



**REPORT of  
Board of Directors  
of S.I.F. Oltenia S.A.  
on Consolidated Financial Statements  
ended on 31.12.2014**

Name of Company: **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

Registered office: **judetul Dolj, municipiul Craiova, str. Tufănele nr. 1, cod poștal 200767**

Tel./fax: **0251-419.343; 0251-419.340**

Tax Code: **RO 4175676**

Trade Register no.: **J16/1210/30.04.1993**

N.S.C. Register No.: **PJR09SIIR/160003/14.02.2006**

Regulated market where the issued securities are traded: **Bucharest Stock Exchange**

Subscribed and paid share capital: **58.016.571 RON**

The main characteristics of the securities issued by the company: **shares of S.I.F. OLTENIA S.A. are registered, issued in dematerialized form and give equal rights to their holders. The nominal value of a share is 0,1 RON.**

Societatea de Investiții Financiare OLTENIA S.A. ("The Company" – Romanian legal entity – established as a joint stock company on 01.11.1996 under Law no. 133/1996 is a collective investment undertaking which operates under Law no. 31/1990 on commercial companies and Law no. 297/2004 on the capital market, with subsequent amendments and additions.

According to the Articles of Incorporation, the Company has the following object of activity:

- Administration and management of shares in companies for which own shares were issued corresponding to Certificates of Ownership and Nominative Privatization Coupons subscribed by citizens in accordance with Art.4 paragraph 6 of Law no. 55/1995;
- Own securities portfolio management and investments in securities in accordance with the regulations in force;
- Other similar and adjacent activities, according to regulations in force and management of own assets.

Subscribed and paid Share Capital registered on 31.12.2014 is of 58.016.571 RON, divided in 580.165.714 shares having a nominal value of 0,1 RON/share.



During the reporting period, the Company has worked observing the legal provisions contained in:

- Law no. 31/1990 R, with subsequent amendments and additions;
- Law no. 297/2004, with subsequent amendments and additions;
- NSC/FSA Regulation no. 15/2004, with subsequent amendments and additions;
- Regulation No. 9/16.06.2014 regarding the authorization and operation of S.A.I., UCITS and depositories of UCITS
- NSC/FSA Regulation no. 1/2006, with subsequent amendments and additions;
- BSE Code;
- Corporate Governance Code of the Bucharest Stock Exchange;
- Other regulations on the matter;

And

- Articles of Incorporation (the Statute and Memorandum of Association).

Making depository activities provided for by law and FSA regulations in the period analyzed was provided by RAIFFEISEN BANK S.A. – Bucharest branch.

The record of Company's shareholders is held by S.C. DEPOZITARUL CENTRAL S.A. Bucharest.

Company shares are listed on the first tier of the Bucharest Stock Exchange market symbol SIF5 being negotiable and freely transferable under the law. Following amendments made during 2014 on the Bucharest Stock Exchange Code, S.I.F. OLTENIA S.A. is currently assigned to the Premium tier.

In the financial year 2014 has been no significant merger or reorganization of the company or companies controlled by it.



## I. GENERAL INFORMATION



These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union.

In accordance with NSC Decision no. 1176/15.09.2010, the Company shall prepare and submit to FSA Annual Consolidated Financial Statements in accordance with IFRS as adopted by the European Union, within 8 months from the closing of the financial year.

The consolidated financial statements of the Group comprise the Company and its subsidiaries (hereinafter the Group). The Group's core activities are the financial investment activities undertaken by the Company and the activities of subsidiaries, belonging to different sectors as: food, trade, tourism, rental of premises, etc.

The financial statements of subsidiaries are included in the consolidated financial statements since the start of controlling and until its termination. Accounting policies of Group's subsidiaries have been changed to align with those of the Group.

In addition to the specific consolidation adjustments, the main restatement of the financial information presented in financial statements prepared in accordance with RCR (Romanian Accounting Regulations) to align them to the requirements of IFRS as adopted by the European Union, consist of:

- group multiple items into more comprehensive categories;
- fair value adjustments and for impairment of financial assets under IAS 39 "Financial Instruments Recognition and Measurement";
- adjustments of assets and equity in accordance with IAS 29 "Financial reporting in hyperinflationary economies" because the Romanian economy was a hyperinflationary economy until 31 December 2003;
- adjustments in profit or loss account to record dividend income at the moment of declaration of and gross value;
- adjustments of investment properties to assess their fair value in accordance with IAS 40 "Investment Property";
- adjustments for recognition of liabilities and debts on deferred tax under IAS 12 "Income Taxes";
- disclosure requirements under IFRS.

The Group has adopted a presentation based on liquidity in the consolidated statement of financial position and presentation of income and expenses incurred in respect of their nature in the consolidated statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than other methods allowed by IAS 1 "Presentation of Financial

Statements”.

It was used the going concern assumption, which assumes that the Company and its portfolio companies in the foreseeable future will be able to have insufficient assets to continue operations and meet obligations during operational activity.

The financial statements are prepared using the fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss account and financial assets available for sale, except those for which fair value cannot be determined reliably.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revalued amount or historical cost.

Fair value measurement of shareholdings on 31.12.2014 was performed as follows:

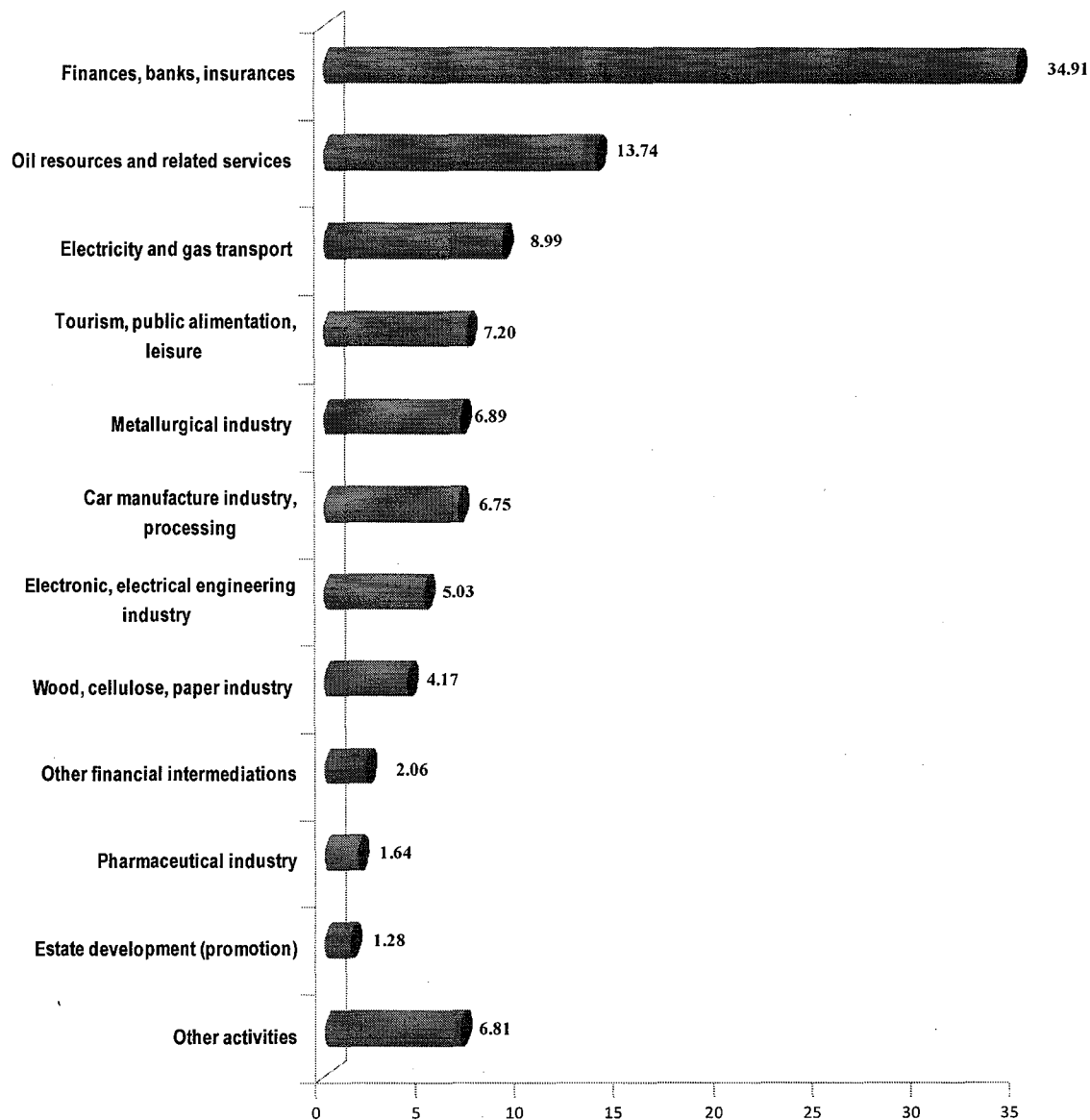
- for securities listed and traded in 2014, the market value was determined by taking into consideration the quotation on the last trading day (the closing quotation of the main market of capital);
- for securities listed that had no transactions in 2014 and for unlisted securities, the market value was determined based on equity of issuers on 31.12.2014;
- for related securities of companies in the insolvency proceedings or reorganization, valuation is zero;
- for units in UCITS, the value taken into account was the last net asset value, calculated and published.

**Synthetic structure of the portfolio**  
**held by the Group on 31.12.2014 – IFRS**  
**- consolidated statement -**

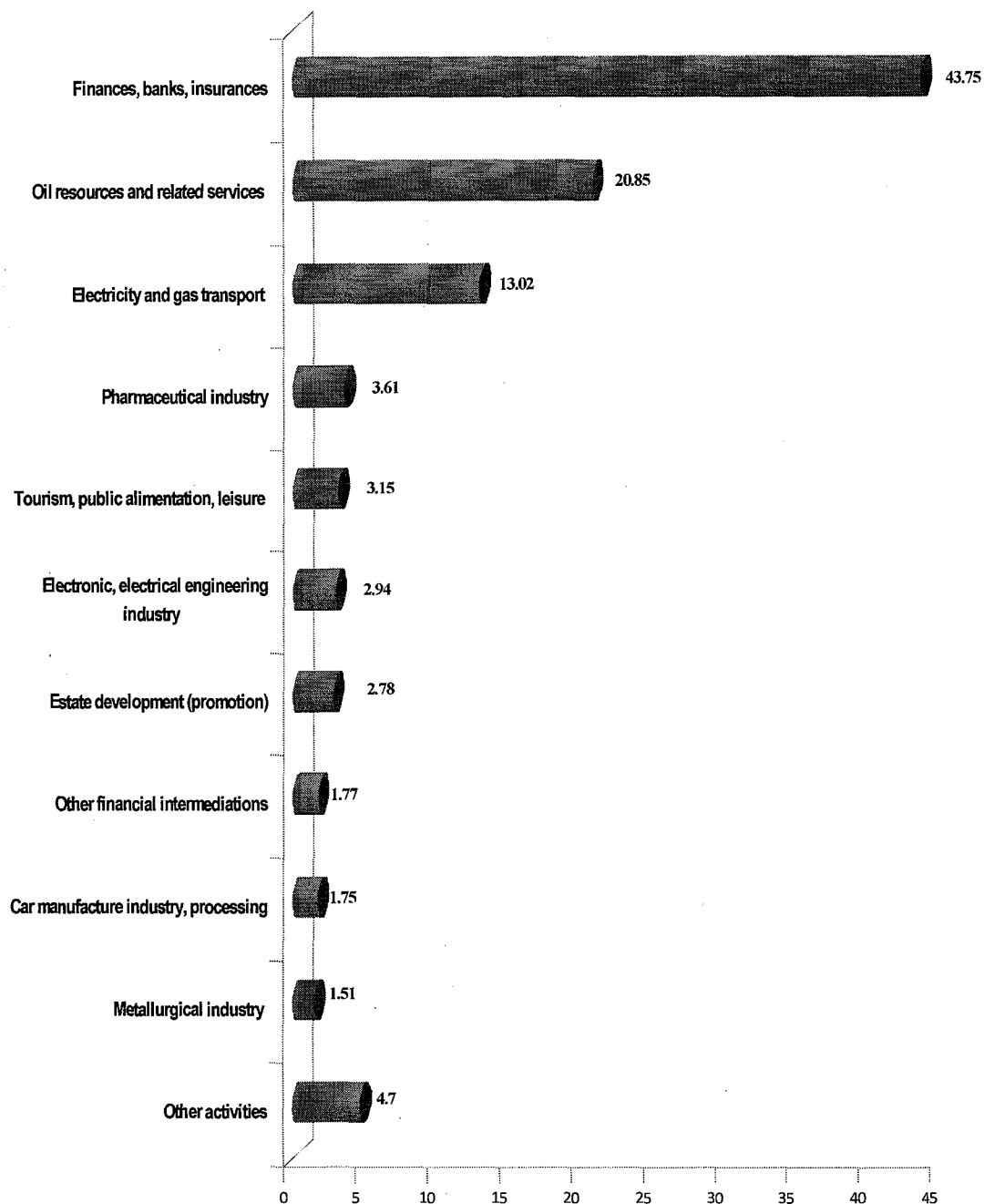
| Economic sectors with<br>percentage in SIF value portfolio<br>(in descending order) | Issuers   |               | Total nominal value of<br>the package |               | Total market value of<br>the package |               |
|---|-----------|---------------|---------------------------------------|---------------|--------------------------------------|---------------|
|   | Nr.<br>SC | %             | (RON)                                 | %             | (RON)                                | %             |
|   | <b>86</b> | <b>100,00</b> | <b>508.399.098</b>                    | <b>100,00</b> | <b>1.356.246.439</b>                 | <b>100,00</b> |
| finance, Banking, Insurance   | 5         | 5,81          | 177.487.007                           | 34,91         | 593.423.387                          | 43,75         |
| oil resources and related services  | 2         | 2,33          | 69.845.422                            | 13,74         | 282.829.571                          | 20,85         |
| food industry   | 3         | 3,49          | 2.981.378                             | 0,59          | 5.100.872                            | 0,38          |
| power and gas transport   | 2         | 2,33          | 45.684.650                            | 8,99          | 176.555.989                          | 13,02         |
| tourism, catering, entertainment  | 4         | 4,65          | 36.579.815                            | 7,20          | 42.753.097                           | 3,15          |
| metallurgical industry  | 3         | 3,49          | 35.010.145                            | 6,89          | 20.453.363                           | 1,51          |
| machinery industry, processing  | 12        | 13,96         | 34.331.013                            | 6,75          | 23.672.718                           | 1,75          |
| electronic, electrotechnical<br>industry  | 10        | 11,63         | 25.591.758                            | 5,03          | 39.871.807                           | 2,94          |
| lease and sublease of real estate   | 3         | 3,49          | 3.325.749                             | 0,65          | 3.793.326                            | 0,28          |
| other financial service   | 8         | 9,30          | 10.462.969                            | 2,06          | 24.005.667                           | 1,77          |
| wood, cellulose, paper  | 3         | 3,49          | 21.186.639                            | 4,17          | 13.085.551                           | 0,96          |
| building  | 5         | 5,81          | 1.559.827                             | 0,31          | -                                    | -             |
| pharmaceutical industry   | 1         | 1,16          | 8.362.234                             | 1,64          | 48.919.067                           | 3,61          |
| domestic trade  | 3         | 3,49          | 4.023.843                             | 0,79          | 1.421.887                            | 0,10          |
| real estate development<br>(promotion)  | 1         | 1,16          | 6.491.174                             | 1,28          | 37.648.809                           | 2,78          |
| glass, porcelain, earthenware<br>industry   | 1         | 1,16          | 4.799.887                             | 0,94          | 9.627.292                            | 0,71          |
| distribution, supply of electricity<br>and energy services                          | 1         | 1,16          | 4.789.490                             | 0,94          | 5.445.650                            | 0,40          |
| chemical industry   | 1         | 1,16          | 4.682.466                             | 0,92          | 11.237.918                           | 0,83          |
| administration of financial<br>markets  | 2         | 2,33          | 3.984.795                             | 0,78          | 13.108.448                           | 0,97          |
| other activities  | 11        | 12,79         | 4.521.264                             | 0,89          | 969.336                              | 0,07          |
| <b>TOTAL EQUITY SECURITIES</b>  | <b>82</b> | <b>94,19</b>  | <b>505.701.525</b>                    | <b>99,47</b>  | <b>1.353.923.755</b>                 | <b>99,83</b>  |
| <b>FUND UNITS</b>   | <b>5</b>  | <b>5,75</b>   | <b>2.697.573</b>                      | <b>0,53</b>   | <b>2.322.684</b>                     | <b>0,17</b>   |

### Percentage at nominal value of economic sectors in the Group's Portfolio

- % -



**Percentage at market value of economic sectors in the Group's Portfolio**  
- %-





Total value of portfolio managed by the Group is **1.356.246.439 RON**, found in titles to 5 investment funds amounting to **2.322.684 RON (0,17%** of the market value of the portfolio managed).

On 31.12.2014 Group held shares primarily active in the finance, banking, insurance, accounting area for 43.75% of total market value of the portfolio, down from 31.12.2013, when the same sector recorded a share of **51.12%**.

Settlement and intragroup transactions, as well as unrealized gains arising from intragroup transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's participation percentage. Unrealised gains arising from transactions with an associate are eliminated in return for investment in the associate. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there are no indications of impairment.

On 31 December 2014 the Group has the following structure of financial assets:

| <i>In RON</i>                 | <b>Co. No.</b> | <b>Market value<br/>31.12.2014</b> | <b>Co. No.</b> | <b>Market value<br/>31.12.2013</b> |
|-------------------------------|----------------|------------------------------------|----------------|------------------------------------|
| Capital investments           |                |                                    |                |                                    |
| Listed companies              | 45             | 928.804.675                        | 50             | 958.510.802                        |
| Unlisted companies            | 36             | 425.119.080                        | 39             | 585.340.483                        |
| Fund units                    | 5              | 2.322.684                          | 5              | 2.251.971                          |
| <b>Total financial assets</b> | <b>86</b>      | <b>1.356.246.439</b>               | <b>94</b>      | <b>1.546.103.256</b>               |

The placements held in companies whose securities are listed and traded on the capital market in Romania, plus placement owned in Romanian Commercial Bank, on 31.12.2014, represent **92.22%** of the fair value of investments.

In the **consolidation perimter** was included a total of **13 companies** in which ownership is over 50% of the voting rights, which were consolidated by the global integration method.

The 13 companies represent **11.46%** of the total assets of the Company and 13.12% respectively of net assets.

Basic activities conducted by the Company and the companies included in the consolidation are the financial investment activities conducted by the Company and the activities of the respective companies.



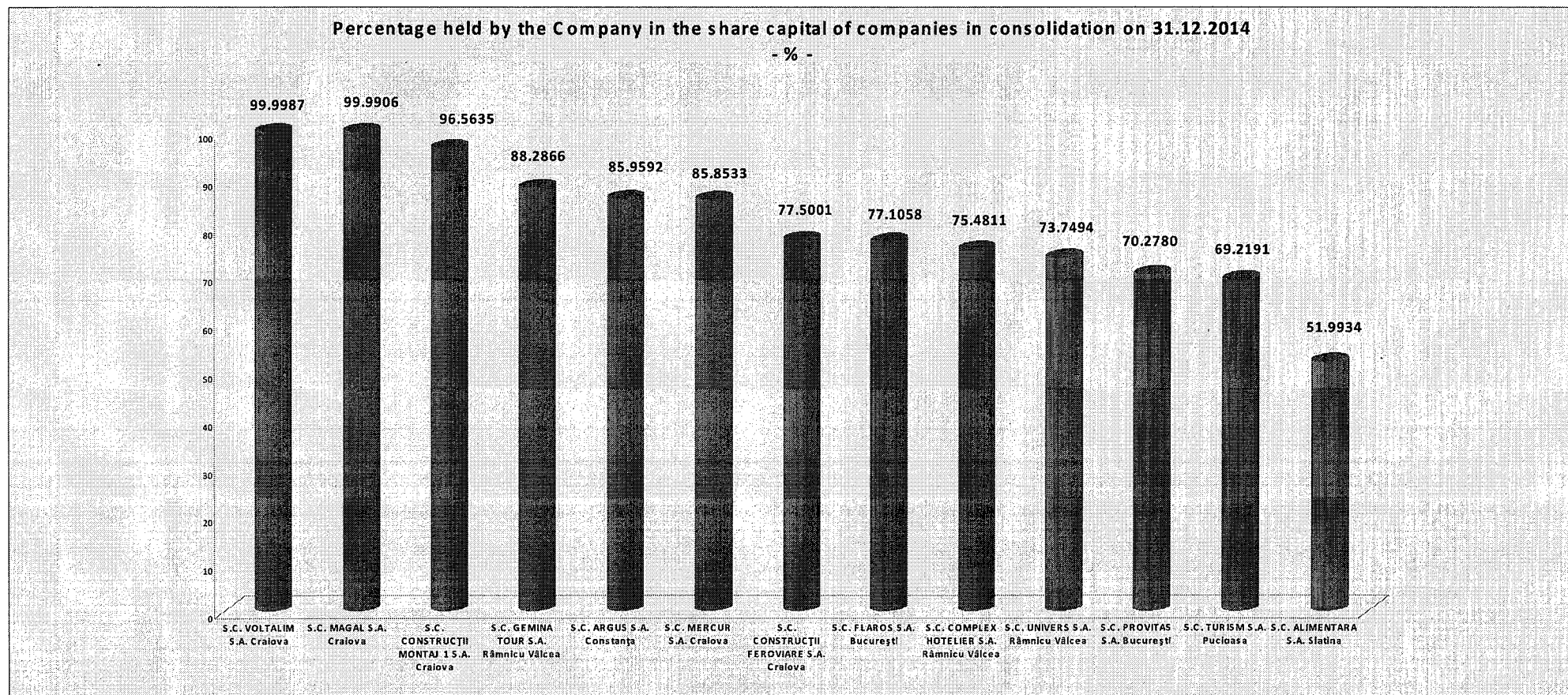
In the consolidation were included the following 13 companies:

Net asset 1.385.535.986 RON  
Total asset 1.586.129.669 RON

| Ct.no. | Issuer                         | Symbol | Percentage in the share capital of issuer on 31.12.2014 | Percentage in the share capital of issuer on 31.12.2013 | Trading market |
|--------|--------------------------------|--------|---|---|----------------|
| 1      | ALIMENTARA SLATINA             | ALRV   | 51,9934   | 51,9934   | RASDAQ<br>RGS  |
| 2      | TURISM PUCIOASA                |        | 69,2191   | 69,2191   | unlisted       |
| 3      | PROVITAS BUCHAREST             |        | 70,2780   | 70,2780   | unlisted       |
| 4      | UNIVERS RM.VALCEA              | UNVR   | 73,7494   | 73,7494   | RASDAQ<br>RGS  |
| 5      | COMPLEX HOTELIER DAMBOVITA     |        | 75,4811   | 75,4811   | unlisted       |
| 6      | FLAROS BUCHAREST               | FLAO   | 77,1058   | 77,1058   | RASDAQ<br>RGS  |
| 7      | CONSTRUCTII FERROVIARE CRAIOVA | CFED   | 77,5001   | 77,5001   | RASDAQ<br>RGS  |
| 8      | MERCUR CRAIOVA                 | MRDO   | 85,8533   | 85,8533   | RASDAQ<br>XMBS |
| 9      | ARGUS CONSTANTA                | UARG   | 85,9592   | 55,8922   | RASDAQ<br>RGS  |
| 10     | GEMINA TOUR RM.VILCEA          |        | 88,2866   | 88,2866   | unlisted       |
| 11     | CONSTRUCTII MONTAJ I CRAIOVA   |        | 96,5635   | 96,5635   | unlisted       |
| 12     | MAGAL CRAIOVA                  |        | 99,9906   | 99,9906   | unlisted       |
| 13     | VOLTALIM CRAIOVA               |        | 99,9987   | 99,9987   | unlisted       |

Management of the Company has classified all securities of portfolio activity in the category of financial assets available for sale.





## **II. ECONOMIC DATA**

### **II. 1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

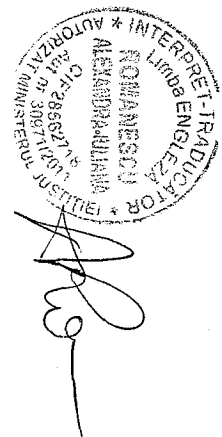


| <i>In RON</i>  | <b>31<sup>st</sup> December<br/>2014</b> | <b>31<sup>st</sup> December<br/>2013</b> |
|--|--|--|
| <b>Incomes</b>   |  |  |
| Incomes from dividends   | 42.817.687                               | 37.384.200                               |
| Incomes from interests   | 1.510.310                                | 2.638.831                                |
| Other operational incomes  | 206.972.338                              | 172.720.084                              |
| Net profit from differences of exchange rate   | 862.119                                  | (279.264)                                |
| Net profit from sale of financial assets   | 82.537.358                               | 150.253.313                              |
| <b>Expenses</b>  |  |  |
| Commissions and administration and supervision fees  | (3.283.766)                              | (3.620.583)                              |
| Incomes from restatement of commissions for risks and expenses   | 5.952.047                                | 5.595.558                                |
| Other operational expenses   | (218.415.429)                            | (206.199.303)                            |
| <b>Profit before taxation</b>  | <b>118.952.664</b>                       | <b>158.492.836</b>                       |
| Corporate tax  | (20.069.215)                             | (28.741.454)                             |
| <b>Net profit of the financial year</b>  | <b>98.883.449</b>                        | <b>129.751.382</b>                       |
| <b>Other elements of the comprehensive income</b>  |  |  |
| Net modification of reserve from revaluation at fair value of financial assets available for sale and of tangible assets | (7.973.333)                              | 47.999.380                               |
| <b>Total comprehensive income for the period</b>   | <b>90.910.116</b>                        | <b>177.750.762</b>                       |
| <b>Net profit for</b>  |  |  |
| Company shareholders   | 97.380.890                               | 127.334.051                              |
| Minority interest  | 1.502.559                                | 2.417.331                                |
|  | <b>98.883.449</b>                        | <b>129.751.382</b>                       |
| <b>Comprehensive income for</b>  |  |  |
| Company shareholders   | 89.405.781                               | 179.015.940                              |
| Minority interest  | 1.504.335                                | (1.265.178)                              |
|  | <b>90.910.116</b>                        | <b>177.750.762</b>                       |
| <b>Result per share</b>  |  |  |
| Basic  | 0,168                                    | 0,219                                    |
| Diluted  | 0,168                                    | 0,219                                    |

Net profit of **98.883.449 RON** is down by **23,79%** compared to 31.12.2013.

## Segment Reporting

| Indicators          | Trade     |           | Rental     |            | Food industry |             | Tourism    |            | Financial activity |               | TOTAL         |               |
|---------------------|-----------|-----------|------------|------------|---------------|-------------|------------|------------|--------------------|---------------|---------------|---------------|
|                     | 2014      | 2013      | 2014       | 2013       | 2014          | 2013        | 2014       | 2013       | 2014               | 2013          | 2014          | 2013          |
| Fixed assets        | 3.435.925 | 3.925.725 | 83.261.643 | 62.838.073 | 56.018.368    | 57.628.983  | 13.969.204 | 10.301.656 | 1.384.579.074      | 1.563.754.181 | 1.541.264.214 | 1.698.448.618 |
| Current assets      | 371.879   | 4.163.065 | 20.248.007 | 35.432.169 | 107.730.625   | 85.795.911  | 1.723.816  | 1.833.680  | 57.012.736         | 43.005.274    | 187.087.063   | 170.230.099   |
| Expenses in advance | 2.738     | 22.565    | 19.727     | 33.592     | 114.245       | 56.187      | 17.328     | 17.100     | 91.275             | 102.895       | 245.313       | 232.339       |
| Debts               | 235.224   | 716.370   | 7.741.952  | 7.084.186  | 80.734.401    | 64.077.263  | 487.317    | 612.514    | 181.274.732        | 265.736.406   | 270.473.626   | 338.226.739   |
| Income in advance   | -         | -         | 465.906    | 347.928    | 4.179         | 4.347       | 8.427      | 404        | 77.521             | 77.521        | 556.033       | 430.200       |
| Provisions          | 120.395   | 110.000   | 372.361    | 448.794    | 1.061.666     | 774.183     | 67.085     | 92.431     | 8.211.531          | 8.211.531     | 9.833.038     | 9.636.939     |
| Minority interests  | -         | -         | -          | -          | -             | -           | -          | -          | 32.776.884         | 54.577.056    | 32.776.884    | 54.577.056    |
| Equity              | 3.454.923 | 7.284.985 | 94.949.158 | 90.422.926 | 82.062.992    | 78.625.288  | 15.147.519 | 11.447.087 | 1.219.342.417      | 1.278.259.836 | 1.414.957.009 | 1.466.040.122 |
| Total income        | 1.804.290 | 3.101.216 | 19.933.578 | 21.551.123 | 175.463.769   | 142.389.355 | 4.330.610  | 5.081.982  | 133.167.565        | 190.922.978   | 334.699.812   | 363.046.654   |
| Total expenses      | 1.776.692 | 4.056.388 | 15.855.166 | 16.219.553 | 171.961.917   | 139.355.532 | 3.957.365  | 4.558.326  | 22.196.008         | 40.364.019    | 215.747.148   | 204.553.818   |
| Gross result        | 27.598    | (955.172) | 4.078.412  | 5.331.570  | 3.501.852     | 3.033.823   | 373.245    | 523.656    | 110.971.557        | 150.558.959   | 118.952.664   | 158.492.836   |
| Net result          | 23.182    | (955.172) | 3.153.924  | 4.446.968  | 3.501.852     | 3.033.823   | 327.157    | 480.686    | 91.877.334         | 122.745.077   | 98.883.449    | 129.751.382   |



### **Segment reporting**

Segment reporting is the segmentation of the activities envisaged in the branch of activity of which the main object of the company is part in the perimeter of consolidation.

Company with portfolio companies in which it holds more than 50% and are included in the consolidation perimeter operates the following main business segments:

- Financial Investments
- Rental of premises
- Food industry
- Retail in non-specialized stores selling predominantly non food products.
- Tourism

The indicators presented were derived from the separate financial statements of the Company and of the companies in the consolidation.

In the fixed assets held on 31.12.2014 by the Group a share of **89,83%** is held by financial investment assets represented by the portfolio of financial assets respectively **92,07%** on 31.12.2013.

The high level of debt is due mainly to registration of deferred corporate tax related to reserves from measurement at fair value of the portfolio on 31.12.2014 with a share of **40,33%** (31.12.2013: **38,70%**) in total debt.

Also, the net result on 31.12.2014 made by financial investments has a share of **92,91%**, well above the result obtained by the companies included in consolidation, respectively of **94,60%** on 31.12.2013.



## **II.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**



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| <i>In RON</i>  | <b>31<sup>st</sup> December<br/>2014</b> | <b>31<sup>st</sup> December<br/>2013</b> |
|--|--|--|
| <b>Assets</b>  |  |  |
| Cash and cash equivalents  | 12.302.014                               | 3.391.890                                |
| Deposits placed in banks   | 78.560.292                               | 93.810.796                               |
| Financial assets available for sale  | 1.356.246.439                            | 1.546.103.256                            |
| Financial assets at fair value by profit or loss   | 3.903.255                                | 3.609.668                                |
| Credits and receivables  | 46.907.322                               | 24.201.506                               |
| Tangible assets  | 71.216.715                               | 72.488.098                               |
| Real estate investments  | 40.228.829                               | 37.813.159                               |
| Other assets   | 119.231.724                              | 87.492.683                               |
| <b>Total assets</b>  | <b>1.728.596.590</b>                     | <b>1.868.911.056</b>                     |
| <b>Liabilities</b>   |  |  |
| Payment dividends  | 66.601.125                               | 128.067.288                              |
| Taxes and fees   | 10.882.860                               | 12.514.966                               |
| Debts with deferred tax  | 109.069.343                              | 130.898.955                              |
| Other debts  | 94.309.369                               | 76.812.669                               |
| <b>Total debts</b>   | <b>280.862.697</b>                       | <b>348.293.878</b>                       |
| <b>Own capitals</b>  |  |  |
| Share Capital  | 58.016.571                               | 58.016.571                               |
| Updating Share Capital   | 786.505.309                              | 774.976.933                              |
| Reserves from revaluation of tangible assets   | 30.870.481                               | 22.589.868                               |
| Legal and statutory reserves   | 27.734.413                               | 46.406.520                               |
| Reserves from revaluation of financial assets<br>available for sale                      | 575.016.997                              | 604.165.714                              |
| Other reserves   | 2.491.248.949                            | 2.108.148.417                            |
| Deferred result representing undistributed profit or<br>uncovered loss                   | (32.581.568)                             | (34.926.247)                             |
| Deferred result following the application of IAS 29<br>on the Share Capital and reserves | (2.656.645.975)                          | (2.356.996.247)                          |
| Deferred result following the application of IAS<br>less IAS 29                          | 37.410.942                               | 116.324.542                              |
| Current profit   | 97.380.890                               | 127.334.051                              |
| <b>Total equity assignable to mother company</b>   | <b>1.414.957.009</b>                     | <b>1.466.040.122</b>                     |
| <b>Minority interest</b>   |  |  |
| Of which:  | <b>32.776.884</b>                        | <b>54.577.056</b>                        |
| Profit or loss of the financial year related to<br>interests which do not control        | 1.502.559                                | 2.417.331                                |
| Other own capitals   | 31.274.325                               | 52.159.725                               |
| <b>Total capitals</b>  | <b>1.447.733.893</b>                     | <b>1.520.617.178</b>                     |
| <b>Total debts and equity</b>  | <b>1.728.596.590</b>                     | <b>1.868.911.056</b>                     |



On 31.12.2014 financial assets available for sale amounting to **1.356.246.439 RON** represent **78,46%** of total assets, decreasing by **12,28%** compared to 31.12.2013.

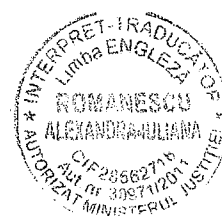
Companies with share in total securities available for sale the Group holds are the following:

| Cl.<br>No.   | Company   | Percentage of<br>total<br>- % - | Market value on 31 <sup>st</sup><br>December 2014<br>- RON - |
|--------------|---|---------------------------------|--|
| 1            | BANCA COMERCIALA ROMANA<br>BUCHAREST                    | 23,74                           | 321.986.498  |
| 2            | OMV PETROM BUCHAREST                                    | 20,85                           | 282.812.656  |
| 3            | B.R.D.-GROUPE SOCIETE GENERALE<br>BUCHAREST             | 13,48                           | 182.857.500  |
| 4            | C.N.T.E.E. TRANSELECTRICA<br>BUCHAREST                  | 9,46                            | 128.350.560  |
| 5            | BANCA TRANSILVANIA CLUJ                                 | 3,90                            | 52.839.455   |
| 6            | ANTIBIOTICE IASI  | 3,61                            | 48.919.067   |
| 7            | S.N.T.G.N. TRANSGAZ MEDIAS                              | 3,55                            | 48.205.429   |
| 8            | PRODPLAST IMOBILIARE BUCHAREST                          | 2,78                            | 37.648.809   |
| 9            | EXIMBANK BANCA DE EXPORT IMPORT<br>A ROMANIEI BUCHAREST | 2,64                            | 35.739.931   |
| 10           | ELECTROMAGNETICA BUCHAREST                              | 2,49                            | 33.706.377   |
| <b>Total</b> |   | <b>86,49</b>                    | <b>1.173.066.282</b>   |

Deposits with banks have a value of **78.560.292 RON**, decreasing by **16,26%** compared to 31.12.2013.

Total liabilities amount to **280.862.697 RON**, decreasing by **19,36%** compared to 31.12.2013.

Deferred tax liabilities represent **38.83%** of the total liabilities.



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### **III. EVALUATING THE COMPANY'S BUSINESS ON RISK MANAGEMENT**



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The group, with its complexity business carried out, is subject to various risks.

Risk management is an integral part of all decision-making and business processes within the Group.

Group Management continuously evaluates the risks that may affect the achievement of its objectives and takes appropriate action on any change in operating conditions.

The Group's management pays particular attention to risk identification. Exposure to risks inherent in its business by daily operations and transactions (especially operations on the stock market) is identified and aggregated through risk management infrastructure implemented: internal auditor, internal control and operational monitoring, hierarchical levels of authorization and transaction validation.

Risk Monitoring is performed on each hierarchical level, with approval and supervisory procedures of decision-making and trading limits.

Internal reporting of risk exposure is continuously done on business lines; management is kept informed about the risks inherent in conducting business.

The main risk factors identified by the Group are:

- a) Economic environment risk
- b) Liquidity risk
- c) Market risk (price risk, currency risk, interest rate risk)
- d) Credit risk
- e) Tax risk
- f) Operational risk

The Group has implemented policies to assess risks posed, policies approved by the Board of Directors.

#### **a) Economic environment risk**

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

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.

Year 2014 was, economically, a good year, Romania's GDP growth was 2.9%. Despite this good result, the Romanian economy is still fragile and dependent in particular of developments of economies in the EU, so that the prospects for 2015 are regarded with caution by management.



The Group management is closely watching the changes taking place at the macroeconomic level and looks – as possible – to reduce negative impact on the Group business.

The Group Debtors may also be affected by the situations of lower liquidity which could affect the ability to meet their current liabilities. The deteriorating of operating conditions for debtors may also affect the management of cash flow forecasts.

There are periodically estimated the effects on the financial position and on the results of next year that would cause the possible decrease of liquidity on the financial market, impairment of financial assets caused by damage to credit conditions and increased volatility in the currency and equity markets.

***b) Liquidity risk***

Liquidity is the ability of the Group to secure the necessary funds to meet all its direct and indirect payment obligations, at a reasonable price at any time.

Liquidity risk is the actual or potential risk to which the corporate profits could be subject to from its inability to meet payment obligations when due.

Liquidity risk can arise from:

- Inability to manage unplanned decreases in volume or significant changes in the structure of funding resources;
- The Group's inability to recognize changes in market conditions that may affect the ability to liquidate certain assets in very short time and with minimum loss of value.

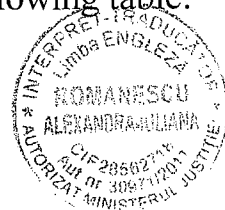
The Group has profit particularly from transactions in shares. Liquidity risk from the managed portfolio is mainly related to holdings in commercial companies of “closed” type existing in the managed portfolio.

Thus, the sale of certain shares – in case of emergence of negative aspects of their economic and financial situation, or if there is the purpose of obtaining liquidity - is particularly difficult, with the risk of not being possible to obtain a higher price or at least equal to that at which those holdings are valued in calculating the net asset.

However, the low liquidity of the capital market in Romania makes often difficult even trading of shareholdings in commercial companies listed on regulated markets.

The Group follows the evolution of liquidities in order to be able to pay the obligations on due time and permanently analyzes the assets and liabilities, according to the period remained until the contractual due terms.

The structure of assets and liabilities is analyzed in the following table:



| <i>In RON</i>  | <b>Accounting<br/>value</b> | <b>Below 3<br/>months</b> | <b>Between<br/>3 and 12<br/>months</b> | <b>Without<br/>preestablished<br/>maturity</b> |
|--|-----------------------------|---------------------------|--|--|
| <b>31<sup>st</sup> December 2014</b>                           |                             |                           |  |  |
| <b>Financial assets</b>  |                             |                           |  |  |
| Cash and cash equivalents                                      | 12.302.014                  | -                         | -                                      | 12.302.014                                     |
| Deposits placed in banks                                       | 78.560.292                  | 69.840.250                | 8.720.042                              | -  |
| Financial assets available for sale                            | 1.356.246.439               | -                         | -                                      | 1.356.246.439                                  |
| Financial assets measured at fair value through profit or loss | 3.903.255                   | -                         | -                                      | 3.903.255                                      |
| Credits and receivables  | 46.907.322                  | -                         | -                                      | 46.907.322                                     |
| <b>Total financial assets</b>                                  | <b>1.497.919.322</b>        | <b>69.840.250</b>         | <b>8.720.042</b>                       | <b>1.419.359.030</b>                           |
| <b>Financial debts</b>   |                             |                           |  |  |
| Payment dividends  | 66.601.125                  | 66.601.125                | -                                      | -  |
| Other financial debts  | 94.309.369                  | 83.920.298                | 10.389.071                             | -  |
| <b>Total financial debts</b>                                   | <b>160.910.494</b>          | <b>150.521.423</b>        | <b>10.389.071</b>                      |  |

### **c) Market risk**

Market risk is defined as the risk that price movements in financial markets (the value of shares and other securities, exchange rates, interest rates) to change the value of the portfolio.

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. Taking into account the particularities of the Company, the most relevant risks to the current activity are: share price risk, interest rate risk, foreign exchange risk.

### **Price risk**

The market value of the portfolio of listed shares (on BVB, SIBEX, RASDAQ, SIBEX-ATS), on 31.12.2014, represents 68,60% (31.12.2013: 62,09%)



of the total value of shares portfolio managed.

In these conditions, the Group has a high risk – associated with price movements of financial assets in the stock market.

In the managed portfolio a number of 7 issuers can be found, of the 10 that constitute the BET index of Bucharest Stock Exchange.

Market value of the holdings in those 7 issuers, represents on 31.12.2014 76.82% (31.12.2013: 50.17%) of the market value of shares held in listed companies. Thus, the risk associated with the BET index variation of BVB is high.

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

On 31<sup>st</sup> December 2014 the company has the following structure of assets subject to price risk:

| <i>In RON</i>                    | <b>Co. No.</b> | <b>Market value<br/>31.12.2014</b> |
|----------------------------------|----------------|------------------------------------|
| <b>Capital investments</b>       |                |                                    |
| Companies listed                 | 45             | 928.804.675                        |
| Companies not listed             | 36             | 425.119.080                        |
| Fund units                       | 5              | 2.322.684                          |
| <b>Total capital investments</b> | <b>86</b>      | <b>1.356.246.439</b>               |

Placements held in companies whose securities are listed and traded on the stock market in Romania, plus placement owned in Romanian Commercial Bank on 31.12.2014 represent **92,22%** (31.12.2013: **92,47%**) of the fair value of investments. On 31.12.2014 Group held shares mainly activating in finance, banking, insurance, accounting for **43.75%**.

### ***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.

Exposure to currency risk is due to deposits in foreign currency, some of the money availability being placed in foreign currency, for instance in USD and EUR.

Currency available holdings represent, on 31.12.2014, 0,88% (2013: 0,84%) of total financial assets, so that the currency risk is insignificant.

Due to the low share of assets expressed in foreign currency, the Group does not have a formalized policy of covering foreign currency risk.

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.

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

| <i>In RON</i>  | Accounting value     | RON                  | EUR              | USD               |
|--|----------------------|----------------------|------------------|-------------------|
| <b>31<sup>st</sup> December 2014</b>                           |                      |                      |                  |                   |
| <b>Financial assets</b>  |                      |                      |                  |                   |
| Cash and cash equivalents                                      | 12.302.014           | 11.861.540           | 239.346          | 201.128           |
| Deposits placed in banks                                       | 78.560.292           | 64.801.324           | 896.420          | 12.862.548        |
| Financial assets available for sale                            | 1.356.246.439        | 1.356.246.439        | -                | -                 |
| Financial assets measured at fair value through profit or loss | 3.903.255            | 3.903.255            | -                | -                 |
| Credits and receivables  | 46.907.322           | 46.907.322           | -                | -                 |
| Other financial assets   | 119.231.724          | 119.231.724          | -                | -                 |
| <b>Total financial assets</b>                                  | <b>1.617.151.046</b> | <b>1.602.951.604</b> | <b>1.135.766</b> | <b>13.063.676</b> |
| <b>Financial debts</b>   |                      |                      |                  |                   |
| Payment dividends  | 66.601.125           | 66.601.125           | -                | -                 |
| Other financial debts  | 94.309.369           | 94.309.369           | -                | -                 |
| <b>Total financial debts</b>                                   | <b>160.910.494</b>   | <b>160.910.494</b>   | <b>-</b>         | <b>-</b>          |

### *Interest rate risk*

Interest rate risk is that the value of a portfolio will fluctuate due to changes in market interest rates. 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.

### *d) Credit risk*

Credit risk is the risk of loss registration due to non-fulfillment of obligations by the counterparty in a financial instrument.

The Group may be exposed to credit risk through investments realized in bank deposits, bonds issued by commercial companies or municipalities, current accounts and other receivables.

In accordance with legal provisions, the Group has not granted any type of loans or guarantees to third parties.



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On 31<sup>st</sup> December 2014 the Group did not hold in portfolio bonds, real guarantees as insurance and did not record outstanding financial assets.

All buying – selling of shares transactions of the company are made through storage bank with which there was a custody – storage agreement under the law, so the risk of default of settlement obligations is minimal.

The maximum exposure to credit risk at 31<sup>st</sup> December 2014 is of **119.786.671 RON** increased by **2,62%** compared to 31.12.2013.

Exposure to credit risk:

| In RON                         | 31 <sup>st</sup> December<br>2014 | 31 <sup>st</sup> December<br>2013 |
|--------------------------------|-----------------------------------|-----------------------------------|
| Deposits and accounts in banks | 90.403.770                        | 96.812.795                        |
| Other assets                   | 29.382.901                        | 19.915.124                        |
| <b>TOTAL</b>                   | <b>119.786.671</b>                | <b>116.727.919</b>                |

#### e) Taxation Risk

Starting with the date of Romania's accession to the European Union, the Group had to obey EU fiscal regulations and 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 years' 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.

#### f) Operational risk

Operational risk is “the risk of registering certain losses resulting from inadequate or wrong internal processes applied by people, inoperative systems or external events” Basel Committee on Banking Supervising 2001).



Operational risk is related to human resource management, as well as to external events.

In the context of an investment company, operational risk is the risk of registering financial losses or the risk not to obtain the estimated profits.

This is determined by:

➤ Internal factors:

- the existence of insufficient qualified personnel;
- inadequate ongoing of certain activities, due to insufficient internal regulations;
- the existence of inadequate information systems.

➤ External factors:

- hostile macroeconomic conditions;
- socio-political events;
- frequent changes in the business environment as a result of legislative changes.

Operational risk management is about managing processes for the identification, evaluation and assessment of operational risks, establishing responsibilities, taking action to mitigate or anticipate them, periodic review and progress monitoring.

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

The Company is also subject to operational risks including the custodian risk. Custodian risk refers to the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Even if the law provides for and protects the company against such risks, however in such cases the group's ability to transfer titles in such a situation could be temporarily affected.

The Company's objective is to manage this risk to avoid or limit financial losses and generate returns for its shareholders.



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## **IV. CHANGES IN COMPANY MANAGEMENT**

In accordance with the Articles of Incorporation, the Company is managed



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as a single unit.

The Board of Directors of the Company consists of seven members elected by the General Assembly for a period of 4 years, with the possibility of being reelected.

Most board members – five members – are non-executive.

Of these, two administrators are independent and represent the audit committee.

Management structure is as follows:

### **31 December 2014**

**Board of Directors Members:** Tudor Ciurezu - President, Anina Radu - Vice President, Cristian Busu, Victor Capitanu, Nicolae Stoian, Carmen Popa, Iulius Grigore Postolache

**Effective Management:** Tudor Ciurezu (General Director), Anina Radu (Deputy General Director).

**Executive Management:** Elena Sichigea - Economic Department Director, Elena Calițoiu - Director of Investments and Risk Management, Dan Voiculescu - Director of Portfolio Monitoring Department, Vasilica Bucur - Legal Department Director.

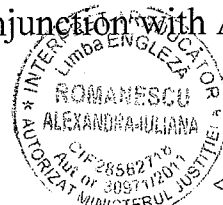
### **31 December 2013**

**Board of Directors Members:** Tudor Ciurezu - President, Anina Radu - Vice President, Petre Ghibu, Ana Barbara Bobirca, Cristian Busu, Daniela Toader, Lucian Buse - interim administrator.

**Effective Management:** Tudor Ciurezu (General Director), Anina Radu (Deputy General Director).

**Executive Management:** Elena Sichigea - Economic Department Director, Elena Calițoiu - Director of Investments and Risk Management, Dan Voiculescu - Director of Portfolio Monitoring Department, Vasilica Bucur - Legal Department Director, Ion Patrichi - Director of Human Resources – Logistics Department.

In the context of existing legislation, the lack of legal provisions requiring companies included in the scope of consolidation to prepare, audit, submit and approve the annual financial statements under IFRS conditions (except for companies that fall within the scope of the OMFP no. 881/25.06.2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards.) in conjunction with Art. 24



of the Accounting Regulations in accordance with Directive VII of the European Economic Communities approved by NSC Order No. 12/2011, under which "an entity may not be included in consolidated financial statements if:

b) information for the development of the consolidated financial statements can be obtained only with costs or undue delay, or

c) shares in that entity are held exclusively with a view to their subsequent sale" (the Company has classified all securities held in companies in the category of financial assets available for sale).

None of the companies included in the consolidation is not covered by OMFP no. 881 / 25.06.2012, respectively shall not be required to prepare and report financial statements in terms of IFRS.

The Board of Directors of the Company believes that the Company unjustified, is included in the category of companies that must prepare consolidated financial statements, especially under IFRS. Moreover, in the EEC, investment funds in the category UCITS are not required to prepare annual consolidated financial statements.

These consolidated financial statements are prepared in accordance with NSC Decision no 1176/15.09.2010. The Company shall prepare and submit to FSA annual consolidated financial statements in accordance with IFRS adopted by the European Union within 8 months from the closing of the financial year.

These financial statements have been prepared solely for information purposes and are intended to be used exclusively by the Group, its shareholders and FSA, they cannot be relied upon as the basis of investment decision and do not generate modifications in the shareholders' rights regarding dividends.

Associate Prof. PhD.ec. Tudor CIUREZU

Anina RADU

Ec.Elena SICHIGEA

President / General Director

Vicepresident / Deputy General Director

CFO



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