



THE REPORT
of the Board of Directors
of S.I.F. Oltenia S.A.
on Consolidated Financial Statement
concluded on 31.12.2018

Societatea de Investiții Financiare OLTENIA S.A. (the „Company”) - Romanian legal person – incorporated as a commercial company on shares on 01.11.1996 according to Law no. 133/1996, is classified in the category of Alternative Investments Funds Managers (AIFM) and operates under Law no. 31/1990 on commercial companies, Law no. 297/2004 regarding the capital market, with subsequent amendments and completions, Law no. 74/2015 regarding managers of alternative investments funds and Law no. 24/2017 on issuers of financial instruments and market operations.

According to the articles of incorporation, the company has the following object of activity:

- administration and management of shares in commercial companies for which own shares were issued, according to Property Certificates 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 own securities portfolio and making investments in securities in accordance with the regulations in force;

- risks management;

- other auxiliary and adjacent activities to the collective management activity.

Subscribed and paid in share capital of the Company is 58,016,571 lei, divided into 580,165,714 shares with a nominal value of 0.1 lei / share. The shares are: ordinary, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders.

On 31.12.2018 the number of Company's shareholders was 5,742,311 (2017: 5,748,221).

The shares of the Company are listed on Bucharest Stock Exchange, the Premium category, with indicative SIF 5, starting with 01.11.1999.

During the reporting period, the Company developed its activity in compliance with the legal provisions contained in:

- Companies law no. 31/1990 - republished, as subsequently amended and supplemented;
- Law no. 297/2004 regarding the capital market, as subsequently amended and supplemented;
- Law no. 74/ 2015 regarding administrators of alternative investments funds;
- Law no. 24/2017 on issuers of financial instruments and market operations;
- R.N.S.C. (F.S.A.) Regulations no. 15/2004 on the authorization and functioning of investment management companies, collective investment undertakings and depositaries;
- R.N.S.C. (F.S.A.) Regulations no. 1/2006 on issuers and transactions with securities;
- The F.S.A. Regulations 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;
- F.S.A. Regulations no. 10/2015 regarding the administration of alternative investments funds;
- F.S.A. Regulations 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;
- F.S.A. Regulations no. 2/2016 on the application of the principles of corporate governance by entities authorized, regulated and supervised by the Financial Supervisory Authority;

- F.S.A. Regulations no. 2/2018 for the modification and amendment of certain normative acts;
- Regulations no. 5/2018 on issuers of financial instruments and market operations;
- Code of Bucharest Stock Exchange;
- Code of Corporate Governance of Bucharest Stock Exchange;
and
- The articles of incorporation.

The accomplishment of the storage activities provided by the legislation and regulations of F.S.A. was provided, for the analyzed period, by RAIFFEISEN BANK S.A. – Bucharest Branch.

The evidence of the company shareholders is kept by S.C. DEPOZITARUL CENTRAL S.A. Bucharest.

I. GENERAL INFORMATION

The consolidated financial statements as at 31.12.2018 were prepared in accordance with the Norms no. 39/2015 for the approval of accounting regulations in line with international financial reporting standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector.

In accordance with the provisions of Regulations no. 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 and in accordance with the provisions of the Law no. 24/2017 on issuers of financial instruments and market operations, the company has the obligation to prepare and submit to FSA consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"), within 4 months of the close of the financial year.

The Company's consolidated financial statements comprise the Company and its subsidiaries (hereafter referred to as the Group) and are audited. The core activities of the Group are represented by the financial investments activity carried out by S.I.F. Oltenia S.A., as well as by the activities of its subsidiaries, which belong to different sectors of activity such as food, tourism, space renting, etc.

The subsidiaries' financial statements are included in the consolidated financial statements from the moment when the control begins and until it ceases. The accounting policies of the Group's subsidiaries have been amended to align them with those of the Group.

The date of December 31st, 2015 is the date of transition to IFSR as an accounting basis by the Company, date when, through restatement, were performed and registered in the accountancy the operations determined by the changeover from the R.N.S.C. Regulation no. 4/2011 to the IFSR-compliant Accounting Regulations.

In addition to consolidation-specific adjustments, the main restatements of financial information contained in the financial statements prepared in accordance with the RAR (Romanian Accounting Regulations), in order to align them with the requirements of IFRS adopted by the European Union, consisted of:

- grouping more elements into more comprehensive categories;
- adjustments of assets and own equity in accordance with IAS 29 „*Financial Reporting in Hyperinflationary Economies*”, as the Romanian economy was a hyperinflationary economy until December 31st 2003;
- adjustments to the profit or loss account to record dividends incomes to the time of reporting and at gross value;
- adjustments of real estate investments for their assessment at fair value in accordance with IAS 40 „*Real estate investments*”;

- adjustments of tangible assets for their evaluation according to the accounting policies of the Group and according to IAS 16 „Tangible assets”;
- adjustments for the recognition of deferred tax assets and liabilities in accordance with IAS 12 *"Income Tax"*;
- presentation requirements in accordance with IFSR.

The Group adopted a presentation on a liquidity basis in the consolidated statement of financial position and the disclosure of income and expense was made by reference to its nature in the consolidated statement of profit or loss and other items of the global result, considering that these presentation methods provide information which is credible and more relevant than other methods permitted by IAS 1 *"Presentation of Financial Statements"*.

The Group has a policy of keeping the own capitals in order to develop and to meet the objectives aimed. The main objective is the continuation of the activity in order to provide profitableness for its shareholders.

Consolidated financial statements are prepared on a fair value convention for: financial assets and liabilities at fair value through profit or loss account and financial assets evaluated at fair value through other elements of the comprehensive income, except for those for which fair value can not be determined in a credible way.

Other financial assets and liabilities, as well as non-financial assets and liabilities are presented at amortized cost, revalued or historical cost.

The group uses for the calculation of the fair value the following hierarchy of methods:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (eg, prices) or indirectly (eg derived from prices) ;

- Level 3: Evaluation techniques based largely on unobservable elements. This category includes all instruments for which the rating technique includes elements that are not based on observable data and for which unobservable input parameters can have a significant effect on instrument evaluation.

The fair value measurement of equity instruments (shares) held on 31.12.2018 was accomplished as follows:

- for securities quoted and traded in 2018, the market value was determined by taking into account the quotation from the last trading day (the closing price quote on the main equity market for titles listed on BVB, respectively the reference price for the AeRO alternative) and for level 2 were taken into account quotations for the shares traded during the last 30 trading days);
- for quoted securities that did not have transactions during the last 30 trading days of 2018, as well as for unlisted securities, the market value was determined the way it results from the entity's last annual financial statement approved ;
- for securities not admitted to trading on a regulated market or under an alternative trading system in Romania, issued by issuers holding shares of over 33% of the share capital, the evaluation is carried out exclusively in accordance with the International Evaluation Standards based on an evaluation report updated at least annually;
- for securities related to companies under insolvency or reorganization, the evaluation is made at zero;
- for participation units in OPCVM, the value taken into account was the last unit value of the net asset, calculated and published.

The total market value of the participants portfolio administrated by the Group is **1,186,721,670 lei**, here being also found titles to 4 investment funds in the amount of **2,732,940 lei (0.23%** of the market value of the portfolio administrated).

On 31.12.2018 the Group held mainly shares in companies which activate in finance, banks, insurances field, with a weight of **39.54%** of the total market value of the portfolio, decreasing compared to 31.12.2017, when the same activity sector registered a weight of **53.35%**. This is explained by the sale of BCR shareholding by the Company, a significant share in its assets portfolio.

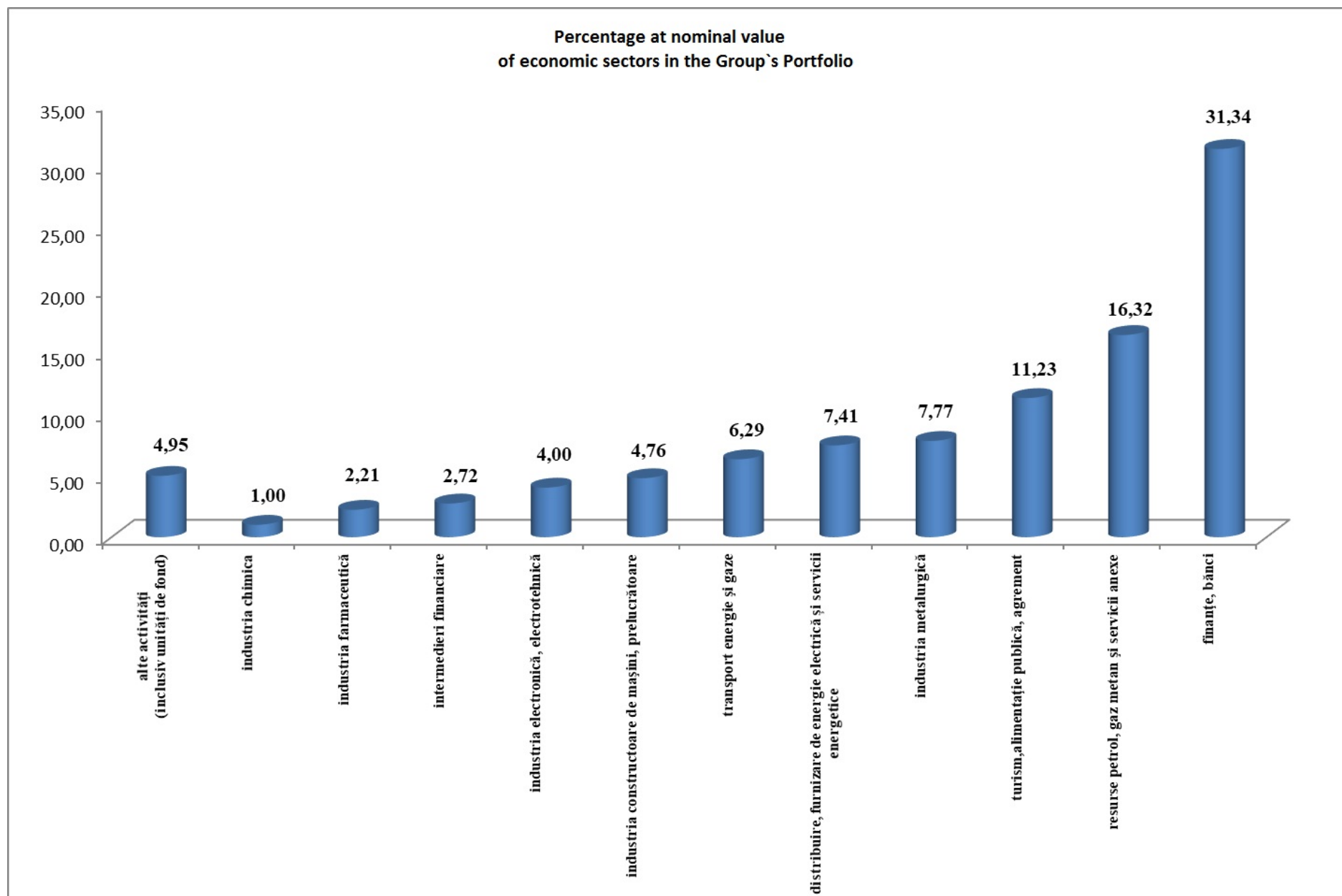
On 31st December 2018 the Group has the following structure of financial assets:

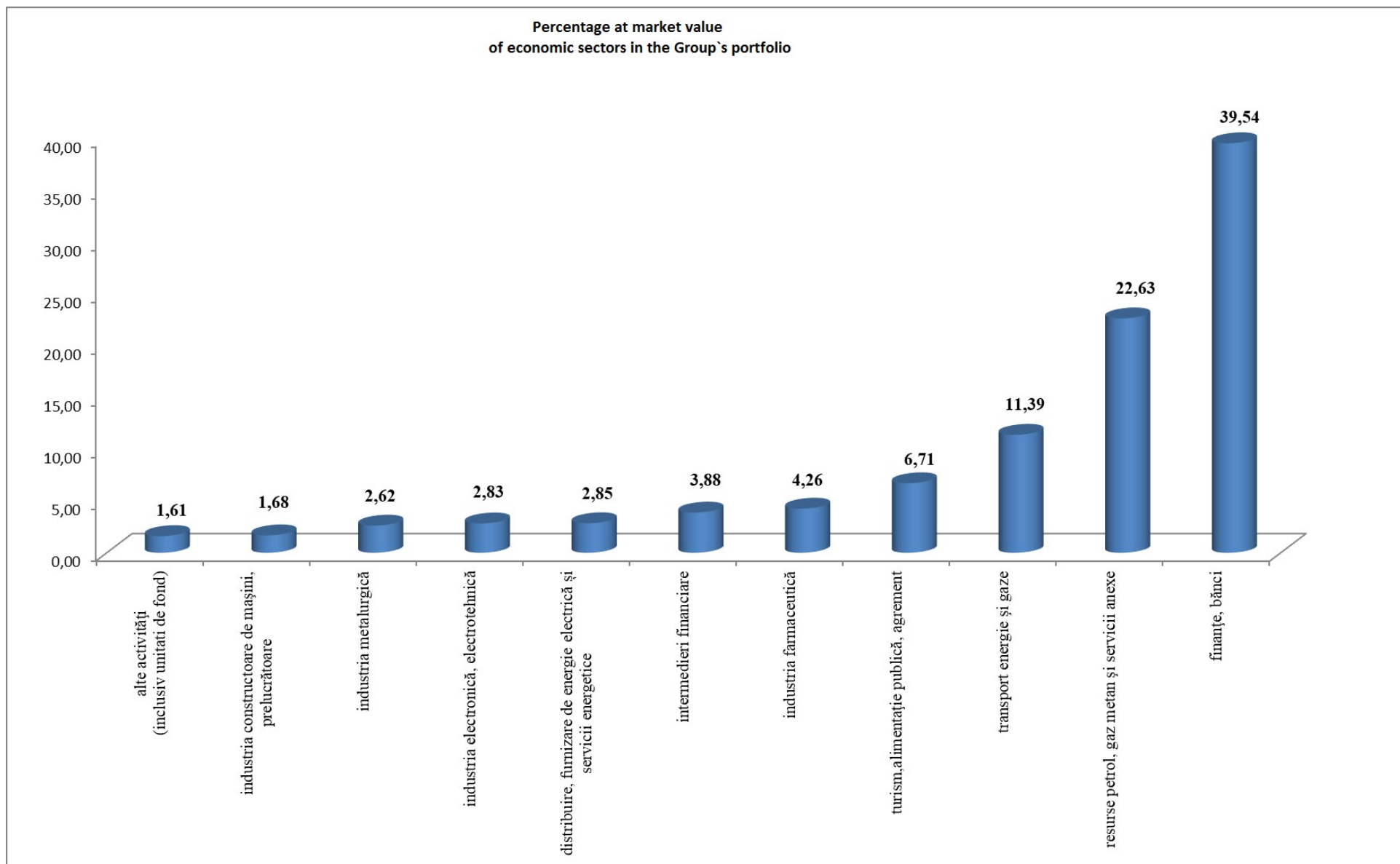
<i>In RON</i>	No. ccs	Market value 31.12.2018		No. ccs	Market value 31.12.2017
Capital investments					
Listed companies	31	1,086,671,973		31	940,376,548
Unlisted companies	28	97,316,757		33	565,696,728
Fund units	4	2,732,940		4	2,789,494
Total financial assets	63	1,186,721,670		68	1,508,862,770

Investments held in companies whose securities are listed and traded on the stock market of Romania, on 31.12.2018, represent **91.57%** of the fair value of investments.

Consolidated portfolio structure held by the Group on 31.12.2018

Portfolio structure	Issuers		Total nominal value of the holding		Total market value of the holding	
Economic sectors weighting in SIF portfolio value:	No. SC	%	(lei)	%	(lei)	%
Finance, banking	4	6.25	147,183,456	31.34	469,204,657	39.54
Oil resources, methane gas and ancillary services	2	3.13	76,657,521	16.32	268,544,786	22.63
Energy and gas transport	2	3.13	29,552,190	6.29	135,221,748	11.39
Tourism, public food, entertainment	4	6.25	52,750,485	11.23	79,676,054	6.71
Pharmaceutical industry	1	1.56	10,375,104	2.21	50,526,758	4.26
Financial intermediations	8	12.50	12,791,605	2.72	46,066,277	3.88
Distribution, supply of electricity and energy services	1	1.56	34,810,830	7.41	33,766,505	2.85
Electronics, electrotechnics industry	4	6.25	18,797,854	4.00	33,558,808	2.83
Metallurgical industry	3	4.69	36,465,834	7.77	31,089,782	2.62
Machines constructing and processing industry	5	7.81	22,359,717	4.76	19,985,614	1.68
Chemical industry	1	1.56	4,702,595	1.00	10,910,020	0.92
Real estate renting and sub-letting	2	3.13	1,646,563	0.35	1,987,099	0.17
Cereals warehousing and trade	2	3.13	3,582,340	0.76	1,736,160	0.15
Food industry	1	1.56	2,493,255	0.53	1,196,762	0.10
Energy production	1	1.56	457,590	0.10	373,393	0.03
Other activities	19	29.69	12,481,610	2.66	144,307	0.01
TOTAL EQUITY SECURITIES	60	93.75	467,108,549	99.47	1,183,988,730	99.77
FUND UNITS	4	6.25	2,500,017	0.53	2,732,940	0.23
TOTAL	64	100.00	469,608,566	100.00	1,186,721,670	100.00





Within the consolidation perimeter, a number of **11 companies** were included, holding more than 50% of the voting rights, which were consolidated by the global integration method.

The 11 trading companies account for **16.80%** of the total assets of the Company and **18.12%** of the net assets respectively.

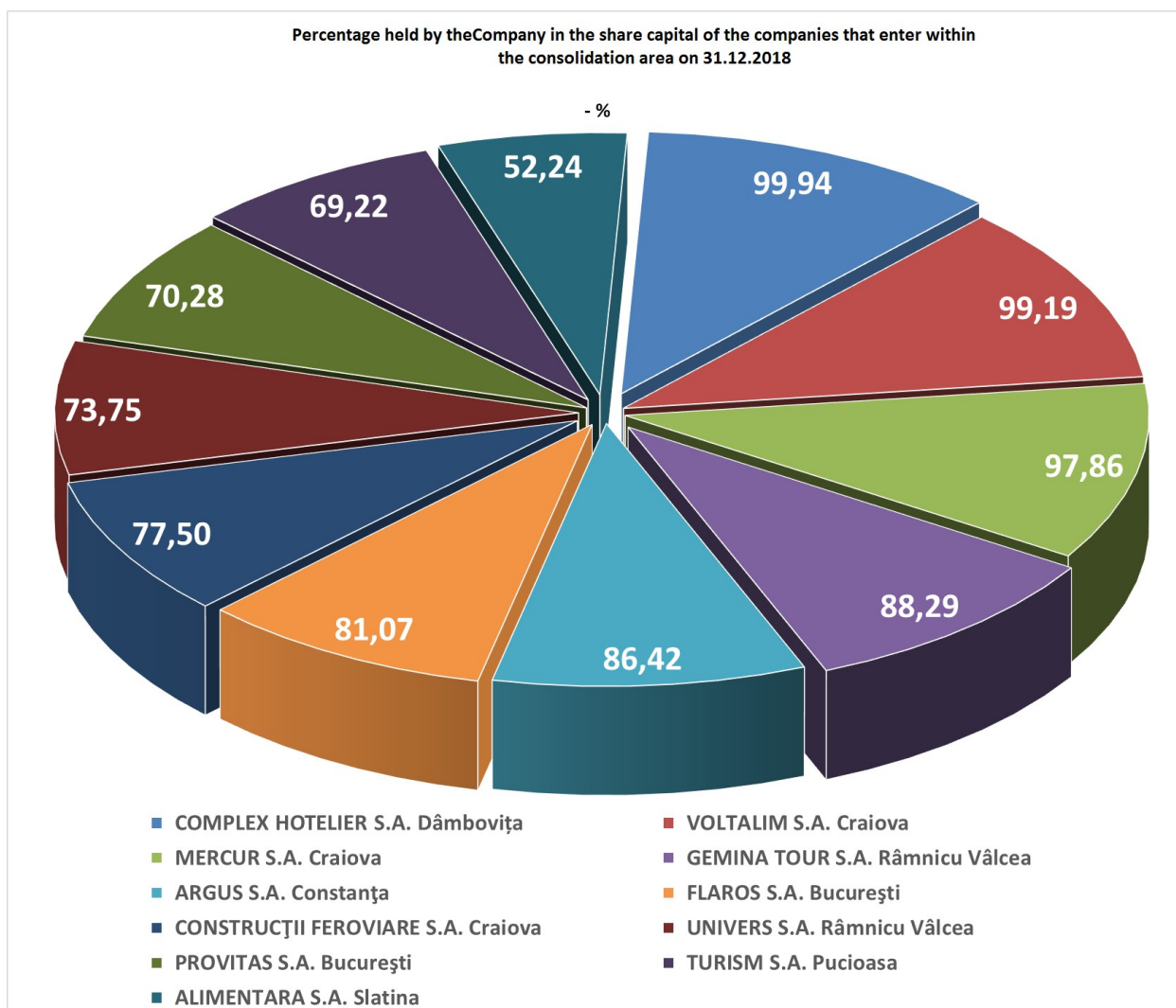
Settlements and transactions inside the Group, as well as unrealized profits arising from transactions within the Group, are entirely eliminated from the consolidated financial statements.

Within the consolidation area the following 11 companies were included:

Item No.	Issuer	Symbol	Weight in the share capital of the issuer on 31.12.2018	Weight in the share capital of the issuer on 31.12.2017	Trading market
1	ALIMENTARA S.A. SLATINA	ALRV	52.24	52.24	BVB/ATS AeRO Standard
2	TURISM S.A. PUCIOASA		69.22	69.22	unlisted
3	PROVITAS S.A. BUCUREȘTI		70.28	70.28	unlisted
4	UNIVERS S.A. RM.VÂLCEA	UNVR	73.75	73.75	BVB/ATS AeRO Standard
5	CONSTRUCȚII FERROVIARE S.A. CRAIOVA	CFED	77.50	77.50	BVB/ATS AeRO Standard
6	FLAROS S.A. BUCUREȘTI	FLAO	81.07	81.04	BVB/ATS AeRO Standard
7	ARGUS S.A. CONSTANȚA*	UARG	86.42	86.34	BVB/ATS AeRO Premium
8	GEMINA TOUR S.A. RM.VÂLCEA		88.29	88.29	unlisted
9	MERCUR S.A. CRAIOVA	MRDO	97.86	97.86	BVB/ATS AeRO Standard
10	VOLTALIM S.A. CRAIOVA		99.19	99.19	unlisted
11	COMPLEX HOTELIER S.A. DÂMBOVITA		99.94	99.94	unlisted

* Argus S.A. Constanța holds shares in: Comcereal S.A. Tulcea, Aliment Murfatlar SRL Constanța, Argus Trans SRL Constanța and Eco-Rom Ambalaje SA București that were not included in the financial statements of the company and have no significant influence on them.

The Company management classified as of January 1st 2018 all securities of the portfolio activity in the category of financial assets evaluated at fair value through other elements of the comprehensive income, except for fund units that are evaluated through profit or loss account.



II. ECONOMIC DATA

II. 1. CONSOLIDATED STATEMENT OF THE COMPREHENSIVE INCOME

<i>In RON</i>	December 31st 2018	December 31st 2017
Revenues		
Revenues from dividends	90,836,800	67,318,530
Revenues from interests	498,711	121,820
Other operating revenues	237,432,663	231,357,824
Net gain from exchange rate differences	(963,651)	(260,408)
Net gain from sale of financial stocks	(163,041)	12,090,806
Expenses		
Fees and charges for administration and supervision	(2,725,639)	(2,807,362)
Revenues from the resumption of risk and expense provisions	5,748,502	5,480,092
Other operating expenses	(231,532,281)	(232,166,317)
Profit before taxation	99,132,064	81,134,985
Profit tax	(5,909,411)	(9,189,114)
Net profit for the financial year	93,222,653	71,945,871
Other elements of the comprehensive income		
Gain from transactions recognized in retained earnings in accordance with IFRS 9	605,964,156	-
Related tax	(98,982,191)	-
Net gain recognized in retained earnings	506,981,965	-
Change in the revaluation reserve of tangible assets, net of deferred tax	956,327	(419,343)
Net change in fair value of financial assets assessed through other elements of the comprehensive income	86,520,839	138,398,165
Fair value reserve of financial assets assessed through other elements of the comprehensive income, transferred to retained earnings/profit or loss	(606,797,420)	(10,405,230)
The effect of related profit tax	97,001,389	-
Fair value reserve of financial assets assessed through other elements of the comprehensive income - hyperinflation	5,359,613	-
Total other elements of the comprehensive income	(416,959,252)	127,573,592
Total comprehensive income related to the period	183,245,366	199,519,463
Related net profit		
To Company Shareholders	92,712,041	71,690,366
To Minority Interest	510,612	255,505
	93,222,653	71,945,871
Related comprehensive income		
To Company Shareholders	184,073,891	197,382,582
To Minority Interest	(828,525)	2,136,881
	183,245,366	199,519,463
Result per share		
Basic	0.1598	0.1236
Diluted	0.1598	0.1236

The net profit of the financial year ended on 31.12.2018, with the value of **93,222,653 lei**, is increasing with **29.57%** compared to 31.12.2017 (71,945,871).

Reporting on segments

Indicators	Leasing		Food industry		Tourism		Financial activity		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed assets	148,511,657	143,269,078	60,372,327	60,968,399	14,444,553	14,419,241	1,208,080,833	1,528,072,012	1,431,409,370	1,746,728,730
Current assets	13,321,251	21,804,053	119,952,973	129,374,145	2,767,243	2,213,563	488,776,870	6,583,747	624,818,337	159,975,508
Prepayments	1,826,258	2,683,184	61,019	60,464	21,070	21,253	78,821	73,440	1,987,168	2,838,341
Liabilities	19,147,030	25,353,815	112,564,916	111,800,458	786,505	854,967	185,769,025	174,598,069	318,267,476	312,607,309
Revenues in advance	846,597	824,364	3,507	3,675	61,610	66,453	25,831	8,355	937,545	902,847
Provisions	500,260	579,804	719,196	675,675	94,498	87,496	5,798,099	5,288,900	7,112,053	6,631,875
Minority interests	-	-	-	-	-	-	30,523,051	32,419,449	30,523,051	32,419,449
Equity	143,165,279	140,998,332	67,098,700	77,923,200	16,290,253	15,645,141	1,474,820,518	1,322,414,426	1,701,374,750	1,556,981,099
Total incomes	27,939,687	26,357,843	178,573,858	177,856,265	7,397,821	6,351,216	120,640,611	105,525,354	334,551,977	316,090,678
Total expenses	17,119,943	15,871,366	189,398,120	186,653,396	6,655,266	5,803,261	22,246,584	26,627,670	235,419,913	234,955,693
Gross result	10,819,744	10,486,477	(10,824,262)	(8,797,131)	742,555	547,955	98,394,027	78,897,684	99,132,064	81,134,985
Net result	10,160,819	9,096,662	(10,824,500)	(8,864,464)	618,210	429,825	93,268,124	71,283,848	93,222,653	71,945,871

Reporting on segments

Reporting on segments is represented by the segmentation on activities that takes into account the branch of activity that includes the main object of activity of the companies within the consolidation area.

The company together with the companies in the portfolio holding more than 50%, included in the consolidation perimeter, performs its activity on the following main business segments:

- financial investment activity
- space rental
- food industry
- tourism

The indicators presented were established based on the individual financial statements of the Company and the companies in the consolidation perimeter.

Within the fixed assets held by the Group on 31.12.2018, a weight of **84.40%** is held by the assets in the financial investments activity represented by the financial assets portfolio, namely **87.48%** on 31.12.2017.

Net result on 31.12.2018 was accomplished from the financial investments activity, the companies included in consolidation registering a loss of 45,471 lei globally.

II.2. CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

<i>In Ron</i>	December 31st 2018	December 31st 2017
Assets		
Cash and cash equivalents	480,439,807	9,869,368
Deposits placed with banks	14,037,297	13,030,043
Financial assets assessed at fair value through other elements of the comprehensive income	1,183,214,785	1,506,578,556
Financial assets assessed at fair value through profit or loss account	3,506,885	2,284,214
Credits and receivables	38,856,954	29,563,961
Tangible assets	87,216,858	87,012,073
Real estate investments	93,904,401	93,360,493
Other assets	157,037,888	167,843,871
Total assets	2,058,214,875	1,909,542,579
Liabilities		
Payable Dividends	43,355,439	48,791,984
Taxation and taxes	99,371,144	7,071,981
Liability with deferred tax	43,682,766	126,534,254
Other liabilities	139,907,725	137,743,812
Total liabilities	326,317,074	320,142,031
Equity		
Share capital	58,016,571	58,016,571
Adjustments to the share capital	103,847,238	103,806,500
Other equity items	185,042,195	619,775,291
Reserves from revaluation of tangible assets	39,055,057	39,562,594
Legal and statutory reserves	28,169,423	27,963,377
Other reserves	735,589,573	701,904,709
The retained earnings representing the undistributed profit or the uncovered loss	(17,634,138)	(11,100,021)
Retained earnings as a result of applying IAS 29 to equity and reserves	(158,148,438)	(158,148,438)
Retained earnings as a result of applying IAS without IAS 29	634,725,228	103,510,150
Current profit	92,712,041	71,690,366
Total equity attributable to holding company	1,701,374,750	1,556,981,099
Minority interest	30,523,051	32,419,449
of which:		
Profit or loss of the financial year for non-controlling interests	510,612	255,505
Other equity	30,012,439	32,163,944
Total equity	1,731,897,801	1,589,400,548
Total liabilities and equity	2,058,214,875	1,909,542,579

On 31.12.2018 the Group holds a portfolio of shareholdings in companies and investment funds at market value in the amount of **1,186,721,670 lei** representing **57.66%** of the total assets, registering a decrease of **21.35%** compared to 31.12.2017 (1,508,862,770).

Companies with a weight in the total portfolio are as follows:

Item no.	Company	Percentage in the total market value of the Group - % -	Market value on December 31 st 2018 - lei -
1	B.R.D - GROUPE SOCIETE GENERALE S.A.	19.6636	233,351,890
2	OMV PETROM S.A. București	18.9189	224,514,340
3	BANCA TRANSILVANIA S.A. Cluj	16.9508	201,158,243
4	S.N.T.G.N. TRANSGAZ S.A . Mediaș	6.4815	76,917,876
5	C.N.T.E.E. TRANSELECTRICA S.A. București	4.9130	58,303,872
6	ANTIBIOTICE S.A. Iași	4.2577	50,526,758
7	S.N.G.N. ROMGAZ S.A. Mediaș	3.7103	44,030,446
8	TURISM FELIX BAILE FELIX	3.6340	43,125,729
9	EXIMBANK BANCA DE EXPORT IMPORT A ROMANIEI	2.9236	34,694,525
10	TURISM LOTUS FELIX	2.8852	34,239,739
TOTAL		84.3385	1,000,863,417

Total assets have a value of **2,058,214,875 lei**, increasing by **7.79%** compared to 31.12.2017.

Cash and cash equivalent in the amount of **480,439,807 lei**, increased **48.68 times** compared to 31.12.2017 due to the sale of the holding held in BCR by the Company .

Total liabilities amount to **326,317,074 lei**, increasing by **1.93%** compared to 31.12.2017.

Taxes and fees in the amount of **99,371,144 lei** represent **30.45%** of total liabilities.

III. ASSESSING THE COMPANY ACTIVITY REGARDING RISK MANAGEMENT

The Group, through the complexity of the activity carried out, is subject to various risks.

The management continuously evaluates the risks that may affect the achievement of the company objectives and takes the necessary measures regarding any 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 Law no. 297/2004, as subsequently amended and supplemented, by RNSC/FSA Regulations no. 15/2004, as amended and supplemented, Regulations (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, Law no. 74/2015 regarding administrators of alternative investments funds, Regulations no. 10/2015 regarding the management of alternative investments funds and Delegated Regulations (EU) no. 231/2013 of the Commission for completing the Directive no. 2011/61/UE of the European Parliament and of the council regarding exemptions, general conditions of operation, deposit, leverage effect, transparency and supervision.

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

Among the main objectives of the risk strategy we highlight:

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

Considering the structure of the companies entering the consolidation perimeter, namely the fact that the only company listed on the Bucharest Stock Exchange in the Premium category is S.I.F. Oltenia S.A., the activity of risk administration and management is carried out in compliance with the provisions of the legal framework, especially by S.I.F. Oltenia S.A.

A special, independent structure is being organized at the company level – Risk Manager – who supervises and coordinates this activity.

The Risk Manager was authorized by FSA through the Authorization no. 46/15.02.2018, being registered in the FSA register with no. PFR13²FARA/160051 upon receipt by the Company of the Authorization no. 45/February 15th 2018 through which the Company is authorized as AFIA.

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

Managing 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 risk appetite and its ability to mitigate or hedge these risks.

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

Internal reporting of exposure to risk is made continuously, by every business line, and the company management is constantly informed of the inherent risks that may arise in the course of the activity.

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

The main risks identified in the activity of the Group are:

- a) Market risk (price risk, currency risk, interest rate risk)
- b) credit risk
- c) liquidity risk
- d) risk associated with taxation
- e) economic environment risk
- f) operational risk

a) Market risk

Market risk represents the current or future risk of negative affectation of profits, determined by the fluctuations on the market of prices of securities – regarding the

activities belonging to the trading portfolio – of the interest rate, as well as the fluctuations of the exchange rate for the entire activity of the Group.

The efficient management of market risk is made through the use of fundamental analysis that gives an indication of the soundness of an investment as well as estimating potential of certain companies, and taking into account forecasts on the evolution of economic sectors and financial markets.

The main issues pursued in market risk analysis are: assessment of shares portfolio in terms of profitability and growth potential, strategic allocation of long term investments, identification of short-term investments in order to capitalize price fluctuations in the stock market, the establishment of asset concentration limits in a particular economic sector.

The Group is subject to market risk, mainly due to its trading activities. We estimate this risk to be medium.

Taking into account the specificity of the activity, the most relevant risks for the current activity are: price risk of shares, interest rate risk, currency risk.

Price risk

The Group is subject to fair value risk of financial instruments held which fluctuates as a result of changes in market prices, being either caused by factors specific to the issuer's activity or by factors affecting all instruments traded on the market.

The market value of the portfolio of listed shares, on December 31st 2018, represents **91.78%** of the total value of shares portfolio managed.

Under these circumstances, the Group identified a average market risk - associated with the variation in the prices of financial assets on the capital market.

In the managed portfolio a number of 8 issuers can be found, of the 15 that constitute the BET index of Bucharest Stock Exchange.

The market value of the holdings in those 8 issuers, represents - on December 31st 2018 – **74.33%** of the market value of shares held in listed companies.

The Management of the Group monitors market risk and grants powers regarding trading limits on the capital market to the higher management of the company.

On December 31st 2018 the Group has the following structure of assets subject to price risk:

	No. comp anies	Market value 31.12.2018 - lei -		No. companies	Market value 31.12.2017 - lei -
Capital investments					
Societăți listate	31	1,086,671,973		31	940,376,548
Societăți nelistate	28	97,316,757		33	565,696,728
Unități de fond	4	2,732,940		4	2,789,494
Total capital investments	63	1,186,721.670		68	1,508,862,770

Placements held in companies whose securities are listed and traded on the stock market in Romania, represent on 31.12.2018 - **91.57** (2017: **93.86 %**) of the fair value of investments.

On 31.12.2018 the Group mainly held shares operating in the finance, banking, insurance field accounting for **39.54%** of the total portfolio, decreasing compared to 31.12.2017, when in the same sector of activity recorded a weight of **53.35%**.

Currency risk

Currency risk is the risk that the value of a portfolio may be negatively affected as a result of variations in exchange rates.

Since the majority of the Group's assets are denominated in the national currency exchange rate fluctuations do not directly affect the Group's activity.

These fluctuations have influence in the case of assessing investments of the type of deposits in foreign currency and liquid assets in current accounts.

Liquid assets in foreign currency represent, on December 31st 2018, **23.92%** of the total financial assets, so that the currency risk is medium.

Investments in bank deposits in foreign currency are constantly monitored and action is taken for investment, disinvestment, depending on the forecast evolution of the exchange rate.

The concentration of assets and liabilities on the types of currency is summarized in the table below:

December 31 st 2018	Accounting value - lei -	Lei	EUR	USD
Financial assets				
Cash and cash equivalents	480,439,807	37,085,849	443,352,479	1,479
Deposits placed in banks	14,037,297	8,389,218	196,807	5,451,272
Financial assets assessed at fair value through other elements of the comprehensive income	1,183,214,785	1,183,214,785	-	-
Financial assets assessed at fair value through profit or loss account	3,506,885	3,506,885	-	-
Credits and receivables	38,856,954	38,856,954	-	-
Other financial assets	157,037,888	157,037,888	-	-
Total financial assets	1,877,093,616	1,428,091,579	443,549,286	5,452,751
Financial debts				
Payment dividends	43,355,439	43,355,439	-	-
Other financial debts	139,907,725	139,365,366	542,359	-
Total financial debts	183,263,164	182,720,805	542,359	-

Interest rate risk

Interest rate risk is that the value of a portfolio will fluctuate due to changes in interest rates practiced on the market. Factors that define this type of market risk are a wide range of interest rates corresponding to a change in markets, currencies and maturities for which the Group holds positions.

The interest rate directly influences revenues and expenses attached to financial assets and liabilities bearing variable interest rates.

Most of the assets in the portfolio are not interest bearing. Consequently, the Group is not significantly affected by interest rate risk. The interest rates applied to cash and cash equivalents are short-term. At the Group level, the share of resources borrowed in the company's total funding resources is not significant, with the exception of ARGUS S.A. Constanța and MERCUR S.A. Craiova.

In order to benefit from interests volatility, for a greater flexibility in the policy for assigning liquid assets, it will be pursued that the investment of liquid assets in monetary instruments be especially made on short term, of 1-3 months.

b) Credit risk

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

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

The main elements of credit risk identified, which could significantly affect the Group's activity are:

- the risk of not collecting the dividends from portfolio companies;
- the risk of not collecting the value of the contract, in the case of the sale activity of the packages of shares in companies of "closed" type, through sale and purchase contract;
- the risk that in the event of liquidation of a portfolio company, the value obtained is less than the value of the initial investment.

Credit risk evaluation is made in two stages, both before the accomplishment of investments operations and after the approval and effective accomplishment of operations, supervising the assets evolution in order to take adequate measures in case of emergence of elements that may lead to damaging the company's economic activity and, in extreme cases, to their entering in insolvency.

In the case of the Group, the credit risk is diminished as the portfolio is mostly driven by exposures by asset items of the type of "shares" representing **57.53%** of the assets managed, assessed under the legal provisions and which could generate a potential risk of non-collection of dividends approved annually by the AGA.

The credit risk may affect indirectly the activity of the Group, being the case of commercial companies of the portfolio, which face financial difficulties in paying their obligations corresponding to dividends. Given the diversity of placements and the fact that most of them are carried out in stable entities and with increased liquidity on the market, this risk is much diminished and properly managed by the Group.

The Group may be exposed to credit risk through investments realized in bonds, of current accounts, bank deposits as well as other receivables. At the Group level there are no placements in bonds, derivatives, which reduces the credit risk to minimum.

On December 31st 2018 the Group did not hold in portfolio bonds, real guarantees as insurance and did not record outstanding financial assets.

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

The maximum exposure to credit risk at December 31st 2018 is of **531,430,683 lei**.

Expunerea la riscul de credit:

<i>In RON</i>	December 31st 2018	December 31st 2017
Deposits and accounts in banks	494,136,055	22,679,467
Other assets	37,294,628	27,889,171
TOTAL	531,430,683	50,568,638

c) Liquidity risk

The Group pursues to maintain a liquidity level adequate to its support obligations, based on an assessment of relative liquidity of assets on the market, taking into account the period necessary for liquidation and the price or value at which the respective assets can be liquidated, as well as their sensitivity to market risks or other external factors.

The Group must hold liquid assets, whose added value should cover the difference between outputs of liquidities and inputs of liquidities in crisis situations, so as to be ensured the fact that the Group maintains levels of liquidity reserves that are adequate to allow it to face possible imbalances between liquidities inputs and outputs in crisis situations.

The liquidity risk is especially linked to holdings in commercial companies of “closed” type existing in the managed portfolio. Thus, the sale of some holdings – in case of apparition of negative aspects in their economic-financial situation or in case it is pursued to obtain liquidities – is especially difficult, existing the risk of not being possible to obtain a higher or at least equal price to that of holdings evaluation in the calculation of net asset, according to F.S.A. regulations.

Within the Group, on December 31st 2018, the holdings held in unlisted companies represent **8.22%** of the value of shares portfolio managed and **4.73%** of

the total assets value, this due to the sale of the holding held at BCR during the year.

Looking ahead to 2019, we anticipate the maintaining of a low liquidity level for the capital market din in Romania. This aspect is permanently in the attention of leadership, seeking solutions to increase the liquidity of managed portfolio.

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

The structure of assets and liabilities in terms of liquidity is analysed in the following table:

<i>In RON</i>	Accounting value	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Without pre-established maturity
December 31st 2018					
Financial assets					
Cash and cash equivalents	480,439,807	-	-	-	480,439,807
Deposits placed in banks	14,037,297	12,046,298	1,587,421	403,578	-
Financial assets assessed at fair value through other elements of the comprehensive income	1,183,214,785	-	-	-	1,183,214,785
Financial assets assessed at fair value through profit or loss	3,506,885	-	-	-	3,506,885
Credits and receivables	38,856,954	-	-	-	38,856,954
Total financial assets	1,720,055,728	12,046,298	1,587,421	403,578	1,706,018,431
Financial debts					
Payment dividends	43,355,439	-	-	-	43,355,439
Other financial debts	139,907,725	694,839	99,347,287	9,436,476	30,429,123
Total financial debts	183,263,164	694,839	99,347,287	9,436,476	73,784,562

d) Taxation risk

Starting with the date of Romania's accession to the European Union, the Group had to obey the fiscal regulations of the European Union and to implement the changes brought by European legislation. The way the Group implemented these changes remains open to tax audits for five years.

The Group's management believes that it correctly interpreted the legislative provisions and recorded fair values for taxes, fees and other debts to the state but in these conditions, too, there is some risk attached.

The tax system in Romania is subject to various interpretations and permanent changes. In some cases, the tax authorities may adopt different interpretations toward the Group of some fiscal issues and can calculate interests and penalties.

Statements regarding taxes and duties may be subject to control and revision for a five year period, in general after their submission.

Romanian Government has a significant number of agencies authorized to audit companies operating on the territory of Romania. These controls are similar to tax audits in other countries and can cover not only fiscal issues, but also other legal and regulatory issues of interest to these agencies. It is possible that the Group will be subject to tax audits as the issue of new fiscal regulations occurs.

e) Economic environment risk

This risk is extremely important, by the direct effect on the Group's business and indirectly through companies in which the Company holds securities.

Romanian economy continues to exhibit the specific characteristics of emerging economies, and there is a significant degree of uncertainty regarding the development of the political, economic and social environment.

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

Romanian economy is still fragile and dependent in particular of developments of the other economies, especially of the EU countries, which are the main business partners for our country.

The EU economy will be subjected in 2019 especially to the political risks. The politics will influence economy and will generate incertitude. The way Great Britain will exit the EU, the conditions which will be negotiated, still raise questions over the EU economy evolution in 2019.

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

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

f) Operational risk

Operational risk is defined as the risk of registering certain losses or of not accomplishing the estimated profits due to inappropriate use of systems, processes, human resources, due both to some internal factors, like inadequate development of internal activities, the existence of inadequate personnel or systems, and because of some external factors, like the change of economic conditions, legislative changes on the capital market, social-political events.

The main responsibility of developing and implementing controls connected to operational risk accrues to the risk manager and the Group management, which act for the development of general standards of the Group, for operational risk management in the following areas:

- the proper establishment of the organizational structure and responsibilities;
- demands to separate responsibilities;
- alignment to the demands of the regulation frame;
- demands to report operational losses and proposals for their remedy;
- professional development and instruction;
- establishing ethic standards for employees;
- documenting controls and procedures;
- preventing litigations risk.
- establishment and implementation of prevention and management procedures of conflicts of interests;
- establishment and implementation of risk management strategy, establishment of the risk appetite and of the risk profile.

Operational risks are inherent to the company activity.

The Group manages operational risk by the identification, estimation, monitoring and risks control, taking the necessary steps to manage them effectively.

In 2018 the Company carried out the internal assessment of the operational risks generated by Informatic Systems according to FSA Norm no. 4 / 2018 regarding operational risks management generated by computer systems used by authorized/approved/registered entities, regulated and/or supervised by FSA. From the point of view of the FSA Norm no. 4 / 2018 the Company is part of the “medium” risk category.

IV. CHANGES IN COMPANY MANAGEMENT

According to the Articles of Incorporation, the Company is managed in a unitary system.

The Administration Board of the Company 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 Administration Board - 5 members - are non-executive.

Of these, three administrators are independent and constitute the Audit Committee.

The structure of the Company management is as follows:

December 31st 2018

Members of the Administration Board: Tudor Ciurezu - President, Cristian Bușu – Vice President, Anina Radu, Radu Hanga, Ana-Barbara Bobircă, Nicolae Stoian, Carmen Popa.

Higher management: Tudor Ciurezu (General Manager), Cristian Bușu (Deputy General Manager).

December 31st 2017

Members of the Administration Board: Tudor Ciurezu - President, Cristian Bușu - Vice President, Anina Radu, Radu Hanga, Ana-Barbara Bobircă, Nicolae Stoian, Carmen Popa.

Higher management: Tudor Ciurezu (General Manager), Cristian Bușu (Deputy General Manager).

The Administration Board was elected by the General Ordinary Meeting of Shareholders from 04.04.2017 and was approved by F.S.A. on 26.07.2017 with Approval no. 424/26.07.2017. Also, with Approval no. 423/26.07.2017 the modification of the structure of the Company management was approved, according to the CA Decision no. 4 of 04.04.2017.

The Group has not granted credits or advances (except for advances for travel in the interest of service, legally justified) to the members of the Administration Board and management and has not accounted for such commitments.

The Company has not received nor awarded any guarantees in favour of any affiliated party.

V. EVENTS AFTER THE DATE OF THE BALANCE SHEET

SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.

I. On February 25th 2019, the Company published the preliminary financial results for the year ended on December 31st 2018, prepared in accordance with IFRS, through market communication (BVB), FSA and posting on the internet page at the address www.sifolt.ro.

II. Public offer to take over shares.

On April 25th 2018 the Extraordinary General Meeting of the Company Shareholders took place.

A buy-back program by the company of its own shares was approved, in accordance with applicable legal provisions, under the following conditions:

- the dimension of the program – a maximum of 32,704,308 shares with the nominal value of 0.10 lei/share representing a maximum of 5.637% of the share capital;

- the acquisition price of shares – the minimum price will be of 1.50 lei/share and the maximum price will be of 2.50 lei/share;

- the duration of the program – a period of maximum 12 months from the date of publication of AGEA decision in the Official Gazette of Romania, Part IV;

- the payment of shares bought back and the size of the related fund - from the available reserves, the maximum amount affected to buy-backs being of 49,056,462.55 lei, according to the Decision no.3 of AGOA of September 06th 2017;

- destination of the program – the reduction of the share capital

On December 13th 2018 was filed with the Financial Supervision Authority by the SSIF Voltinvest Craiova – acting as an intermediary in the Public Offer of Purchase of Shares issued by the Company – the Public Offer Document for the Purchase of Shares issued by the Company, together with the related documentation.

On January 17th 2019 the Company received from the Financial Supervision Authority Decision no. 66/16.01.2019 approving the document of public offer to purchase shares issued by the Company.

The offer took place successfully during the period January 28th 2019 – February 08th 2019, a number of 19,622,585 shares were purchased at the price of 2.5 lei/share, representing 3.3822 % of the share capital. The offer was over-

subscribed 13.2 times, which demonstrates the shareholders interest toward such shares.

The settlement of the transaction related to the public offer was made on February 14th 2019 through the Central Depository.

ALIMENTARA SA Slatina

I. As of January 01st 2019 the mandate contract for the General Manager was extended until December 31st 2019.

II. The Ordinary General Meeting of Shareholders, statutorily held on February 19th 2019, approved the following:

- the financial statements on December 31st 2018;
- the profit made in 2018 to remain unallocated;
- discharge from administration of the managers for the year 2018;
- The incomes and expenditures budget for 2019;
- the extension of the administrators` mandate by two years;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- the validation of the decisions of the Administration Board regarding investments on the capital market in 2018.

ARGUS SA Constanta

The Administration Board of the Company convened the Ordinary General Meeting of Shareholders for March 15/16th 2019 with the following agenda :

- the approval of the individual financial statements on December 31st 2018, based on the Report of the Administration Board and the Report of the Financial Auditor;
- the approval of the modality to cover the loss registered by the company on December 31st 2018;

- the approval of discharge from administration of the company managers for the financial year 2018;
- the approval of the administrators' allowance valid from April 1st 2019 and the level at which the professional liability insurance of the administrators is concluded;
- the approval of the Incomes and Expenditures Budget and of the Investments Program for 2019;
- The approval of preparing the annual financial statements according to IFRS on December 31st 2018, an independent set of the annual financial statements prepared and published in accordance with the Romanian legislation in force;
- The approval to extend the audit contract with the financial auditor financiar JPA Audit&Consultanta Bucharest for a two-year period, to audit individual and consolidated financial statements related to the financial years 2019 and 2020 and to empower the Administration Board in order to negotiate and conclude the audit contract with the company JPA Audit&Consultanta.

COMPLEX HOTELIER DÂMBOVIȚA SA Târgoviște

I. Following the death of the General Manager Mr. Ungureanu Ion, the Administration Board decided that the duties of the position of General Manager would be taken over by the Economic Manager Sfetcu Florina Viorica.

II. The Ordinary General Meeting of Shareholders, statutorily held on February 18th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- discharge from administration of the managers for the year 2018;
- The incomes and expenditures budget and the investments program for 2019;
- the extension of the administrators' mandate by two years;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020;
- the preparation of annual financial statements for the year 2018, according to IFRS.

CONSTRUCȚII FERROVIARE CRAIOVA SA

I. As of January 01st 2019 the mandate contract for the General Manager was extended until June 30th 2019.

II. The Ordinary General Meeting of Shareholders, statutorily held on February 20th 2019, approved the following:

- the financial statements on December 31st 2018;
- the profit made in 2018 to remain unallocated;
- discharge from administration of the managers for the year 2018;
- The incomes and expenditures budget for 2019;
- the extension of the administrators` mandate by two years;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020;
- the preparation of annual financial statements for the year 2018, according to IFRS.

FLAROS SA Bucuresti

The Ordinary General Meeting of Shareholders, statutorily held on February 28th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- registration to incomes of unpaid dividends related to the year 2014;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- discharge from administration of the managers for the year 2018;
- The incomes and expenditures budget for 2019;
- the extension of the administrators` mandate by two years;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;

- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020 ;
- the validation of CA decision regarding the supplementing of the investments program in 2018.

GEMINA SA Rm. Valcea

I. As of January 01st 2019 the mandate contract for the General Manager was extended until December 31st 2019.

II. The Ordinary General Meeting of Shareholders, statutorily held on February 18th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- discharge from administration of the managers for the year 2018;
- The incomes and expenditures budget and the investments program for 2019;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020 ;
- the preparation of annual financial statements for the year 2018, according to IFRS.

MERCUR SA Craiova

I. The Ordinary General Meeting of Shareholders, statutorily held on February 25th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- The incomes and expenditures budget, the activity program and the investments program for 2019;
- discharge from administration of the managers for the year 2018;

- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020.

PROVITAS SA București

I. The Ordinary General Meeting of Shareholders, statutorily held on February 18th 2019, approved the following:

- the financial statements on December 31st 2019;
- the allocation of the profit made in 2018;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- discharge from administration of the sole administrator for the year 2018;
- The incomes and expenditures budget for 2019;
- the election of the financial auditor for the financial year 2019.

TURISM SA Pucioasa

I. The Ordinary General Meeting of Shareholders, statutorily held on February 20th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- discharge from administration of the managers for the year 2018;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- The incomes and expenditures budget and the investments program for 2019;
- the election of the administration board for a 2-year mandate;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020.

UNIVERS SA Rm. Valcea

I. The Ordinary General Meeting of Shareholders, statutorily held on February 18^h 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- discharge from administration of the managers for the activity carried out in the financial year 2018;
- The Incomes and Expenditures budget for 2019;
- the election of the administration board for a 4-year mandate;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020;
- the preparation of annual financial statements for the year 2018, according to IFRS.

VOLTALIM SA Craiova

I. The Ordinary General Meeting of Shareholders, statutorily held on February 20th 2019, approved the following:

- the financial statements on December 31st 2018;
- the allocation of the profit made in 2018;
- discharge from administration of the managers for 2018;
- The Incomes and Expenditures budget for 2019;
- the level of administrators remuneration and the value of the insurance policy for the professional responsibility of administrators in 2019;
- the preparation of annual financial statements for the year 2018, according to IFRS;
- the extension of the mandate of the financial auditor by two years, to audit the financial statements related to the years 2019 and 2020;

None of the companies included in the consolidation perimeter fall under OMFP no. 881/25.06.2012, respectively, is not obliged to prepare and report financial statements under IFRS. They keep accounting records according to OMFP 1802/2014 for the approval of accounting regulations on individual annual financial statements and consolidated annual financial statements. For consolidation, they prepare the second set of financial statements under IFRS. The financial statements prepared under IFRS result from the restatement of the financial statements prepared under the OMFP 1802/2014.

The consolidated financial statements have been prepared in accordance with Norm no. 39/2015 for the approval of accounting regulations complying with international financial reporting standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector.

These financial statements are intended solely for use by the Group, its shareholders and the FSA and do not imply changes in the shareholders' rights to dividends.

Associate Prof. PhD. Ec. Tudor CIUREZU Associate Prof. PhD Cristian BUȘU ec. Elena SICHIGEA

President

Deputy General Manager

Economic Manager