

THE BUDGET OF INCOMES AND EXPENDITURES

YEAR 2019

The Incomes and Expenditures Budget for the year 2019 is based, on the one hand on the analysis of the budget execution for the year 2018 and, on the other hand, on the expectations of the administrative and executive management on the financial performance estimated for 2019.

This was based in close correlation with the strategy of SIF Oltenia S.A. for 2019 and takes into account macroeconomic, geopolitical factors, the expected evolution of international markets and of the economy of Romania.

The main objectives taken into account in budget substantiation are:

- the operation of the company based on the principle of activity continuity;

- harmonization of short-term and long-term objectives in the context of domestic and foreign financial market dynamics;

- efficient use of the assets of the company with a focus on increasing the market value of the portfolio and its ability to generate dividends;

- ensuring the ability of the company to honor its payment obligations on time;

- increasing the attractiveness and liquidity of S.I.F. Oltenia share, reducing the gap between the market value and net asset value per share.

The priority directions of activity in 2019 are:

- continuing the quantitative and qualitative restructuring of the portfolio;

- developing an investment policy that should generate added value in the medium and long term and for the benefit of the shareholders;

- continuing the remuneration policy of shareholders and increasing their confidence in the shares held by:

- distribution of dividends
and/or
- developing programs for buy-back of their own shares with the simultaneous reduction of the share capital in order to increase the market price of the share and to reduce the discount between the unit value of the net asset and the trading price.

The categories of incomes, specific to the company activity, are mainly summarized in:

- incomes from financial assets;
- financial incomes obtained from investments on the money market.

Incomes from financial assets represent the dividends to be received in 2019, for the financial year 2018, from the companies in which S.I.F. Oltenia S.A. holds securities and which give dividends from profits obtained in 2018.

Their estimation was made by taking into account the results obtained and the profit distribution policy known or anticipated at the date of BVC drafting.

For the year 2019 we anticipate cashes of **115,300,000 lei**, higher by **27.24%** to those made in 2018 (**91,616,735 lei**).

Financial incomes obtained from investments on the monetary market are insignificant in preparing the Budget for 2019, due to very low interests offered by the banking system. In 2019, we expect incomes of this kind of **150,500 lei**, which represents **34.82 %** of those achieved in 2018.

It is expected to obtain **incomes from exchange rate differences of 6,400,000 lei**, 10 times higher than those recorded in 2018.

In 2019 the realization of certain incomes from fixed receivables was taken into account, namely dividends prescribed from the category of dividends due to shareholders for the financial year 2015, which will be recorded in balance as unpaid on 3.10.2019. The estimated amount, of **15,000,000 lei**, represents **100.38 %** of that registered in 2018.

As of January 1st 2018 the IFRS 9 Financial Reporting Standard was adopted.

Accordingly, the results related to transactions with financial assets assessed at fair value through other elements of the comprehensive income are reflected in the retained earnings.

S.I.F. Oltenia S.A. has opted to categorize all investments in the category “Financial assets assessed at fair value through other elements of the comprehensive income”.

Consequently the results obtained from trading certain shares packages will not be reflected in the “Profit or Loss” account but in the “Retained earnings”.

In conclusion, the total incomes proposed for the approval of AGOA to be accomplished in 2019 are of 142,683,000 lei, increasing by 14.40% compared to 2018.

Ensuring the normal development of the company activity implies a **volume of expenditures of 28,978,767 lei**, which represents **an increase of 5.36%** compared to those realized in 2018.

It is proposed to **AGOA to approve the accomplishment of the following profitability indicators for the year 2019:**

- **Gross profit: 113,704,233 lei**
- **Profit tax: 3,129,309 lei**
- **Net profit: 110,574,924 lei**

The net profit proposed to be achieved in 2019 is increasing (**14.87%**) compared to that realized in 2018.

The net profit level proposed for 2019 is a minimum level. The management of the company will act in good faith and will capitalize, within the limit of financial possibilities, any opportunity appeared on the market, to develop, consolidate and increase from the qualitative point of view, the company assets, to further stimulate shareholders toward the market price and dividends.

The Administration Board

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