sale of the share packages to "closed-end" companies through a sales and purchase contract;
- the risk that, in the event of the liquidation of a company in the portfolio, the value obtained is less than the initial investment.

In the case of S.I.F. OLTENIA S.A., the credit risk is mostly driven by exposures on asset items of the type of "shares" which represent **74.57%** of the

assets managed, valued in accordance with the legal provisions.

The credit risk assessment is carried out in two stages both before the investment operations and after the actual approval and performance of the operations, following the evolution of the assets in order to take adequate measures in the event of the emergence of events that may lead to the deterioration of the economic activity of the companies and in extreme cases upon their entry into insolvency.

We estimate that the **credit risk to which the Company is exposed is medium.**

LIQUIDITY RISK

S.I.F. OLTENIA S.A. seeks to maintain a liquidity level appropriate to its underlying obligations, based on an assessment of the relative liquidity of assets on the market, taking into account the time required for liquidation and the price or the value at which the assets can be liquidated and their sensitivity to market risks or other external factors.

The Company must have liquid assets the aggregated value of which covers the difference between liquidity outflows and liquidity inflows in crisis situations so as to ensure that the Company maintains liquidity reserve levels that are adequate to enable it to cope with possible imbalances between cash inflows and outflows in crisis situations.

The liquidity risk is mainly linked to shareholdings held in "closed-end" trading companies in the managed portfolio. Thus, the sale of shareholdings - in the event of negative aspects in their economic and financial situation or in the pursuit of obtaining liquidity - is particularly cumbersome, with the risk of not being able to obtain a price higher or at least equal to one at which these shareholdings are valued in the calculation of the net asset, according to the ASF regulations.

The sale of the stock package held in BCR has greatly reduced the liquidity risk, the shares held in unlisted trading companies representing only **10.76%** of the value of the managed share portfolio and **8.02%** of the value of the total assets.

The low liquidity of the Romanian capital market often makes it difficult even to trade shares held in listed trading companies.

Looking ahead to 2019, we expect to maintain a low liquidity level for the Romanian capital market.

This aspect is constantly in the attention of the management, seeking solutions to increase the liquidity of the managed portfolio.

We estimate that this risk is medium, correlated with the liquidity of the Romanian capital market.

PORTFOLIO RISK

CLASSIFICATION OF ASSET CATEGORIES WITHIN THE LIMITS IMPOSED BY LAWS

In accordance with art. 235 (1) of CNVM/ASF Regulation no. 15/2004, S.I.F. OLTENIA S.A. falls within the AOPC category (Other Undertakings for Collective Investment) with a **diversified investment policy**.

Limits of shareholding limits on different categories of assets are regulated by art. 188 of the CNVM/ASF Regulation no. 15/2004.

During 2018, the portfolio structure was reviewed periodically and classified within the legal provisions.

The structure of the portfolio of financial assets as at 31.12.2018 is as follows:

a) Securities and money market instruments not admitted to trading - admissible limit: 20% of assets

Asset type	Asset value according to the ASF Regulations no. 9/2014 and no. 2/2018 - RON -	Weight in total assets - % -	Weight in net assets - % -
Assets held in "closed-end" companies*	159,052,930	8.0224	8.6521
Bank deposits	554,340	0.0280	0.0302
TOTAL	159,607,270	8.0504	8.6823

* According to art. 192¹ of the CNVM Regulation no. 15/2004 (article introduced by the ASF Regulation no. 2/2018), the following companies were assessed by international evaluation reports: VOLTALIM S.A. Craiova, PROVITAS S.A. Bucharest, COMPLEX HOTELIER DÂMBOVIȚA S.A. Târgoviște, TURISM S.A. Pucioasa and GEMINA TOUR S.A. Râmnicu Vâlcea.

b) Securities and/or money market instruments issued by the same issuer - exposure to an issuer: 10% of the assets

The issuers in which S.I.F. Oltenia holds both shares and bank deposits are:

BANCA TRANSILVANIA S.A. Cluj-Napoca (TLV market symbol)

Asset type	Asset value according to the ASF Regulations no. 9/2014 and no. 2/2018 - RON -	Weight in total assets - % -	Weight in net assets - % -
Shares issued by Banca Transilvania S.A. Cluj-Napoca	193,755,280	9.7727	10.5398
Bank deposits	432,096	0.0218	0.0235
TOTAL	194,187,376	9.7945	10.5633

It can be noticed that the 10% limit related to shareholdings in securities and/or money market instruments issued by the same issuer (Banca Transilvania) is observed (9.7945% in total assets).

The shareholdings exceeding the 10% share are:

No.	Issuer	Symbol	Total value - RON -	Weight in the share capital of the issuer	Weight in S.I.F. total asset - % -	Weight in S.I.F. net asset - % -
1	B.R.D.-GROUPE SOCIÉTÉ GÉNÉRALE BUCHAREST	BRD	232,802,672	2.9303	11.7422	12.6639
2	OMV PETROM BUCHAREST	SNP	214,711,983	1.2677	10.8298	11.6798
	TOTAL		447,514,655		22,5720	24,3436

It can be noticed that in the case of shareholdings in BRD GROUPE SOCIÉTÉ GÉNÉRALE and OMV PETROM BUCHAREST, art. 188 let. b) of the Regulation no. 15/2004, i.e. the 10% limit may be increased up to a maximum of 40%, provided that the total value of securities and money market instruments held by S.I.F. in each of the issuers in which is holds more than 40% shall in no case exceed 80% of the value of its assets.

c) Financial instruments issued by entities belonging to the same group -
admissible limit: 50% of assets

Group name	Asset value according to the ASF Regulation no. 9/2014 - RON -	Weight in total assets - % -	Weight in net assets - % -
Banca Transilvania Group, out of which:			
- Banca Transilvania shares	193,755,280	9.7727	10.5398
- BT ASSET MANAGEMENT SAI shares	3,937,521	0.1986	0.2142
- BT INDEX securities	1,766,016	0.0891	0.0961
Bank deposits	432,096	0.0218	0.0235
TOTAL	199,890,913	10.0822	10.8736

It can be noticed that **the imposed limit is observed.**

d) Exposure to counterparty risk in a derivative transaction - not applicable

e) Value of current accounts and cash - maximum admissible limit: 10% of the value of the assets.

The value of current accounts and cash accounted for in the net asset as at 31.12.2018 is **RON 472,375,238**, representing **23.8259%** of the total assets.

S.I.F. Oltenia has the obligation that the value of current accounts and cash should fall within a maximum of 10% of its assets. This limit may be exceeded up to a maximum of 30%, provided that those amounts arise from the issue of securities, matured investments or the sale of financial instruments in the portfolio, and that overrun is no longer than 30 days.

The exceeding of the shareholding limit registered as at 31.12.2018 is due to the collection in October 2018 of the equivalent value of BCR stock package, a stock package sold by S.I.F. Oltenia S.A. to Erste Bank AG. As mentioned above, it was chosen to maintain this cash in foreign currency in current accounts as interest rates on foreign currency deposits were negative. At the same time, anticipating an appreciation of the EURO/RON exchange rate, it was preferred to maintain liquid assets in foreign currency.

It has been considered that this **risk is not significant**, that it should be monitored and the limit imposed by the provisions of art. 188 of the Regulation no. 15/20104 let. e) should be observed.

f) Bank deposits at the same bank - admissible limit: 30% of assets

S.I.F. Oltenia can not and shall hold bank deposits representing more than 30% of its assets at the same bank.

S.I.F. Oltenia had as at 31.12.2018 bank deposits in RON and currency at Transylvania Bank and BCR.

The **total shareholdings in bank deposits** amount to **RON 554,340**, representing **0.0280%** of the value of the assets.

Deposits at BANCA TRANSILVANIA

No.	Bank name	Updated value - RON -	Weight in total assets of S.I.F. - % -	Weight in net assets of S.I.F. - % -
1	Bank deposits in foreign currency at BANCA TRANSILVANIA	432,096	0.0218	0.0235
	Total	432,096	0.0218	0.0235

Deposits at BANCA COMERCIALĂ ROMÂNĂ

No.	Bank name	Updated value - RON -	Weight in total assets of S.I.F. - % -	Weight in net assets of S.I.F. - % -
1	Bank deposits in RON at BCR	122,244	0.0062	0.0066
	Total	122,244	0.0062	0.0066

It can be noticed that **the imposed limit is observed.**

g) Global exposure to derivative financial instruments - not applicable.

h) Securities in AOPC - admissible limit: 50% of assets.

S.I.F. OLTENIA S.A. holds unlisted OPCVM/AOPC securities registered in the net asset as at 31.12.2018, amounting to **RON 2,732,940**, representing **0.1378%** of the total assets.

If we also take into account the shares held in S.I.F. BANAT CRIȘANA S.A., S.I.F. MOLDOVA S.A. and S.I.F. TRANSILVANIA S.A., the value of the securities amounts to **RON 14,907,282**, respectively **0.7519%** of the value of the assets.

	Market value - RON -	Weight in total assets of S.I.F. - % -	Weight in net assets of S.I.F. - % -
BT INDEX RO	1,766,016	0.0891	0.0961
FDI NAPOCA	193,470	0.0098	0.0105
FDI TRANSILVANIA	353,194	0.0178	0.0192
FDI TEHNOGLOBINVEST	420,260	0.0212	0.0229
Total unlisted AOPCs	2,732,940	0.1378	0.1487
S.I.F. Banat Crișana	4,642,432	0.2342	0.2525
S.I.F. Moldova	4,855,127	0.2449	0.2641
S.I.F. Transilvania	2,676,785	0.1350	0.1456
Total listed AOPCs	12,174,344	0.6141	0.6623
Total AOPCs	14,907,284	0.7519	0.8109

The imposed limit is observed.

1.1.9. PERSPECTIVE ELEMENTS REGARDING THE COMPANY BUSINESS

a) The liquidity of S.I.F. OLTENIA S.A. portfolio - established as at 31.12.2018 in proportion of **89.24%** of shareholdings in the share capital of listed trading companies (on Bucharest Stock Exchange - regulated market, and AeRO - alternative trading system) - is closely related to the liquidity of the capital market. The low liquidity of the Romanian capital market often makes it difficult even to trade shares held in listed trading companies.

b) The capital expenditures that we propose in 2019, namely the investments that will be made both on the capital market and on the money market, will not affect the financial situation of the Company, as they are to be made from own sources.

c) The National Prognosis Commission has optimistic expectations regarding the Romanian economy. Thus, it estimates an economic growth of 5.5% and the inflation rate at the end of 2019 is forecast to be 2.8%.

Estimates of the consumption advance indicate a downward trend, from 5.9% in 2019, to 5.7% in 2020 and 4.8% in 2021.

As for the trade deficit, it will continue to grow. Imports will grow at a faster pace than exports. An advance of imports of 7.8% and of exports of 6.9% is forecast for 2019.

The unemployment rate is projected to fall to 4.1% this year.

Alongside the National Commission's forecast, no institution or international bank gives Romania more than 4% of GDP growth.

Given that the Romanian economy is still quite fragile, the political climate is extremely tense, we are also witnessing legislative changes with an unfavourable impact on the profitability of many economic actors, therefore we feel we have to be very cautious about the decisions we will make.

2. COMPANY'S TANGIBLE ASSETS

S.I.F. Oltenia S.A., by the specifics of its activity, does not own production capacities.

The tangible assets in property have an insignificant value, being recorded in the accounting with **RON 11,965,182**. They are land and fixed assets. The main fixed assets are buildings, electrical and thermal installations, computing and vehicles required conducting current administrative activity.

There are no litigations relating to the ownership of tangible assets in the patrimony.

3. MARKET OF SECURITIES ISSUED BY THE COMPANY

3.1. STATEMENT OF THE MARKETS IN ROMANIA AND OTHER COUNTRIES WHERE THE SECURITIES ISSUED BY THE COMPANY ARE NEGOTIATED

S.I.F. OLTENIA S.A. shares have been listed since 01.11.1999 in the First category of the Bucharest Stock Exchange. Following the changes made during 2014 on the Bucharest Stock Exchange Code, S.I.F. OLTENIA S.A. is **currently classified in the Premium category.**

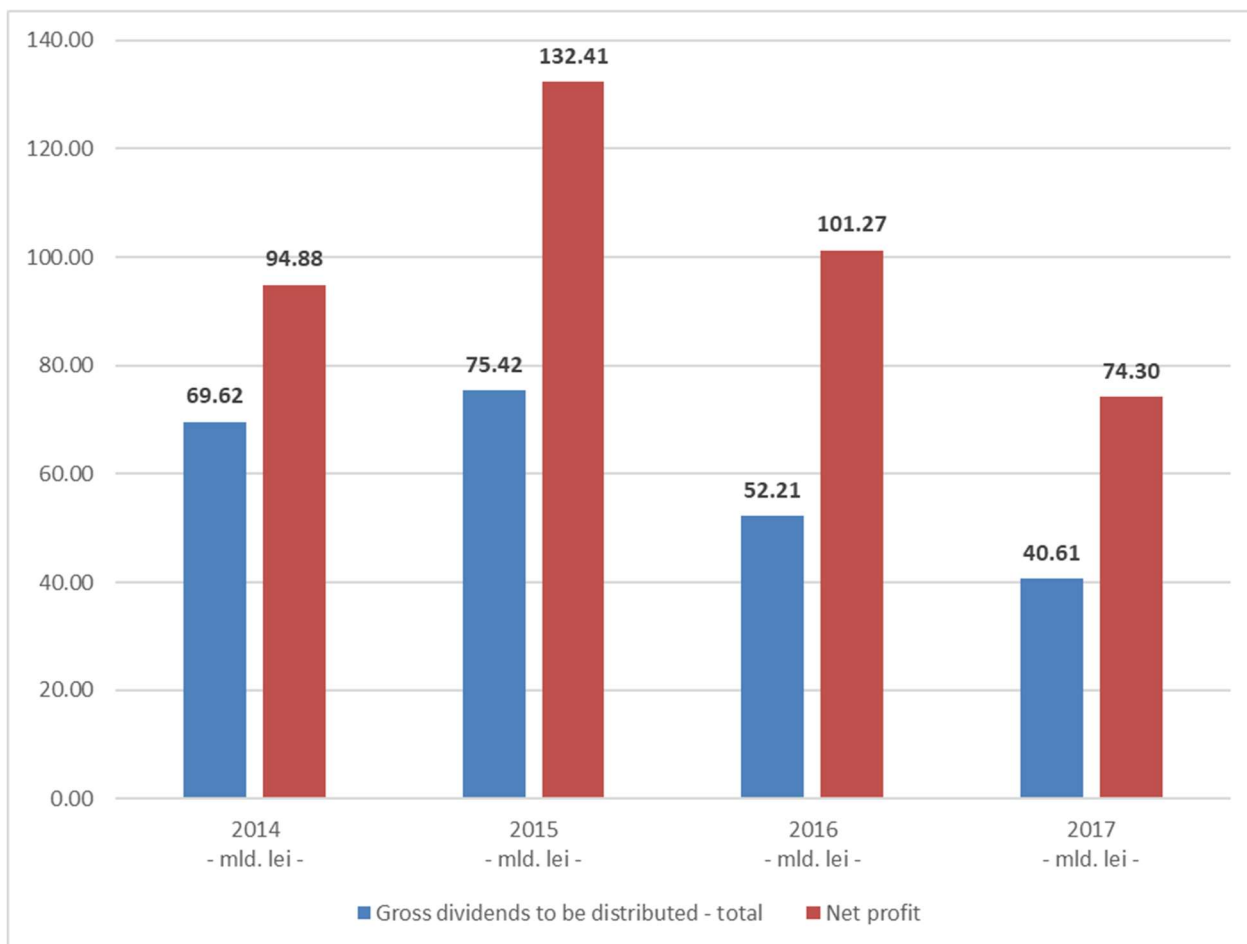
3.2. DESCRIPTION OF THE COMPANY DIVIDEND POLICY

S.I.F. OLTENIA S.A. has distributed dividends throughout its operating period.

The dividend policy pursued both meeting the investors' short-term interests, and medium- and long-term institutional development, so that part of the net profit was allocated to reserves in order to create the necessary sources for the investment activity.

	2014 - RON -	2015 - RON -	2016 - RON -	2017	2018 <i>(the variant proposed by the Board of Director for the distribution of net profit)</i> - RON -
Gross dividends to be distributed - total	69,619,886	75,421,543	52,214,914	40,611,600	
Gross dividends paid - total	69,135,644*	57,342,168	39,394,169	30,124,787	-
Gross dividends paid / Gross dividends to be distributed - % -	99.30	76.03	75.45	74.18	-
Gross dividend /share	0.12	0.13	0.09	0.07	
Profit net	94,876,130	132,405,011	101,271,377	74,303,964	
Allocation from net profit for dividends - % -	73.38	56.96	51.56	54.66	

* The dividends corresponding to the 2014 financial year, which on September 16, 2018 were registered in the records of SIF. Oltenia S.A. as unpaid, were recorded in the 2018 financial year as "income", in accordance with the Decision no. 8 of the Ordinary General Meeting of Shareholders of 25.04.2018. These dividends amounted to **RON 14,942,855.**



The total amount of dividends allocated by S.I.F. Oltenia S.A. during the period from 2014 to 2017 was of **RON 237,867,943**, of a net profit of **RON 402,856,482**, representing **59.05%** respectively.

Until 31.12.2018, there were distributed: **99.30%** of the dividends due for the 2014 financial year, **76.03%** of those related to 2015, **75.45%** of those related to 2016, respectively **74.18%** of those due for 2017.

According to the Decision no. 4 adopted by S.I.F. Oltenia S.A. Ordinary General Meeting of Shareholders of carried out on 25.04.2018, the payment of dividends for the 2017 financial year was carried out in compliance with the following conditions:

- the gross dividend / share was RON 0.07 per share held on the record date; the Company has calculated and withheld tax on dividends at the rates provided for by the laws in force at the date of payment;
- the shareholders entitled to receive dividends distributed from the net profit achieved in the 2017 financial year were those registered in the consolidated register of shareholders on 03.10.2018 - "Registration

date" approved by the General Meeting of Shareholders (Ex date 02.10.2018);

- the dividends distributed from the profit achieved in the 2017 financial year began to be paid to the shareholders as from 24.10.2018 - "Payment Date";
- the costs of dividend payments, regardless of the payment method, were borne by the shareholders, out of the net dividend value.

According to the provisions of the capital market laws, the payment of dividends distributed by S.I.F. Oltenia S.A. was made through Depozitul Central (Central Depository), the Participants to their system in accordance with the Law no. 24/2017, art. 86, para. 5 and the ASF Regulation no. 5/2018, art. 177 and Banca Comercială Română (Romanian Commercial Bank) - the paying agent.

Dividend payment methods:

A. Payments to individual shareholders who do not have securities accounts open with the participants (Section I - Central Depository):

I. Cash payments at the counters of Banca Comercială Română

For natural person shareholders, the dividend payment was made in cash, by providing the amounts due at the BCR counters as from 24.10.2018.

II. Bank transfer payments into open accounts in RON at a bank in Romania

Payment by bank transfer to RON-denominated bank accounts in Romania was made by Depozitarul Central S.A. based on the IBAN Code Collection Form and its procedure available to shareholder at the website www.depozitarulcentral.ro.

B. Payments to shareholders holding securities accounts open with the participants - custodian banks or SS.I.F. (Section II - Central Depository): transfer to participants' accounts

For natural and legal person shareholders who at the registration date held shares issued by S.I.F. Oltenia S.A. as evidenced in Section II of the Register of Shareholders, the dividends were automatically paid on the *Payment Date* (24.10.2018) by bank transfer through Depozitarul Central S.A. to the respective Participants' accounts, without the submission of additional documents.

Non-resident shareholders wishing to apply the more favourable provisions

of the Double Taxation Convention concluded between Romania and their country of residence or the more favourable provisions applicable to non-resident pension funds had the possibility to submit requests to this effect at S.I.F. Oltenia S.A. headquarters by 10.10.2018.

If the *Deferred Payment* of dividends was opted (option to be expressed by 10.10.2018 at the latest), the required documents could be submitted by 05.12.2018 at the latest.

Payment of dividends due to non-resident shareholders who opted for deferred payment and transferred the complete and correct documentation to the S.I.F. Oltenia S.A. headquarters through the Participants was instructed by Depozitarul Central S.A. according to their own procedure.

C. Dividends due to shareholders with shares held in joint ownership

In the case of the shares held in the joint ownership on the Record Date, the dividends were paid as follows:

- in the case of cash payments, the payments were made on condition that all co-owners had appeared before the *Paying Agent*, either personally or through a legal and/or conventional representative, together with the necessary documents for payment in cash;

- in the case of payments to those who have opened an account with the Participant, the dividends due to the co-owners have been transferred to the Participant whose customers they were;

- in the case of bank transfer payments, the dividends due to the co-owners were transferred to the account indicated by all co-owners on the basis of the joint application addressed to Depozitarul Central S.A.;

- in case co-owners have applied for both the registration by Depozitarul Central S.A. of the direct transfer of ownership of financial instruments as a result of leaving the joint tenancy, and the direct payment to each of the co-owners, according to the number of instruments acquired in exclusive ownership, the Company calculated the amounts of money corresponding to each former co-owner, the payment being made according to procedure.

D. Dividends due to deceased shareholders

Dividends due to deceased shareholders could be cashed through Banca Comercială Română only after the registration by Depozitul Central S.A. of the direct transfer of ownership as effect of succession, based on the application of the heirs.

E. Dividends that could not be paid through Depozitarul Central

Dividends due to shareholders whose value did not cover the distribution expenses generated by the payment through Depozitarul Central S.A. (the case of the holders of at least 50 shares of S.I.F. Oltenia S.A.) were distributed at the request of the shareholders from S.I.F. Oltenia S.A. headquarters by pay office, without fee, as from 24.10.2018.

At the same time, the dividends not cashed by the shareholders entitled to the 2015 and 2016 financial years were further paid.

For the 2018 financial year, S.I.F. Oltenia S.A. Board of Directors proposes to the Ordinary General Meeting of Shareholders the following alternative of distribution of the net profit obtained in 2018:

Grant of a **gross dividend per share worth RON 0.15.**

- Dividends RON 84,081,469.35
- Other reserves (own sources of financing) RON 12,178,331.12

TOTAL NET PROFIT DISTRIBUTED RON 96,259,800.47

The **gross dividend** proposed to be granted for a share held at the **registration date** represents a distribution rate of **87.3485%** of the total net profit obtained in the 2018 financial year.

The proposed gross dividend provides a return of **7.0175%** of the average trading price of the shares in 2018 and of **7.1942%** of the closing / action market price on the last trading day (December 31st, 2018).

The Board of Directors proposes to the Ordinary General Meeting of Shareholders that the dividend payment date be established after the registration date, according to the legal regulations in force.

The distribution costs (fees) will be borne by the shareholders, out of the net dividend value.

The shareholders will be informed about the distribution of dividends through notices that will be submitted in due time to the Bucharest Stock Exchange and will be published in the press and on the official website of the SIF. Oltenia S.A.: www.sifolt.ro.

3.3. DESCRIPTION OF ANY COMPANY'S ACTIVITIES FOR THE ACQUISITION OF ITS OWN SHARES

S.I.F. OLTENIA S.A. - until 31.12.2018 - did not acquire own shares.

The Extraordinary General Meeting of Shareholders dated 25.04.2018 approved a program for the redemption by the Company of its own shares, in accordance with the applicable legal provisions, under the following conditions:

(i) program size - **maximum 32,704,308 shares** with a face value of 0.10 RON/share representing a maximum of **5.637%** of the share capital;

(ii) share acquisition price - the minimum price will be 1.50 RON/share and the maximum price will be **2.50 RON/share**;

(iii) program duration - the **maximum period of 12 months** from the date of publication of the decision of the Extraordinary General Meeting of Shareholders in the Official Gazette of Romania, Part IV;

(iv) payment of redeemed shares and size of the related fund - of the available reserves, the maximum amount for redemptions being of **RON 49,056,462.55**, according to the decision no. 3 of the Ordinary General Meeting of Shareholders of 06.09.2017;

(v) program intended purpose - reduction in the share capital.

This decision was materialized by conducting a Public Offering of Acquisition that was carried out between 28.01.2019 - 08.02.2019. A number of 19,622,585 shares were purchased at a price of 2.5 RON/share. The offer was over-subscribed 13.2 times.

3.4. S.I.F. OLTENIA S.A. REGISTERED BRANCHES

S.I.F. OLTENIA S.A. has no registered branches.

3.5. BONDS AND/OR OTHER DEBT SECURITIES ISSUED BY S.I.F. OLTENIA S.A.

S.I.F. OLTENIA S.A. did not issue bonds and/or other debt securities.

4. COMPANY MANAGEMENT

Board of Directors

In accordance with the Articles of Incorporation (Contract and Bylaw) **S.I.F. Oltenia S.A. is administered in a unitary system.**

The Board of Directors of S.I.F. Oltenia S.A. consists of 7 members elected by the General Assembly for a period of 4 years, with the possibility to be re-elected. Most members of the Board of Directors - 5 members - are non-executive.

During 2018, the Board of Directors of S.I.F. Oltenia S.A. had two executive directors. They are the senior management of the Company, being responsible for the management and smooth running of the Company activity, including for the implementation of policies, strategies, and for reaching goals.

The duties and criteria to be met by the members of the senior management are defined by the Government Emergency Ordinance no. 32/2012, the ASF Regulation no. 9/2014, the ASF Regulation no. 14/2015 and the ASF Regulation no. 2/2016.

Between January, 2018 and December, 2018, the composition of the Board of Directors of S.I.F. OLTENIA S.A. was the following:

- | | |
|---|---------------------------|
| 1. Tudor Ciurezu – Chairman / General Manager | - executive director |
| 2. Cristian Bușu – Deputy Chairman / Deputy General Manager | - executive director |
| 3. Anina Radu | - non-executive director |
| 4. Radu Hanga | - non-executive director, |
| independent | |
| 5. Ana Barbara Bobircă | - non-executive director, |
| independent | |
| 6. Nicolae Stoian | - non-executive director |
| 7. Carmen Popa | - non-executive director |

Short presentation of the members of the Board of Directors

1) Ciurezu Tudor – Chairman

- age - 64 years
- Bachelor of economic sciences, Ph.D. in economics, associate professor
- professional experience - seniority: 41 de years
- Deputy General Manager - of FPPV Oltenia, period 1993 - 1996
- of S.I.F. OLTENIA S.A., period 1996 - April, 2011
- Deputy Chairman of the Board of Directors, period: April, 1993 - December, 1994 and
December, 2000 - April, 2011
- Chairman of the Board of Directors: 15.04.2011 - 20.04.2017
- Chairman of the Board of Directors: 31.07.2017 - present
- General Manager: 15.04.2011 - 20.04.2017
- General Manager: 31.07.2017 - present
- Member of the Nomination Committee: 19.12.2016 - 20.04.2017
- Member of the Nomination Committee: 22.09.2017 - present

2) Cristian Buşu – Deputy Chairman

- age - 39 years
- Bachelor of economic sciences, Ph.D. in economics, associate professor
- professional experience - seniority: 18 years
- director: 31.05.2013 - 20.04.2017
- Deputy Chairman of the Board of Directors: 31.07.2017 - present
- Deputy General Manager: 31.07.2017 - present
- Member of the Audit Committee: 03.06.2014 - 20.04.2017
- Chairman of the Audit Committee: 10.11.2015 - 20.04.2017
- Member of the Nomination Committee: 19.12.2016 - 20.04.2017

3) Radu Anina

- age - 46 years
- Bachelor of Science in Law
- professional experience - seniority: 21 years
- director: 12.09.2011 - 27.04.2012
17.05.2012 - 20.04.2017 and
31.07.2017 - present
- Deputy Chairman of the Board of Directors: - 18.10.2011 - 27.04.2012
and 25.05.2012 - 20.04.2017
- Deputy General Manager: - 13.10.2011 - 27.04.2012
and 30.05.2012 - 20.04.2017

4) Radu Hanga

- age - 47 years
- Bachelor of technical sciences, postgraduate academic studies in management
- professional experience - seniority: 21 years
- director from 31.07.2017 - present
- Chairman of the Audit Committee: 22.09.2017 - present
- Member of the Nomination Committee: 22.09.2017 - present

5) Ana Barbara Bobircă

- age - 43 years
- Bachelor of economic sciences, Ph.D. in economics
- professional experience - seniority: 18 years
- director: 20.04.2013 - 28.03.2014
and 31.07.2017 – present
- Member of the Audit Committee: 22.09.2017 – present
- Chairman of the Nomination Committee: 22.09.2017 – present

6) Nicolae Stoian

- age - 62 years
- Bachelor of economic sciences
- professional experience - seniority: 34 years

- interim director: 28.05.2014 – 29.07.2014
- director: 12.09.2014 – 20.04.2017
and 31.07.2017 – present
- Member of the Audit Committee: 22.09.2017 - present

7) Carmen Popa

- age - 52 years
- Bachelor of economic sciences
- professional experience - seniority: 27 years
- interim director: 28.05.2014 – 29.07.2014
- director: 12.09.2014 – 20.04.2017
and 31.07.2017 – present
- Member of the Audit Committee: from 03.06.2014 - 20.04.2017
- Chairman of the Nomination Committee: 19.12.2016 - 20.04.2017

As at 31.12.2018, the Company's directors had the following shareholdings:

1.	Tudor CIUREZU	1,893,588 shares
2.	Cristian BUȘU	12,000 shares
3.	Anina RADU	137,189 shares
4.	Radu HANGA	15,000 shares
5.	Ana Barbara BOBIRCĂ	-
6.	Nicolae Stoian	220 shares
7.	Carmen Popa	18,082 shares

Senior management

According to the Articles of Incorporation of S.I.F. OLTENIA S.A., the Chairman of the Board of Directors also serves as General Manager, and the Deputy Chairman of the Board of Directors also serves as Deputy General Manager.

During the period from 01.01.2018 to 31.12.2018, the senior management of S.I.F. OLTENIA S.A. has been assured by:

- Tudor CIUREZU - General Manager
- Cristian BUȘU - Deputy General Manager

The members of the senior management have concluded mandate contracts with the Company. In accordance with the provisions of the Government Emergency Ordinance no. 32/2012 and the ASF Regulation no. 9/2014, the senior management is empowered to lead and coordinate the day-to-day activity of the Company and is empowered to commit the Company.

LITIGATIONS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT RELATED TO THE ACTIVITY WITHIN THE ISSUER – not applicable

5. SITUATION OF LITIGATIONS

As at 31.12.2018, records of the Company's Legal Department list **31 cases** to be in judicial phase, out of which:

- 14 cases - plaintiff;
- cases - defendant;
- 3 cases - in insolvency proceedings;
- - 2 cases - impleaded;
- 1 case – intervener.

According to their scope of works, the causes are structured as follows:

- **3 cases** - companies in insolvency proceedings, as follows:

→ *in 2 cases* S.I.F. Oltenia S.A. acts as unsecured creditor;

→ *in one case* it acts as contribution creditor.

- **8 cases** - invalidation of the decisions of the General Meeting of Shareholder / invalidation of operations involving shares, in which S.I.F. Oltenia S.A. acts as plaintiff;

- **20 – other cases.**

- In the **insolvency files**, at the time of the analysis there are 3 cases left, of which in two S.I.F. Oltenia S.A. is unsecured creditor, namely ELECTROTOTAL Botoșani and SCCF Bucharest and a case in which S.I.F. Oltenia S.A. is a contribution creditor - CORINT Târgoviște.
- In the **capacity as plaintiff of S.I.F. Oltenia S.A., the main causes concern the invalidations of the General Meeting of Shareholders decisions concerning:** amendments to articles of incorporation, establishment of new companies with contributions in kind, asset acquisition, operations involving shares, mergers, decisions taken in breach of the limits of competence, among defendant companies being **COREALIS S.A. Craiova, PRODPLAST S.A Bucharest, CONTACTOARE S.A. Buzău, CEREALCOM S.A. Alexandria, SINTEROM S.A. Cluj-Napoca, of which we give as example:**

- **case file no. 9270/63/2017**, pending before Dolj Regional Court, having as scope of works the invalidation of **Corealis S.A.** Extraordinary General Meeting of Shareholders of 18.05.2017 on the enforcement of some irrevocable court judgments. **HEARING: 04.02.2019.**

- **case file no. 7294/63/2018**, pending before Dolj Regional Court, having as scope of works the fact-finding judgment of absolute nullity of the Decisions of

Corealis S.A. Extraordinary General Meeting of Shareholders of 01.10.2018.
HEARING: 21.01.2019;

- **case file no. 7400/63/2018**, pending before Dolj Regional Court, having as scope of works the suspension of the Decisions of **Corealis S.A.** Extraordinary General Meeting of Shareholders of 01.10.2018. Case solved by granting the claim of S.I.F. OLTENIA S.A. Corealis filed appeal. On 13.12.2018 Craiova Court of Appeal rejects the appeal filed by Corealis S.A.;

- **case file no. 7443/63/2018**, pending before Dolj Regional Court, having as scope of works the application for intervention against the registration of the annotation no. 69549/12.10.2018 with Dolj Trade Register Office regarding the Decisions of **Corealis S.A.** Extraordinary General Meeting of Shareholders of 12.10.2018. **HEARING: 04.02.2019;**

- **case file no. 32433/3/2015**, having as scope of works the invalidation of the transaction involving PPLI shares, **defendant - Prodplast S.A. Bucharest**, of 26.08.2015; on 20.12.2018, the Court rejects the claim. Appealable within 30 days of communication;

- **case file no. 806/1285/2017**, having as scope of works the invalidation of the Decision of **SINTEROM S.A.** Extraordinary General Meeting of Shareholders of 02.10.2017. Cluj Specialized Regional Court grants the claim of S.I.F. Oltenia S.A. and rules the invalidation of the Decision of Sinterom S.A. Extraordinary General Meeting of Shareholders of 02.10.2017. Appealable within 30 days of communication;

- **case file no. 3625/114/2017**, having as scope of works the invalidation of **Contactoare S.A.** Extraordinary General Meeting of Shareholders of 28.09.2017 - major participation in Chimcomplex. Buzău Regional Court grants the claim of S.I.F. Oltenia S.A. on 12.03.2018. Contactoare S.A. files an appeal which is pending before Ploiești Court of Appeal. On 18.12.2018, the Court rejects the appeal.

- In the chapter "**Other Causes**", in which **S.I.F. Oltenia S.A. acts as plaintiff**, there are registered files with various scope of works: criminal complaints, foreclosures, claims for damages, appeals against foreclosure by garnishment to the due dividends, claims for intervention, of which we give as examples:

- **foreclosure against the debtor AVAS (Authority for State Assets Recovery) (currently AAAS)** for the recovery of the amount of RON 633,567, according to the Civil Judgment no. 1581/21.10.2010, file no. 19477/3/2010, representing the amount owed by AAAS to RETIZOH S.A., i.e. 70% of the value of a real estate returned to former owners. That company also executed this amount

from S.I.F. Oltenia S.A.'s account, making use of the provisions applicable to joint and several liability.

Up to now, the amount of RON 7,875 was collected and S.I.F. Oltenia S.A. was distributed the amount of RON 35,565 of the sale price of the shares held by AAAS in Biofarm S.A. Bucharest (in foreclosure by other creditors), amount not collected until the reporting date. Foreclosure continues. AAAS has challenged the sale of the shares held in Biofarm S.A., appeal granted at first instance, the sentence being appealed. S.I.F. Oltenia S.A. brought forward a claim for intervention in the case. AAAS also disputed the protocol for the distribution of the price resulting from the sale of Biofarm S.A. shares, in which S.I.F. Oltenia S.A. is also a party, file suspended until the settlement of the first appeal of AAAS.

Last appeal by AAAS, carried out in the framework of this foreclosure, concerns the claim for garnishment of the dividends due to AAAS, **third party garnishee - MERCUR S.A.: case file no. 29516/215/2017**. On 12.09.2018, Craiova Local Court dismisses the claim filed by AAAS, which files an appeal with Dolj Regional Court. **HEARING: 16.01.2019**.

- **action having as scope of works the compensation for non-fulfilment of the obligation to carry out the mandatory public offer of shares in application of the provisions of art. 203 of the Law no. 297/2004 - regarding the shares of MOBILA RĂDĂUȚI S.A.** The case file on MOBILA RĂDĂUȚI S.A. shares is in the stage of foreclosure of the claims from the executory titles obtained at with **Cojocaru Mihai Bogdan Judicial Executor Office (foreclosure file no. 666/2015)**, which on 25.09.2018, 2018 issued to Banca Transilvania an official notice for garnishment on Amattis bank account, and on 25.10.2018 Banca Transilvania communicated the establishment of the garnishment without taking down any sums of money.

- S.I.F. Oltenia S.A. has undertaken a pecuniary claim for the obligation of **CEREALCOM S.A. Alexandria** to pay the amount of RON 1,660,826, representing the equivalent value of the stock packages due upon the withdrawal from the company, according to the provisions of art. 134 of the Law no. 31/1990 republished, as subsequently amended and supplemented. The case was settled on 28.12.2017 by rejecting S.I.F. Oltenia S.A.'s request. An appeal was filed and, on 03.07.2018, Bucharest Court of Appeal granted S.I.F. Oltenia S.A.'s appeal and remanded the case for retrial. The case is pending before Teleman Regional Court under **file no. 483/87/2016***. **HEARING: 04.02.2019**.

- **Causes in which S.I.F. Oltenia S.A. acts as defendant:**

- **case file no. 6584/63/2014**, plaintiff Buzatu Florian Teodor, having as scope of works pecuniary claims amounting to RON 1,758,550 and moral damages amounting to RON 40,000, motivated by the fact that he was revoked from the

position of administrator in S.I.F. Oltenia S.A. Ordinary General Meeting of Shareholders of 29.04.2011: the case is under retrial under no. 6584/63/2014*. On 12.04.2018, Dolj Regional Court dismisses the plaintiff's appeal. The case is pending before Craiova Court of Appeal. **HEARING: 04.02.2019.**

- **case file no. 7680/63/2018, Corealis S.A.** filed a **claim for invalidation of the Decisions of S.I.F. OLTENIA S.A. Extraordinary General Meeting of Shareholders of 04.10.2018**, pending before Dolj Regional Court, **Hearing: 04.02.2019**, and **case file no. 7693/63/2018, claim for suspension of the Presidential Ordinance** on the Decisions of S.I.F. OLTENIA S.A. Extraordinary General Meeting of Shareholders of **04.10.2018**, pending before Dolj Regional Court. **HEARING: 21.01.2019.**

- **case file no. 15674/4/2018**, pending before 4th District Bucharest Local Court, having as scope of works the claims raised by **Prodplast S.A. Bucharest**, consisting of court charges incurred in case file no. 19321/3/2016, both on the merits and in appeal, in total amount of RON 57,913.51. The Court grants in part Prodplast S.A.'s claim and obliges S.I.F. OLTENIA S.A. to pay the amount of RON 30,000 as court charges in the case file no. 19321/3/2016 and the amount of RON 1,505 in this case. S.I.F. OLTENIA S.A. filed an appeal on 14.12.2018.

- **case file no. 57180/300/2015**, 2nd District Bucharest Local Court, having as scope of works the appeal against foreclosure filed by **AAAS to the garnishment through the Depozitarul Central** - third party garnishee, the Court grants in part the action. The sentence has not been communicated to the parties. The possibility of filling the appeal is being considered.

- **case file no. 70/332/2017**, Mehedinți Regional Court, plaintiffs **Nae Gabriel and Nae Claudiu**, having as scope of works the **"Unjust enrichment"**. On the merits and on appeal it was admitted S.I.F. Oltenia S.A.'s lack of capacity to stand trial. AAAS filed an appeal, which is suspended until the settlement of the exception of unconstitutionality in art. 520 para. 4 of the New Civil Procedure Code, in conjunction with art. 27 of the New Civil Procedure Code by the Constitutional Court of Romania.

- **case file no. 6876/1/2006**, Timișoara Court of Appeal, having as scope of works the Law no. 10/2001, against **Tincu Emilian, Claude Silvia Alice and Hoch Ileana**: case suspended until the awarding of a solution to the case file no. 4040/101/2008, pending before Mehedinți Regional Court, in which S.I.F. OLTENIA S.A. is not part.

During the period 01.01.2019 - 15.03.2019 the situation of the above mentioned files, which had deadlines during this period, is as follows:

- **case file no. 9270/63/2017**: hearing 01.04.2019;
- **case file no. 7294/63/2018**: on 04.03.2019 the Court admits the request of S.I.F. Oltenia S.A. and cancels the Corealis Decision on 01.04.2019. With appeal;
- **case file no. 7443/63/2018**: on 18.02.2019 the Court admits the request of intervention of S.I.F. Oltenia S.A. With appeal;
- **case file no. 29516/215/2017**: on 16.01.2019 the Court rejects the AAAS appeal;
- **case file no. 483/87/2016***: hearing 01.04.2019;
- **case file no. 6584/63/2014***: on 04.02.2019 the Court rejects the appeal of the claimant Buzatu Florian Teodor. With appeal;
- **case file no. 7680/63/2018**: hearing 18.03.2019;
- **case file no. 15674/4/2018**: hearing 18.04.2019;
- **case file no. 57180/300/2015**: on 22.02.2019 S.I.F. Oltenia S.A. appealed;
- **case file no. 70/332/2017**: hearing 20.03.2019.

6. FULFILLMENT OF COMMUNICATION OBLIGATIONS ESTABLISHED BY LAW

The activity of S.I.F. OLTENIA S.A. has been carried out under transparency conditions, in compliance with the laws in force.

The Company has prepared and published the regular and current reports in the content and by the deadlines provided by the capital market regulations and provided the information requested by the Bucharest Stock Exchange - the regulated market on which the shares issued by S.I.F. OLTENIA S.A. are listed.

7. OTHER IMPORTANT EVENTS

➤ On 25.04.2018 took place S.I.F. OLTENIA S.A. Extraordinary General Meeting of Shareholders.

- The distribution of the net profit of the 2017 financial year in the amount of RON 74,303,963.75 was approved for the following destinations:

a) Dividends: RON 40,611,600 (54.66% of the net profit), which provides a gross dividend per share of RON 0.07.

b) Other reserves (own sources of financing): RON 33,692,363.75 (45.34% of the net profit).

The distribution of dividends started on 24.10.2018.

- The Income and Expenditure Budget for 2018 and the 2018 Strategy in the form proposed and presented by the Board of Directors were also approved.
- It was approved the performance in the 2018 fiscal year of the posting as "income" of dividends unclaimed for more than three years from their due date, for which the right of action is extinguished by prescription, respectively the dividends related to the 2014 financial year, as found to be recorded in S.I.F. Oltenia S.A. records as unpaid at the end of 16.09.2018.
- The appointment of JPA Audit & Consultancy S.R.L. as External Financial Auditor of S.I.F. Oltenia S.A. for a period of 3 years was approved, in order to audit the Standalone and consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) for the 2019, 2020, 2021 financial years.

➤ On **25.04.2018** took place S.I.F. OLTENIA S.A. **Extraordinary General Meeting of Shareholders.**

The Company approved a program for the redemption of its own shares, in accordance with the applicable legal provisions, under the following conditions:

(i) *program size* - **maximum 32,704,308 shares** with a face value of 0.10 RON/share representing a maximum of **5.637%** of the share capital;

(ii) *share acquisition price* - the minimum price will be 1.50 RON/share and the maximum price will be **2.50 RON/share**;

(iii) *program duration* - the **maximum period of 12 months** from the date of publication of the decision of the Extraordinary General Meeting of Shareholders in the Official Gazette of Romania, Part IV;

(iv) *payment of redeemed shares and size of the related fund* - of the available reserves, the maximum amount for redemptions being of RON 49,056,462.55, according to the decision no. 3 of the Ordinary General Meeting of Shareholders of 06.09.2017;

(v) *program intended purpose* - reduction in the share capital.

On 13.12.2018 it was filed with the Financial Supervisory Authority by SS.I.F. Voltinvest S.A. Craiova - as an intermediary in the Public Offering of Shares issued by S.I.F. Oltenia S.A. - the Public Offering of Shares Document issued by S.I.F. Oltenia S.A., together with the related documentation.

➤ On **04.10.2018** took place S.I.F. OLTENIA S.A. **Extraordinary General Meeting of Shareholders.**

The full sale of the 1,023,534,303 shares held by S.I.F. Oltenia S.A. at the Banca Comercială Română, to ERSTE GROUP BANK A.G. at the price of EUR 140,000,000.

On 09.10.2018, the operation of sales and purchase of the 1,023,534,303 shares held by S.I.F. Oltenia S.A. at Banca Comercială Română by signing in the Register of Shareholders the transfer of shares from S.I.F. Oltenia S.A. to ERSTE GROUP BANK A.G. and the amount of EUR 140,000,000 (the equivalent of the sold stock package) was paid by the buyer to S.I.F. Oltenia S.A.

Events after December 31, 2018

1. On 17.01.2019 S.I.F. Oltenia S.A. received from the Financial Supervisory Authority the Decision no. 66/16.01.2019 approving the document for public offering of shares issued by S.I.F. Oltenia S.A.

The offer was successfully carried out between 28.01.2019 - 08.02.2019, a number of 19,622,585 shares were purchased at the price of 2.5 RON/share. The offer was over-subscribed 13.2 times, demonstrating the interest of shareholders in such shares.

2. Investments in the capital market continued in the first two months of the year, market opportunities have been capitalized, following the strategy approved by the shareholders. Thus, on 28.02.2019, the top 10 companies in the share portfolio were:

	Weight in the share capital of the issuer - % -	Pondere în activul total al SIF - % -
BANCA TRANSILVANIA S.A.	4.0947	18.5347
B.R.D. Groupe Societe Generale	4.0562	16.6437
OMV PETROM S.A. București	1.2838	12.2688
MERCUR S.A.	97.8593	6.5736
S.N.T.G.N. TRANSGAZ S.A. Mediaș	2.0665	4.1051
FLAROS S.A. București	81.0712	3.1733
C.N.T.E.E. TRANSELECTRICA S.A. București	3.6994	2.8176
S.N.G.N. ROMGAZ S.A. Mediaș	0.4599	2.6576
ANTIBIOTICE S.A. Iași	15.4135	2.5138
ARGUS S.A. Constanța	86.4160	2.4631

The liquidities existing as of 28.02.2019 amounting to 156,457,529 lei represent 7.74% of total assets, falling within the limits of art. 188 letter e) of the ASF Regulation no. 15/2004.

8. ECONOMIC AND FINANCIAL RESULTS AND THE PATRIMONY STATUS

The standalone financial statements have been prepared by the Company in accordance with the International Financial Reporting Standards adopted by the European Union (EU). The Company has prepared the separate IFRS standalone financial statements in order to meet the requirements of the Rule no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector.

Pursuant to the Rule no. 39/2015, the International Financial Reporting Standards, hereinafter referred to as IFRS, are the standards adopted under the procedure laid down in the Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19th, 2002 on the application of international accounting standards, as subsequently amended and supplemented.

The currency used in the reporting of the financial profit (loss) is RON.

ECONOMIC AND FINANCIAL RESULTS

Standalone statement of financial position for the financial year ended December 31st, 2018

Assets	December 31st, 2018	December 31st, 2017
Cash and cash equivalents	472,375,238	3,020,367
Bank deposits	554,340	792,848
Financial assets measured at fair value through other comprehensive income	1,478,457,359	1,798,097,017
Financial assets measured at fair value through the profit or loss statement	2,732,940	
Credits and receivables	15,836,743	2,755,702
Tangible assets	11,965,182	10,871,348
Investment property	555,001	539,637
Other assets	134,574	367,939
Total assets	1,982,611,377	1,816,444,858
Liabilities		
Dividends payable	42,515,955	48,087,127

Assets	December 31st, 2018	December 31st, 2017
Taxes and duties	97,715,503	4,997,330
Deferred tax liabilities	72,404,246	150,531,920
Other liabilities	9,855,891	6,349,864
Total liabilities	222,491,595	209,966,241
Equity		
Share capital	58,016,571	58,016,571
Reserves established following the application of the Law no. 133/1996	144,636,073	144,636,073
Legal reserves	11,603,314	11,603,314
Reserves from valuation of financial assets measured at fair value through other comprehensive income	347,779,788	781,551,351
Other reserves	555,210,270	521,517,906
Reserves from revaluation of tangible assets	7,844,289	7,175,074
Retained earnings except for retained earnings arising from the adoption for the first time of IAS 29	538,769,677	7,674,364
Current profit	96,259,800	74,303,964
Total equity	1,760,119,782	1,606,478,617
Total debts and equity	1,982,611,377	1,816,444,858

The total assets as at 31.12.2018 have a value of **RON 1,982,611,377**, increasing by **9.15%** as compared to 31.12.2017 (**RON 1,816,444,858**).

Within the assets, the financial assets measured at fair value through other comprehensive income of **RON 1,478,457,359** and account for **74.57%** - according to the specificity of the activity.

Deposits placed at banks amount to **RON 554,340**, representing **69.91%** of those recorded in the previous year.

The Company's debts in the amount of **RON 222,491,595**, slightly higher than in the previous year (**5.96%**), are mainly represented by:

- dividends payable - **RON 42,515,955 (19.11%** of total debts)
- debts with deferred tax - **RON 72,404,246 (32.54%** of total debts)

The Company's equity - **RON 1,760,119,782** - reflects an increase by **9.56%** as compared to 31.12.2017.

**Standalone statement of profit or loss and other comprehensive income
for the financial year ended December 31st, 2018**

<i>In RON</i>	2018	2017
Income		
Dividend income	90,616,735	68,321,469
Interest income	432,173	68,419
Other operational income	27,592,578	22,867,614
Net gain from exchange rate differences	(986,647)	(387,485)
Net gain from sale of financial assets		12,216,446
Gains from financial assets at fair value through profit or loss statement	(56,554)	
Expenses		
Fees and charges for administration and supervision	(2,438,351)	(2,399,886)
Write-back of provisions	4,990,801	5,031,750
Other operational expenditures	(18,765,032)	(23,800,527)
Profit before tax	101,385,703	81,917,800
Profit tax	(5,125,903)	(7,613,836)
Net profit for the period	96,259,800	74,303,964
Gain from transactions recognized in retained earnings according to IFRS 9	606,846,980	-
Related tax	(98,982,191)	-
Net gain recognized in retained earnings	507,864,789	-
Other comprehensive income		
Variation of reserve from revaluation of tangible assets, net of deferred tax	956,327	-
Net variation of fair value of financial assets measured through other comprehensive income	93,577,352	165,529,167

<i>In RON</i>	2018	2017
Fair value reserve of financial assets measured through other comprehensive income, transferred to retained earnings / profit or loss	(606,881,307)	(10,405,230)
Effect of related profit tax	97,101,009	-
Fair value reserve of financial assets measured through other comprehensive income - hyperinflation	5,359,613	-
Total other comprehensive income	(409,887,006)	155,123,937
Total comprehensive income for the period	194,237,583	229,427,901
Earnings per share		
Basic	0.1659	0.1281
Diluted	0.1659	0.1281

The main income groups made by the Company in 2018:

- dividend income - **RON 90,616,735** (dividend income is recorded at gross value);
- interest income – **RON 432,173**;
- other operating income – **RON 27,592,578**.

These include the amount of **RON 14,942,855** - dividends not claimed for more than three years from their due date, in accordance with the Decision of the Ordinary General Meeting of Shareholders no. 8/25.04.2018.

The companies that are part of S.I.F. Oltenia S.A. portfolio which distributed in 2018 the dividends corresponding to the 2017 financial year are:

No.	Company name	S.I.F. Oltenia S.A. shareholding on registration date - % -	No. of shares held by S.I.F. Oltenia S.A.	Gross dividend / share 2017 - RON -	Gross dividend 2017 - RON -	Net dividends cashed by S.I.F. Oltenia S.A. by 31.12.2018 - RON -
<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>6</i>	<i>11</i>
1	UNIVERS S.A.	73.749	587,519	1.72	1,010,533	1,010,533
2	FLAROS S.A.	81.039	1,232,894	0.657304	810,386	810,386
3	TURISM PUCIOASA	69.219	1,010,599	0.1	101,060	101,060
4	PROVITAS S.A.	70.278	35,139	2.6	91,361	91,361
5	MERCUR S.A.	97.859	7,104,836	0.1377	978,336	978,336

6	BRD	2.129	14,835,135	1.64	24,329,621	23,113,140
7	BT ASSET MANAG. S.A.	9.999	716,559	2.791074	1,999,969	1,899,971
8	BUCHAREST STOCK EXCHANGE	4.767	383,709	1.6862	647,010	614,659
9	BANCA TRANSILVANIA*	1.096	47,566,896	0.1405063951	6,683,453	6,349,280
10	OMV S.A.	1.268	718,100,277	0.02	14,362,006	13,643,906
11	RELEE SA MEDIAȘ	11.464	62,080	0.2106	13,074	13,074
12	ELECTRICA S.A.	0.027	123,718	0.7237	89,535	85,058
13	BANCA COMERCIALĂ ROMÂNĂ	6.297	1,023,534,303	0.0140354471	14,365,762	13,647,473
14	ȘANTIERUL NAVAL ORȘOVA (ORȘOVA SHIPYARD)	28.017	3,200,337	0.16	512,054	512,054
15	TRANSGAZ S.A.	1.642	193,270	45.38	8,770,593	8,332,063
16	ROMGAZ S.A.	0.403	1,583,729	4.99	7,902,808	7,507,668
17	IAMU BLAJ	19.834	1,884,289	0.29	546,444	546,444
18	ANTIBIOTICE S.A.	14.679	98,545,506	0.026552598	2,616,639	2,616,639
19	DEPOZITARUL CENTRAL	3.906	9,878,329	0.005361	52,962	50,312
20	TURISM FELIX	28.974	143,752,429	0.0045	646,886	646,886
21	S.I.F. MOLDOVA	0.397	4,019,145	0.05	200,957	190,909
22	S.I.F. TRANSILVANIA	0.570	12,450,162	0.01	124,502	118,277
23	ELBA S.A.	2.369	39,628	3.3267	131,850	125,258
24	EXIMBANK S.A.	3.270	4,364,430	0.09298	405,825	385,535
	TOTAL A				87,393,625	83,390,283
25	TRANSGAZ S.A.*	2.067	243,311	1.14	277,375	263,506
26	ROMGAZ S.A.*	0.411	1,583,729	1.86	2,945,736	2,798,449
	TOTAL B				3,223,110	3,061,955
	GRAND TOTAL				90,616,735	86,452,238

* - Dividends due under art. II and III of the Government Emergency Ordinance no. 29/2017 for the amendment of art. 1 para. (1) let. g) of the Government Ordinance no. 64/2001 on the distribution of profits to national entities, national companies and trading companies with full or majority State capital, as well as to the autonomous administrations and for the amendment of art. 1 para. (2) and (3) of the Government Emergency Ordinance no. 109/2011 on corporate governance of public enterprises.

Of the total net dividends earned by S.I.F. OLTENIA S.A. for 2017, respectively **RON 86,452,238** (gross dividends - **RON 90,616,735**), **76.82%** was provided by only 8 companies - **RON 66,413,373**, these being among the top 10 companies of S.I.F. Oltenia SA and 6 of them - the most liquid companies on the capital market.

Company name	S.I.F. Oltenia S.A. shareholding on registration date - % -	No. of shares held by S.I.F. Oltenia S.A.	Gross dividend / share 2017 - RON -	Gross dividend 2017 - RON -	Net dividends cashed by S.I.F. Oltenia S.A. by 31.12.2018 - RON -
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>11</i>
BRD	2.129	14,835,135	1.64	24,329,621	23,113,140
OMV S.A.	1.268	718,100,277	0.02	14,362,006	13,643,906
BANCA TRANSILVANIA	1.096	47,566,896	0.140506395	6,683,453	6,349,280
MERCUR S.A.	97.859	7,104,836	0.1377	978,336	978,336
TRANSGAZ S.A.- 1 st Stage	1.642	193,270	45.38	8,770,593	8,332,063
TRANSGAZ S.A. - 2 nd Stage	2.067	243,311	1.14	277,375	263,506
FLAROS S.A.	81.039	1,232,894	0.657304	810,386	810,386
ANTIBIOTICE S.A.	14.679	98,545,506	0.0265526	2,616,639	2,616,639
ROMGAZ S.A. – 1 st Stage	0.403	1,583,729	4.99	7,902,808	7,507,668
ROMGAZ S.A. – 2 nd Stage	0.411	1,583,729	1.86	2,945,736	2,798,449
TOTAL					66,413,373

Profit before tax is RON 101,385,703, the profit tax being RON 5,125,903.

The gross profit incorporates the amount of **RON 5,500,000**, a provision constituted in accordance with the Company's bylaw, the collective employment agreement and the senior management mandate contract. We propose to the Ordinary General Meeting of Shareholders to approve the gross result achieved, which includes the provision created to stimulate the employees, the senior management and the directors according to the legal framework mentioned and to grant to the Board of Directors the powers for the distribution of the amount to employees, senior management (with mandate contract) and directors.

The **net profit** for the period is **RON 96,259,800**, higher by **28.12%** of the one foreseen by the Income and Expenditure Budget for the year 2018 (**RON 75,135,320**).

The Board of Directors of S.I.F. Oltenia S.A. proposes to the Ordinary General Meeting of Shareholders the distribution of the net profit achieved in 2018 as follows:

Grant of a **gross dividend per share** worth **RON 0.15**.

- Dividends	RON 84,081,469.35
- Other reserves (own sources of financing)	RON 12,178,331.12

TOTAL NET PROFIT DISTRIBUTED RON 96,259,800.47

The **gross dividend** proposed to be granted for a share held at the **registration date** represents a distribution rate of **87.3485%** of the total net profit obtained in the 2018 financial year.

The proposed gross dividend provides a return of **7.0175%** of the average trading price of the shares in 2018 and of **7.1942%** of the closing / action market price on the last trading day (December 31st, 2018).

Standalone statement of cash flows
as at 31.12.2018

Cash flows from operating activities		
Receipts from customers, other receipts	1,504,805	1,676,157
Receipts from sales of financial investments (securities)	668,586,163	22,932,336
Payments for acquisition of shares	(218,266,792)	(54,018,729)
Payments to suppliers and employees, other payments	(11,843,474)	(9,251,927)
Payments to the state budget, social security budget and local budget	(4,633,914)	(4,861,594)
Interest receivable	431,649	70,613
Dividends receivable	86,452,238	65,302,341
Interest payable	0	0
Profit tax payable	(7,018,990)	(4,604,995)
Net cash from operating activities	0	0
Cash flows from investment	515,211,685	17,244,202

Payments for acquisition of tangible assets		
Proceeds from sale of tangible assets	(371,967)	(266,097)
Net cash from investment	0	586,888
Cash flows from financing activities	(371,967)	320,791
Proceeds from issuance of shares		
Proceeds from long-term loans	0	0
Payment of debts related to financial leasing	0	0
Amounts advanced for share redemption	0	0
Dividends payable	(14,716,940)	0
Amounts advanced to Depozitarul Central for dividend payments	(29,237,600)	(38,217,906)
Tax on dividends paid	(698,183)	(1,540,060)
Net cash from financing activities	(1,071,156)	(1,967,274)
Net increase in cash and cash equivalents	(45,723,879)	(41,725,240)
Cash and cash equivalents at the beginning of the reporting period	469,115,839	(24,160,247)
Cash and cash equivalents at the end of the reporting period	3,813,119	27,973,366
Cash flows from operating activities	472,928,958	3,813,119

9. CORPORATE GOVERNANCE

Societatea de Investiții Financiare Oltenia S.A. is classified in the Premium category of the Bucharest Stock Exchange

The subscribed and paid-up share capital of the Company is RON 58,016,571. It is divided into 580,165,714 shares with a face value of RON 0.1.

The shares are ordinary, nominative, of equal value, issued in dematerialized form and **confer equal rights to their holders**. The shares are indivisible, the Company recognizing a single representative for the exercise of the rights resulting from the ownership of a share.

The Company carries out its activity in accordance with the provisions of the Romanian laws. The main normative acts that govern the activity of S.I.F. Oltenia S.A. are: the Law no. 31/1990 republished, on trading companies, as subsequently amended and supplemented, the Law no. 297/2004 on the capital market, as subsequently amended and supplemented, the CNVM (ASF) Regulation no.

1/2006, on issuers and transactions involving securities, the CNVM (ASF) Regulation no. 15/2004 on the authorization and operation of investment management companies, collective investment undertakings and depositaries, the ASF Regulation no. 9/2014 on the authorization and operation of investment management companies, undertakings for collective investment in transferable securities and depositaries of undertakings for collective investment in transferable securities, the ASF Regulation no. 14/2015 on the evaluation and approval of the members of the management structure and of the persons holding key positions within the entities regulated by the ASF, the Regulation no. 10/2015 on the management of alternative investment funds, the Regulation no. 2/2016 on the application of the principles of corporate governance by the entities authorized, regulated and supervised by the ASF, the Law no. 74/2015 on the alternative investment fund managers, the Law no. 24/2017 on issuers of financial instruments and market operations, the ASF Regulation no. 1/2019 on the evaluation and approval of the members of the management structure and of the persons holding key positions within the entities regulated by the Financial Supervisory Authority, the Articles of Incorporation, the Internal Regulations, the Bucharest Stock Exchange Code and the Corporate Governance Code of the Bucharest Stock Exchange (2015).

By the Regulation no. 2/2016, the Financial Supervisory Authority (ASF) has regulated the unitary normative framework for the application of corporate governance principles to entities authorized, regulated and supervised by the ASF, a regulation that has been applied since January 1st, 2017. The Corporate Governance Statement, in accordance with the Annex to the Regulation no. 2/2016 was reported to ASF on 23.01.2017.

S.I.F. Oltenia S.A. is committed to maintaining and developing best corporate governance practices to ensure an effective decision-making process that leads to long-term viability of the Company, achievement of the Company's goals, and creating added value for all stakeholders (shareholders, managers, employees, partners).

S.I.F. Oltenia S.A. paid special attention to good corporate governance and adhered to the principles set out in the Corporate Governance Code of the Bucharest Stock Exchange.

According to the Articles of Incorporation, **S.I.F. Oltenia S.A. is administered in a unitary system.**

The Board of Directors of S.I.F. Oltenia S.A. consists of **7 members** elected by the General Assembly for a period of 4 years, with the possibility of being re-elected .

As at 01.01.2018, the composition of the Board of Directors of S.I.F. OLTENIA S.A. was the following:

1. Tudor Ciurezu
2. Cristian Buşu
3. Anina Radu
4. Radu Hanga
5. Ana Barbara Bobircă
6. Nicolae Stoian
7. Carmen Popa

The Board of Directors was registered with Dolj Trade Register Office on 31.07.2017.

The Board of Directors is supported in its activity by a Council secretary with the necessary experience and training, who attends Council meetings, being responsible for ensuring the effective operation of the Council and its Committees, his role being to support the Chairman and the other members of the Council, both at group level and individually, and in ensuring compliance by the Board of Directors with Internal Regulations, ensuring compliance with the Corporate Governance Code regulations, and with relevant laws and regulations for the Company's activity.

The Secretary is responsible for ensuring effective communication between the Board of Directors and the Committees set up at the Council level, between the managers and the Board of Directors.

In 2018, the position of secretary of the Board of Directors was held by Mr. Păuna Ioan.

During 2018, the Board of Directors of S.I.F. Oltenia S.A. had two executive directors, namely "managers with mandate contract", as defined by the ASF Regulation no. 9/2014, respectively the Government Emergency Ordinance no. 32/2012, as subsequently amended and supplemented. Most members of the Board of Directors - 5 members - were non-executive.

The executive management of S.I.F. Oltenia S.A. was assured as follows:

- Tudor Ciurezu – Chairman/General Manager
- Cristian Buşu – Deputy Chairman/Deputy General Manager

The members of the Board of Directors were elected on the basis of objective criteria regarding qualification and professional experience, as provided by the ASF Regulation no. 9/2014. After the entry into force of the ASF Regulation no. 14/2015 regarding the evaluation and approval of the members of the management structure and of the persons holding key positions within the entities regulated by the Financial Supervisory Authority, the members of the management structure, respectively the members of the Board of Directors and the members of the senior management (General Manager and Deputy General Manager), as well as key persons (Internal Auditor, Internal Control/Compliance, Risk Manager) proceeded to the self-evaluation, respectively the evaluation by the Board of Administration of the fulfilment of the requirements stipulated by the ASF Regulation no. 14/2015, being able to notice an observance of the adequacy for the positions held.

Main duties of the Board of Directors

The Board of Directors has unlimited powers in the interval between the general meetings regarding the administration of the Company, except for those which the law or the bylaw provide exclusively for the General Meeting of Shareholders.

In accordance with the provisions of the Articles of Incorporation and the Internal Regulations, the Board of Directors has the following basic powers:

- the establishment of the main directions of activity and the development of the Company;
- the establishment of the accounting policies and the financial control system, as well as the approval of financial planning;
- the appointment and dismissal of managers in the sense of the Law no. 31/1990 and the determination of their remuneration within the limits established by the Ordinary General Meeting of Shareholders;
- the supervision of the managers' activity;
- the preparation of the annual report, the organization of the general meeting of shareholders and the implementation of its decisions;
- the filing of the application for the opening of the insolvency proceedings of the Company, according to the applicable legal provisions;
- the exact performance of all the duties assigned to the Board of Directors by the General Meeting of Shareholders;
- the establishment / dissolution of branches and other secondary

- establishments without legal personality, or the change of their headquarters;
- the establishment and approval of voting procedures within the general meeting of shareholders;
 - the decision to set up other companies or legal persons, including the participation in the share capital of other companies, under the conditions provided by the legal regulations;
 - the drafting of deeds for the acquisition, alienation, exchange or establishment of the required guarantee for assets of the fixed assets category of the company, whose value exceeds, individually or cumulatively, during a financial year, 20% of the total assets, less the receivables, are concluded by the directors or the managers of the Company only after the prior approval by the extraordinary General Meeting of Shareholders, according to art. 90 (1) of the Law no. 24/2017, or any legal provisions in force at the time of preparation of the documents.
 - the rental of tangible assets over a period of more than one year, whose individual or cumulative value to the same co-contractor or persons involved or acting concerted exceeds 20% of the value of the fixed assets, less the receivables at the date of conclusion of the legal deed, as well as the associations over a period of more than one year, exceeding the same value, shall be approved in advance by the Extraordinary General Meeting of Shareholders according to art. 90 (2) of the Law no. 24/2017, or any legal provisions in force at the time of the preparation of the documents.
 - the conclusion of contracts with the depositary, the financial auditor and the entity keeping the records of the shareholders;
 - the approval of the internal regulations of the Company, the organization chart, the internal regulations of the Board of Directors and the policies / working procedures;
 - the negotiation of the collective employment agreement;
 - the settlement of any other problems set by the General Meeting of Shareholders or by the regulations or legal provisions.

According to the Law no. 31/1990 republished, the Board of Directors also has duties that can not be delegated to managers, namely:

- the establishment of the main directions of activity and development of the Company;

- the establishment of the accounting policies and financial control system, as well as the approval of the financial planning;
- the appointment and dismissal of managers within the meaning of the Law no. 31/1990 (with a mandate contract) and the determinations of their remuneration;
- the supervision of the managers' activity;
- the preparation of the annual report, the organization of the General Meeting of Shareholders and the implementation of its decisions;
- the introduction of the application for the opening of the insolvency proceedings of the Company, according to the applicable law;
- any duty received by the Board of Directors from the General Meeting of Shareholders.

During 2018, the Board of Directors met at least once a quarter.

The total number of meetings of the Board of Directors in 2018 was **16**, held on the following dates: 12.02.2018; 22.03.2018; 24.04.2018; 25.04.2018; 11.05.2018; 12.06.2018; 25.06.2018; 28.06.2018; 18.07.2018; 09.08.2018; 28.08.2018; 27.09.2018; 19.10.2018; 12.11.2018; 14.12.2018 and 19.12.2018.

The situation of the attendance by the managers of the meetings of the Board of Directors during 2018:

1.	Tudor Ciurezu	16 - attendances
2.	Cristian Buşu	16 - attendances
3.	Anina Radu	16 - attendances
4.	Radu Hanga	16 - attendances
5.	Ana Barbara Bobircă	16 - attendances
6.	Carmen Popa	16 - attendances
7.	Nicolae Stoian	16 - attendances

Main themes discussed in the meetings of the Board of Directors:

- **approvals required by legal provisions applicable to accounting records** (results of patrimony inventory, creation and recording of adjustments and provisions, quarterly, semestrial and annual financial statements, semestrial and annual consolidated financial statements and related reports, proposed allocation of

2017 profit, 2018 BVC project, transition to IFRS 9 "Financial Instruments ", results of the valuation of the unlisted companies in the portfolio in which S.I.F. Oltenia S.A. owns 33% of the share capital, modification of the Accounting Policies and Procedures Handbook elaborated in accordance with the International Financial Reporting Standards approved by the Board of Directors according to the Decision no. 5/28.03.2016 art. 1 (for standalone financial statements), amendment of the Accounting Policies for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards, approved by the Board of Directors in accordance with the Decision no. 12/0 8.08.2016, art. 6, etc.);

- **approvals required by laws applicable to the performance of duties by Compliance, Internal Audit and Risk Management departments** (2017 Activity Report of Compliance Department on investigations carried out, deviations found and proposals made, Compliance Department Investigation Plan for 2018, Annual Report on 2017 Internal Audit Activity, Annual Report on Risk Management Activity in 2017, 2018 risk monitoring plan, 2017 annual report on the effectiveness of the compliance system, risk management system and internal audit reports, the Internal Audit Charter and the Internal Auditor's Statement of Independence - documents issued by the new internal auditor, report on the efficiency of the Compliance Department, the Risk Management System and the Internal Audit Department for the first semester of 2018, the Internal Audit Plan for 2019 etc);

- **organizational approvals** (documents reviewed and updated according to the applicable legal provisions - the ASF Regulations no. 2/2018, no. 5/2018: internal regulations, organizational chart, regulation on the organization and operation of the Nomination and Remuneration Committee, policies and working procedures, financial auditor's contract, new working procedures, updating of the documentation for AFIA authorization, etc.);

- **decisions on the application of certain provisions of the law and specific regulations of the capital market;**

- **approvals imposed by the specificity of the work of the departments within the Company;**

- **approvals required by the legal and statutory provisions on the convening and holding of general meetings** (analysis and approval of materials included on the agenda, convener, expenses, procedures, suspension of voting rights, lists of candidates, selection of financial auditor, special power of attorney, ballot by correspondence, establishment of committees for receiving and keeping records of votes, work rules for established commissions etc.);

- **approval of all steps for the sale of BCR stock package until the transaction is completed, including the convening, organisation and holding of the Extraordinary General Meeting of Shareholder of 04.10.2018 for the approval of the transaction;**
- **approval of the steps for the effective implementation of the decision of the Extraordinary General Meeting of Shareholders of 25.04.2018 regarding the redemption program, by S.I.F. Oltenia S.A., of its own shares;**
- **approval of the investment activity in 2018 and the directions for the year 2019;**
- **information on the reports drawn up by the Audit Committee and review of the Audit Committee activity and their approval** (all the reports/information approved/drawn up by the Audit Committee, including the minutes of the ten Audit Committee meetings and the resolutions issued, were debated and approved by the Board of Directors of S.I.F Oltenia S.A.);
- **information on the reports drawn up by the Nomination and Remuneration Committee and their approval** (annual report on the evaluation for the year 2017 of the members of the Board of Directors and the Senior management, respectively annual report on the evaluation for the year 2017 of the persons holding key positions within S.I.F Oltenia S.A.).

Between January 2018 and December 2018, the directors' remuneration was made in accordance with the Decision of S.I.F. Oltenia S.A. Ordinary General Meeting of Shareholder no. 9/04.04.2017, approving that during the four-year term of office the rights to the members of the Board of Directors for the exercise of the director's mandate at the level established by the Decision no. 5/20.04.2013 of the Ordinary General Meeting of Shareholder to be maintained.

According to the aforementioned Decision of the Ordinary General Meeting of Shareholder, the remuneration of the members of the Board of Directors was as follows:

- The monthly remuneration of the members of the Board of Directors was set at 2.0 gross average salaries per company for each manager, 3.0 average gross salaries per company for the Deputy Chairman, and 4.0 gross average salaries per company for the Chairman.

- The additional remuneration of the members of the Board of Directors forming part of the Board's advisory committees was set at 5% of the monthly allowance of the respective director. The members of the Board of Directors are

also subject to the provisions of the Articles of Incorporation and the Collective Employment Agreement of the Company, where applicable (travel, transport, accommodation expenses, etc.).

- In order to achieve the net profit indicator, directors have the right to receive as a whole an additional incentive in the form of the annual participation to profit, of 0.5% of the net profit achieved, subject to its approval in Ordinary General Meeting of Shareholders for the approval of the annual financial statements. The fund will be determined and recorded as a provision from the gross profit, so that the realization of the net profit established through the Income and Expenditure Budget is not jeopardized.

- In the case of the realization of the net profit established by the Income and Expenditure Budget by the Ordinary General Meeting of Shareholders, the senior management members will have the right to an additional individual incentive in the amount of 0.1% for the General Manager and 0.075% for the Deputy General Manager of the capitalized value of the Company calculated on the basis of the average share quotation for the Company's shares at Bucharest Stock Exchange, registered in the respective financial year. The fund will be determined and recorded as a provision from the gross profit, so that the realization of the net profit established through the Income and Expenditure Budget is not jeopardized.

- For 2018, in the Company, the average salary taken into account is the average salary as at 31.12.2017. Note: The average salary per Company is the sum of the monthly basic salaries (salary at hiring time) to which are added the permanent increments of the employees of the Company, reported to the number of full-time employees with an indefinite term employment agreement, existing in the Company at a set date.

Audit Committee

During 2018, the Audit Committee, consisting of non-executive directors, had the following composition:

- Radu Hanga - Chairman
- Ana-Barbara Bobircă - member
- Nicolae Stoian - member

The Audit Committee met in 2018 in ten meetings, at the following dates: 05.02.2018; 06.02.2018; 09.02.2018; 12.03.2018; 18.04.2018; 07.05.2018; 18.06.2018; 06.09.2018; 03.12.2018 and 05.12.2018, in the presence of all its members, meetings convened to verify compliance with laws and the ASF and

BVB regulations and the obligations to inform the public about the preparation of the annual report on the financial statements as at 31.12.2017 and 30.06.2018, on the consolidated financial statements as at 31.12.2017, for the preparation of the activity report of the Audit Committee for 2017, the evaluation of the activity of the Compliance Department and the Internal Audit Department for the year 2017, the assessment of the risk management system, the approval of the Compliance Department Investigation Plans and the Internal Audit for 2018 in the original form and subsequently amended/supplemented, the approval of the Annual Report on the risk management activity for 2017 and the approval of the Risk Monitoring Plan for 2018, initiation of the pre-selection procedure of the external financial auditor according to the ASF Rule no. 41/21.12.2016 on the financial audit activity in the entities authorized, regulated and supervised by the ASF and the recommendation of the Audit Committee regarding the nomination of the auditor selected for the approval of S.I.F. Oltenia S.A. Ordinary General Meeting of Shareholder, the approval of the internal audit plan for 2019, etc.

The audit missions were completed through Reports that were presented in the Board of Directors meetings.

Nomination and Remuneration Committee

During 2018, the Nomination and Remuneration Committee had the following composition:

- Ana Barbara Bobircă – Chairman
- Radu Hanga – member
- Tudor Ciurezu - member

Mrs. Ana Barbara Bobirca and Mr. Radu Hanga are independent, non-executive directors.

The Nomination and Remuneration Committee during the year 2018 held two sessions on 23.02.2018 and 06.03.2018, in the presence of all its members, meetings held for the annual evaluation for 2017 of the members of the Board of Directors and the Senior management - General Manager and Deputy General Manager - in the first meeting, respectively of the persons holding key positions within S.I.F. OLTENIA S.A. - at the second meeting, to verify the suitability of the respective persons in office. The two reports prepared were submitted for debate and approval to the Board of Directors.

Compliance Department

During the 2018 financial year, the organizational structure of S.I.F. Oltenia S.A. also included the Compliance Department, an independent department specialized in supervising compliance by the Company and its staff with the laws in force, capital market incidents and internal regulations, with the following duties:

a) to monitor and evaluate on a regular basis the adequacy and effectiveness of the measures, policies and procedures established and the actions taken to remedy the deficiencies in terms of compliance by the Company with its obligations;

b) to advise the relevant persons responsible for the provision of services and the carrying out of activities, as well as assisting them to comply with the obligations of the Company according to the applicable legal provisions;

c) to act in accordance with its powers in order to prevent and to propose measures to remedy any breach of law, the applicable regulations affecting the capital market or the Company's internal procedures by the Company or its employees;

d) to ensure that the Company and its employees are informed of the legal regime applicable to the capital market;

e) to endorse the documents submitted by the Company to the ASF in order to obtain the authorizations provided for by the ASF regulations and to ensure that the reports that the Company has to submit to the ASF and to the capital market entities are submitted within the legal term stipulated by the regulations in force;

f) to analyse and to approve information/advertising material of the Company;

g) to keep in direct contact with ASF;

h) to regularly monitor and verify the application of the applicable legal provisions to the Company's activities and internal rules and procedures, to keep track of the irregularities discovered;

i) to verify compliance with prudential regulations;

j) to verify the correct separation of assets by entities under management;

k) to check the efficiency of the information system and internal procedures;

l) to verify the effectiveness of the risk control system;

m) together with the management structures, is responsible for the good organization and conduct of the activity of receiving, recording and solving petitions sent to the Company, the lawfulness of the solutions adopted and their communication within the legal term to the petitioner and the ASF at the request of this authority;

n) to verify compliance with legal provisions on the misuse of inside information;

o) to draw up, according to the investigation plan, verification notes related to aspects of the activity carried out at the level of the Company, which it submits to the senior management and, after its approval, to submit them to the Audit Committee for the analysis and evaluation of the activity;

p) to prepare the Annual Report and the Investigation Plan for the following year, which it submits to the Audit Committee for the analysis, evaluation and approval of the activity. Within 60 days of the end of each year, it shall submit the report on the carried out work to senior management.

The Report and the Investigation Plan approved by the Board of Directors are forwarded to the Financial Supervisory Authority by March 15th of each year.

In performing his/her duties, the Representative of the Compliance Department shall keep at the Company's registered office the following registers:

- 1) Unique petitions register, in secure electronic format, per calendar year
- 2) Investigation register
- 3) Register of personal transactions by relevant persons in the Company
- 4) Register of conflicts of interest

The Compliance Department activity is conducted in accordance with the supervisory and control rules and procedures approved by the Board of Directors of the Company.

The Compliance Department Representative analyses each year the activity of the Company during the previous year, indicating, if necessary, any malfunctions or non-conformities with the specific laws in force.

The Investigation Plan for 2018, approved by the Board of Directors at its meeting of 12.02.2018, focused on the following:

- Organizational activity;
- Information to the senior management and Company employees on the legal regime applicable to the capital market;
- Endorsement of documents submitted to ASF in order to obtain the authorizations provided by the ASF regulations;
- Endorsement of current reports, informative / advertising materials, communications;
- Preparation of the Notes of Verification according to the Annual Investigation Plan, approved by the Board of Directors.

All Notes of Verification and endorsements were recorded in the Investigation Register.

Throughout the reporting period, respectively 01.01.2018 - 31.12.2018, the Compliance Department Representative was Mrs. Viorica Bălan - ASF Authorization no. 215/02.09.2014, respectively no. 47-15.02.2018.

The Company has a **financial auditor** as well as an **internal auditor** who have carried out their activity in accordance with the applicable legal provisions and the contracts concluded in this respect.

Financial Auditor

The financial auditor is S.C. JJPA AUDIT ȘI CONSULTANȚĂ S.R.L. Bucharest.

The financial auditor audited the annual financial statements and was present at the Ordinary General Meeting of Shareholders to approve standalone and consolidated financial statements.

The Board of Directors verified the independence and objectivity of the financial auditor by monitoring the rotation of the partners assigned to the issuer in the audit firm.

Internal Auditor

The internal auditor was Mrs. Bălțățeanu Nadia Florentina from January to April 2018, and since 01.05.2018 Mrs. Cimpoeru Ana has been appointed to this position, as the employee of the issuer, for an indefinite period.

The internal auditor position is separate and independent of other positions and activities of S.I.F. Oltenia S.A.

The internal audit is organized according to the provisions of the Law no. 31/1990, republished, on trading companies, as subsequently amended and supplemented, the Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for amending and completing the Law no. 297/2004 on the capital market, the Law no. 162/2017 on the statutory audit of the annual financial statements and of the consolidated annual financial statements and amending certain normative acts and the Government Emergency Ordinance no.

75/1999 on the financial audit activity and functions as a distinct compartment within S.I.F. Oltenia S.A.

The internal audit activity was carried out in accordance with the Internal Audit Procedures approved by S.I.F. Oltenia S.A. Board of Directors by the Decision no. 6/26.06.2015.

The organisation and operation, the internal audit missions carried out, the objectives pursued are determined by the Internal Regulations of S.I.F. Oltenia S.A. endorsed by ASF through its advice no. 279/12.08.2015.

The internal audit activity in 2018 was carried out on the basis of the Internal Audit Plan, endorsed by the Audit Committee and approved by the Board of Directors of S.I.F. Oltenia S.A. by the Decision no. 10/19.12.2017.

The internal audit had the following objectives:

- a) the verification of the compliance of the entity's activities with policies, programs and its management, in accordance with the legal provisions;
- b) the assessment of the adequacy and implementation of financial and non-financial controls arranged and conducted by the management of the Company in order to increase the efficiency of its business;
- c) the assessment of the suitability of financial and non-financial information for management to know the reality of the Company;
- d) the protection of the balance sheet and off balance sheet items and the identification of methods to prevent fraud and losses of any kind;
- e) the assessment and review of the effectiveness and adequacy of systems, internal control mechanisms, risk management and governance processes and Company procedures.

The internal audit missions in 2018 were carried out within the functional departments of S.I.F. Oltenia S.A. and mainly concerned, under the Internal Audit Plan, the following activities:

- Inventory of patrimony and capitalization of its results;
- Rules and procedures for the operation of each department according to capital market regulations and financial and accounting laws in force;
- Dividends paid to S.I.F. Oltenia S.A. natural and legal persons shareholders existing at the time of registration;
- Dividends received from companies in S.I.F. Oltenia S.A. portfolio.;
- Compliance with ASF rules on net asset calculation and reporting;
- Organisation of financial asset records of the nature of shares and securities;

- Effectiveness and adequacy of the activity of the Compliance Department and the Risk Management Department;
- Records of hired personnel
- Acquisitions of fixed assets, inventory items, modernization, repairs, records thereof and depreciation of expenses;
- Employee and employer contributions to the state budget and social security budget.

Internal audit missions undertaken in accordance with the Internal Audit Plan endorsed by the Audit Committee and approved by the Board of Directors of S.I.F. Oltenia S.A. for the year 2018 and which covered the most important activities, were concluded with the following conclusions:

- The activities were carried out in accordance with the related legal framework, with the primary and secondary laws of the capital market in the field of activity of S.I.F. Oltenia S.A., with the procedures, rules or working instructions and the Internal Regulations, without any significant deviations that could affect the good functioning of the Company or that could involve major risks;

- There are enough levers that are in place for the safety of each transaction and risk reduction;

- There were no deviations in the protection of patrimonial items, no frauds or losses were recorded.

Observance of Shareholders' Rights

S.I.F. Oltenia S.A. shares are common, ordinary, nominative, dematerialized, indivisible, conferring equal rights to the shareholders.

In accordance with the provisions of art. 286¹ para. (1) of the Law no. 297/2004 on the capital market, as amended by the Law no. 11/2012, any person may acquire any title or may hold, alone or together with the persons with whom he/she acts in concert, shares issued by the Company but not more than 5% of the share capital.

The exercise of the voting right is suspended for the shares held by the shareholders exceeding this limit, according to the provisions of art. 286¹ para. (2) of the Law no. 297/2004 and the CNVM/ASF Instruction no. 6/2012 issued in application of the provisions of art. 286¹ of the Law no. 297/2004.

The General Meetings of Shareholders are convened by the Board of Directors at least 30 days before the scheduled date for the organisation.

S.I.F. Oltenia S.A. makes every effort to ensure fair treatment of all its shareholders by providing them with relevant and up-to-date information to enable them to exercise their rights in a fair manner.

Right to Vote

The Company makes every effort to facilitate the participation of shareholders in the works of the General Meeting of Shareholders.

Shareholders may participate directly at the General Meeting of Shareholders, through a representative holding a special / general power of attorney or by mail (either by post or electronic mail).

In the proceedings of the General Assembly are entitled to participate and vote only the shareholders appearing as registered at the reference date in the Consolidated Register of the Company's Shareholders held by the Depozitarul Central S.A. Bucharest.

The Board of Directors, in accordance with the applicable law and the ASF regulations, approves procedures for the organization and conduct of the General Meetings of Shareholders.

The shareholders have at their disposal, at the Company's headquarters and on the website (www.sifolt.ro), information and materials related to the General Meeting: convener, informative materials and documents of the General Meeting of Shareholders debates and approvals, participation and voting procedures, special proxy forms, ballot by correspondence, draft decisions, General Meeting of Shareholders decisions, the result of voting for each point on the agenda.

One or more shareholders, representing individually or together with other shareholders at least 5% of the Company's share capital, may request through an application addressed to the Company the introduction of additional items on the agenda of the and present draft decisions for the points proposed be included on the agenda of the General Meeting of Shareholders.

During 2018, the Board of Directors convened the Ordinary General Meeting of Shareholders on 25/26.04.2018 and the Extraordinary General Meeting of Shareholders twice, on 25/26.04.2018 and 04/05.10.2018.

Right to Dividends

The dividend is part of the Company's profits to be paid to the shareholders pro rata the number of shares held relative to the share capital. The value of the dividend is proposed by the Board of Directors and approved by the General Meeting of Shareholders. The proposal of the Board of Directors on the distribution of dividends takes into account the market returns, the economic context, the sustainability of the measure.

The Company's dividend policy aims at maintaining a balance between shareholder remuneration and the need to finance investments, investments that drive long-term development of the Company and increase investors' interest in the shares issued by the Company.

For the 2017 financial year, the Ordinary General Meeting of Shareholders of 25.04.2018 decided to distribute a gross dividend of 0.07 RON/share as proposed by the Board of Directors.

Right to Information

S.I.F. Oltenia S.A. observes the right to information of its shareholders by providing them with relevant and up-to-date information to enable them to exercise their rights in a fair manner. Information related to the Company's activity that may influence the price of the share has been disseminated through current reports or notices sent within 24 hours on the market, being made available to investors on both the BVB website and on its website (posting on its own website was made after this information was posted by the BVB market operator).

At the beginning of the year, the Company set up a financial communication schedule sent by BVB, ASF and published it on the Company's website and in a national newspaper.

In order to provide relevant information to shareholders in real time, S.I.F. Oltenia S.A. has created the Investor Information section, easily accessible and permanently updated on the www.sifolt.ro website.

The website is structured to contain specific information required by the holders of securities (in Romanian and English languages), among which: Corporate Governance (Corporate Governance Structures, Forecasting Policy, Dividend Policy, Remuneration Policy, Internal Regulations), Investor Information (Reports, Financial Schedule, General Assemblies, Statements of Ownership, Petitions), Privileged Information, Notified Transactions, Money Laundering Prevention.

S.I.F. Oltenia S.A. has internal structures specialized for the relationship with its investors and shareholders, namely Shareholders and Shareholder Relations Division (mihaela.talea@sifolt.ro), Public Relations Office (public@sifolt.ro) and Investor Relations (mihaela.colceriu@sifolt.ro).

S.I.F. Oltenia S.A. has two persons appointed to keep in touch with the capital market institutions (ASF and BVB), who regularly follow further training programs.

Within the Internal Regulations, rules and procedures are in place to provide regular and continuous information to ensure that transparent activities are in place, to ensure that investors have equal access to information.

10. SOCIAL RESPONSIBILITY

In achieving the sustainable development strategy of a company, there is a strong concern at European level to regulate the integration of social responsibility into its work. In order to encourage companies that have embraced such complex philosophy, many initiatives have been launched to address issues such as: business, customer relationship, relationship with shareholders, relationship with suppliers, with the environment, local communities, the relationship with their own employees.

Companies need to set up strategies that are appropriate to the specific field of activity and respond to the needs of the community at the same time. It is the task of civil society and the public sector to develop long-term projects and achieve their widespread dissemination. This is how the mass media, with a major role of information and education in this field, appears together with specialists, government representatives, opinion leaders, representatives of multinational companies with a rich tradition related to this concept, as well as Romanian companies that want to get informed and already undergo interesting projects.

Well integrated into the development strategy of S.I.F. Oltenia S.A., the social responsibility materializes, **first of all**, in **the economic impact** of the deployed activity, consisting of the high level of the taxes and duties with which the Company participates in the state budget and the social insurance budgets.

S.I.F. Oltenia S.A. got directly involved, in 2018, in solving / supporting social issues of the community, by providing sponsorships to support some activities.

Regarding the life quality aspect, it is worth mentioning here that one of the fields of activity, closely correlated with the theme of social responsibility, not included in S.I.F. Oltenia S.A. portfolio, was and is the pharmaceutical industry, with the Company also investing in this area in 2018.

S.I.F. Oltenia S.A. employees participated in 2018 in professional further training according to the work carried out. The Company has been involved - as a partner - in supporting events organized and held in the specific field of the capital market:

1) "Capital Market Risk Manager" course

Organised by AS FINANCIAL MARKETS S.R.L. from Sibiu between 26.02-01.03.2018 in Bucharest

2) "Personal Data Protection - Implementation and Impact of the General Data Protection Regulation" course

Organised by Expert Aktiv Group S.R.L between February 1st - 4th, 2018 in Sinaia

3) Continuous Professional Development Training for Managers and Representatives of the Internal Control Department

Organised by AAF between November 16th – 18th, 2018 in Predeal

The main aspects of social responsibility implemented in terms of the activity carried out by S.I.F. Oltenia S.A. are the following:

- ensuring a safe and healthy work environment;
- ensuring the improvement of the quality of life of employees at and outside the workplace;
- responsible approach to restructuring, taking into account the interests of all stakeholders;
- minimizing the impact of environmental activities;
- building trust relationships with the companies in which we own stocks;
- promoting company values among employees through training programs.

Social responsibility awareness activities also aim at empowering and retaining employees and engaging them in various humanitarian and social actions.

The complex activity of the Company also implies the fulfilment of high standards of employee professional training. In 2018, the senior management and the Compliance Officer participated in continuous professional development training and courses, having as main theme the changes in the laws, with emphasis on the laws applicable to the Romanian capital market.

Assoc. Prof. Ec. Tudor CIUREZU, Ph.D.

Chairman

Assoc. Prof. Cristian BUȘU, Ph.D. Ec. Elena SICHIGEA

Deputy General Manager

Economic Manager