



**REPORT of
Board of Directors
of S.I.F. Oltenia S.A.
on Consolidated Financial Statements
concluded on 31.12.2015**

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 of the Company is of 58,016,571 RON, divided in 580,165,714 shares having a nominal value of 0.1 RON/share. Shares are: ordinary, indivisible, nominative, of equal value, issued in dematerialized form and give equal rights to their holders.

On 31.12.2015 the number of Company shareholders was of 5,761,728.

The Company shares are subscribed with the quote of Bucharest Stock Exchange, Premium category, with the indicative SIF 5, as of 01.11.1999.

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;
- RNSC/FSA Regulation no. 15/2004, with subsequent amendments and additions;
- F.S.A. Regulation No. 9/16.06.2014 regarding the authorization and operation of S.A.I., UCITS and depositories of UCITS
- RNSC/FSA Regulation no. 1/2006, with subsequent amendments and additions;
- Code of Bucharest Stock Exchange;
- 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.

I. GENERAL INFORMATION

Consolidated financial statements on 31.12.2015 have been prepared in accordance with Rule no. 39/2015 for the approval of accounting regulations compliant with international financial reporting standards, applicable to authorized entities, settled and supervised by the Financial Supervisory Authority in the Sector of Financial Instruments and Investments.

In accordance with RNSC 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 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 was made in respect of their nature in the consolidated statement of profit or loss, and of other elements 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 sufficient 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.

Group uses the following hierarchy of methods:

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

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices);

- Level 3: valuation techniques largely based on non observable elements. This category includes all instruments where the valuation technique includes items that are not based on observable data and for which unobservable input parameters can have a significant effect on the instrument assessment. This category includes instruments that are valued based on quoted prices for similar instruments but which are subject to adjustments based largely on unobservable data or estimates to reflect the difference between the two instruments.

Fair value measurement of shareholdings on 31.12.2015 was performed as follows:

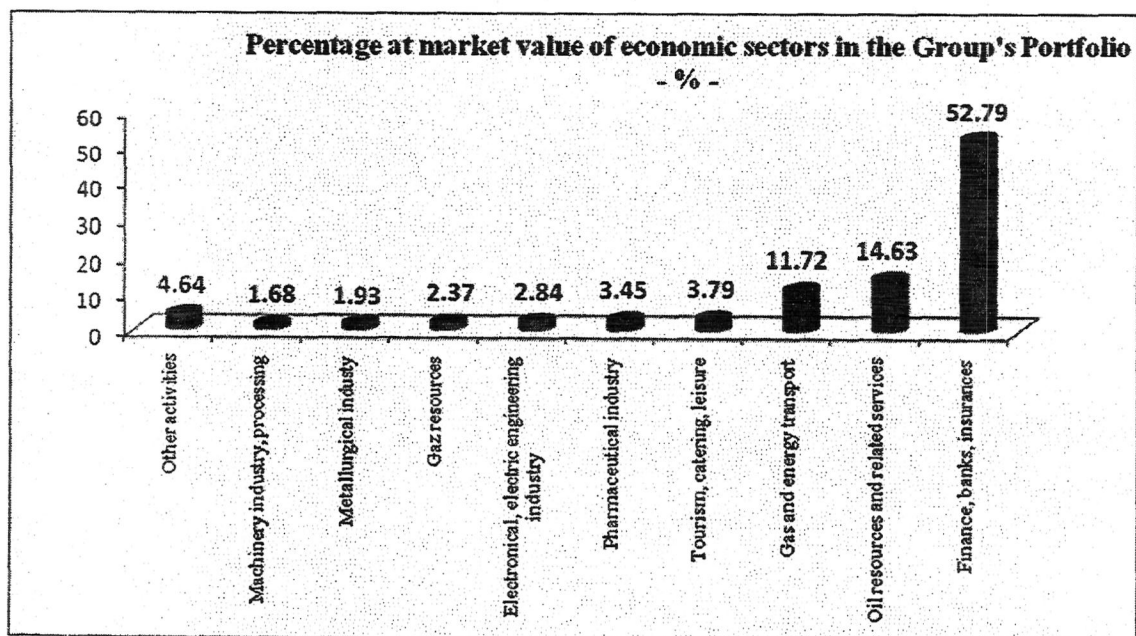
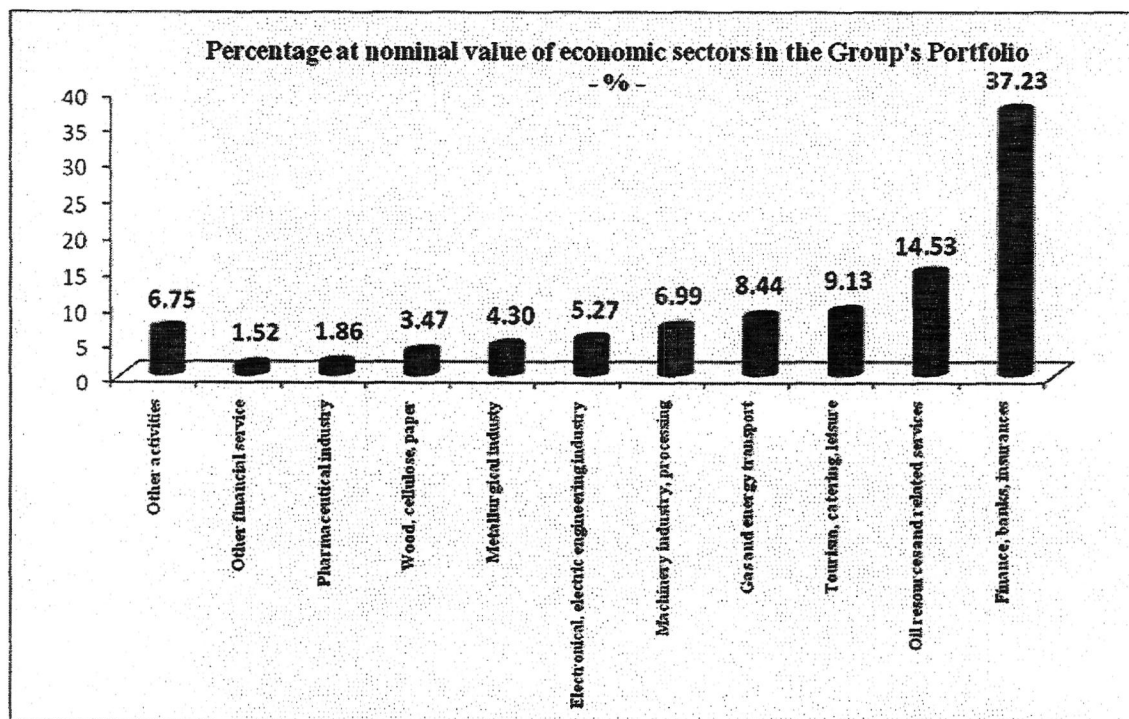
- for securities listed and traded in 2015, the market value was determined by taking into consideration the quotation on the last trading day (the closing quotation of the main market of capital for level 1, and for level 2 the

quotations for shares traded in the last 30 trading days were taken into consideration);

- for securities listed that had no transactions in the last 30 trading days of 2015, and for unlisted securities, the market value was determined based on equity of issuers;
- 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 31.12.2015 – IFRS
- consolidated statement-**

Economic sectors with percentage in SIF value portfolio	Issuers		Total nominal value of the package		Total market value of the package	
	SC No	%	(RON)	%	(RON)	%
	74	100.00	489,540,375	100.00	1,409,554,160	100.00
finance, banking, insurance	5	6.76	182,264,476	37.23	744,063,799	52.79
oil resources and related services	1	1.35	71,130,693	14.53	206,279,009	14.63
power and gas transport	2	2.70	41,301,620	8.44	165,269,200	11.72
tourism, catering, entertainment	4	5.41	44,687,362	9.13	53,454,766	3.79
pharmaceutical industry	1	1.35	9,120,903	1.86	48,523,203	3.45
electronic, electrotechnical industry	9	12.17	25,740,342	5.27	39,878,767	2.84
gas resources	1	1.35	1,225,760	0.25	33,340,672	2.37
metallurgical industry	3	4.05	21,045,051	4.30	27,264,318	1.93
machinery industry, processing	11	14.87	34,240,821	6.99	23,503,981	1.68
wood, cellulose, paper	1	1.35	17,004,670	3.47	12,038,772	0.85
chemical industry	1	1.35	4,699,984	0.96	11,702,960	0.83
administration of financial markets	2	2.70	3,984,695	0.81	10,453,597	0.74
other financial service	7	9.46	7,461,457	1.52	9,757,336	0.69
glass, porcelain, earthenware industry	1	1.35	4,799,887	0.98	9,627,292	0.68
distribution, supply of electricity and energy services	1	1.35	4,439,490	0.91	5,416,178	0.38
lease and sublease of real estate	2	2.70	1,716,101	0.35	2,449,964	0.17
food industry	3	4.05	2,980,128	0.61	2,098,135	0.15
domestic trade	3	4.05	4,019,009	0.82	1,740,120	0.12
constructions	4	5.41	927,934	0.19	-	-
other activities	8	10.81	4,249,975	0.87	390,900	0.03
TOTAL EQUITY SECURITIES	70	94.59	487,040,358	99.49	1,407,252,969	99.84
FUND UNITS	4	5.41	2,500,017	0.51	2,301,191	0.16



Total value of portfolio managed by the Group is **1,409,554,160 RON**, in it being found titles to 4 investment funds amounting to **2,301,191 RON (0.16%** of the market value of the portfolio managed).

On 31.12.2015 Group held shares primarily in companies acting in the finance, banking, insurance area, accounting for **52.79%** of total market value of the portfolio, up from 31.12.2014, when the same activity sector recorded a share of **43.87%**.

On 31st December 2015 the Group has the following structure of financial assets:

<i>In RON</i>	Co. No.	Market value 31.12.2015	Co. No.	Market value 31.12.2014
Capital investments				
Listed companies	31	899,559,429	46	932,707,927
Unlisted companies	39	507,693,540	36	425,119,083
Fund units	4	2,301,191	5	2,322,684
Total financial assets	74	1,409,554,160	87	1,360,149,694

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 31.12.2015, represent **91.84%** of the fair value of investments.

In the **consolidation scope** was included a total of **12 companies** in which ownership is over 50% of the voting rights, which were consolidated by the global integration method.

The 12 companies represent a share of **16.49%** of the total assets of the Company and **17.36%** respectively of net assets.

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

Settlements and transactions within the Group, as well as unrealized gains arising from intragroup transactions, are totally eliminated from the consolidated financial statements.

In the consolidation scope were included the following 12 companies:

Net asset 1,622,765,774 RON

Total asset 1,708,098,544 RON

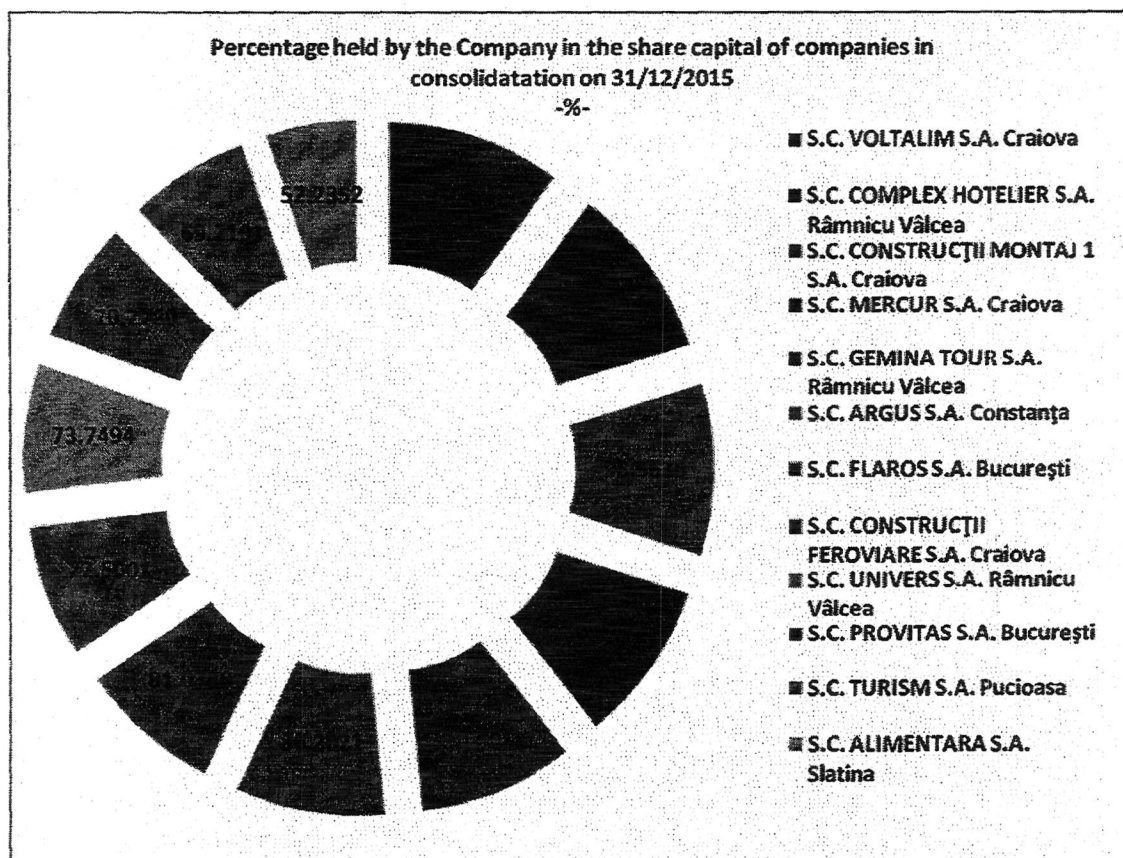
Cl.no.	Issuer	Symbol	Percentage in the share capital of issuer on 31.12.2015	Percentage in the share capital of issuer on 31.12.2014	Trading market
1	ALIMENTARA SLATINA	ALRV	52.2352	51.9934	BVB/ATS AeRO Standard
2	TURISM PUCIOASA		69.2191	69.2191	unlisted
3	PROVITAS BUCHAREST		70.2780	70.2780	unlisted
4	UNIVERS RM.VALCEA	UNVR	73.7494	73.7494	BVB/ATS AeRO Standard
5	CONSTRUCTII FERROVIARE CRAIOVA	CFED	77.5001	77.5001	BVB/ATS AeRO Standard
6	FLAROS BUCHAREST	FLAO	81.0386	77.1058	BVB/ATS AeRO Premium
7	ARGUS CONSTANTA	UARG	86.2021	85.9592	BVB/ATS AeRO Premium
8	GEMINA TOUR RM.VILCEA		88.2866	88.2866	unlisted
9	MERCUR CRAIOVA	MRDO	93.3703	85.8533	BVB/ATS AeRO Premium
10	CONSTRUCTII MONTAJ I CRAIOVA		96.5635	96.5635	unlisted
11	COMPLEX HOTELIER DAMBOVITA		99.9427	75.4811	unlisted
12	VOLTALIM CRAIOVA		99.9982	99.9987	unlisted

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

Increasing the stake held by the Company in the share capital of the companies included in the consolidation scope is driven by the acquisition during 2015 of new stakes.

In 2014, in the consolidation scope were 13 companies.

On 31.12.2015 in the consolidation scope were included 12 companies due to the fact that during 2015, S.C. MAGAL S.A. Craiova merged through absorption with S.C. VOLTALIM S.A. Craiova.



II. ECONOMIC DATA

II. 1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>În RON</i>	31st December 2015	31st December 2014
Incomes		
Incomes from dividends	28,373,226	42,817,687
Incomes from interests	821,549	1,510,310
Other operational incomes	324,326,238	206,972,338
Net profit from differences of exchange rate	773,930	862,119
Net profit from sale of financial assets	56,346,554	82,537,358
Expenses		
Commissions and administration and supervision fees	(3,336,746)	(3,283,766)
Incomes from restatement of commissions for risks and expenses	6,012,488	5,952,047
Other operational expenses	(248,124,285)	(212,038,223)
Profit before taxation	165,192,954	125,329,870
Corporate tax	(29,188,349)	(26,446,421)
Net profit of the financial year	136,004,605	98,883,449
Other elements of the comprehensive income		
Net modification of reserve from revaluation at fair value of financial assets available for sale and of tangible assets	(114,109,908)	(7,973,333)
Total comprehensive income for the period	21,894,697	90,910,116
Net profit for		
Company shareholders	135,719,852	97,380,890
Minority interest	284,753	1,502,559
	136,004,605	98,883,449
Comprehensive income for		
Company shareholders	21,615,393	89,405,781
Minority interest	279,304	1,504,335
	21,894,697	90,910,116
Result per share		
Basic	0.234	0.168
Diluted	0.234	0.168

Net profit of 136,004,605 lei is up by 37.54% compared to 31.12.2014.

Segment Reporting

Indicators	Trade		Rental		Food industry		Tourism		Financial activity		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Fixed assets	160,599	3,435,925	68,012,102	83,261,643	56,643,966	56,018,368	13,772,279	13,969,204	1,399,194,550	1,384,579,074	1,537,783,496	1,541,264,214
Current assets	61,999	371,879	41,597,308	20,248,007	126,270,428	107,730,625	2,001,472	1,723,816	57,011,622	57,012,736	226,942,829	187,087,063
Expenses in advance	-	2,738	261,586	19,727	50,798	114,245	26,706	17,328	87,125	91,275	426,215	245,313
Debts	75,517	235,224	9,950,078	7,741,952	100,331,737	80,734,401	598,497	487,317	195,472,080	181,274,732	306,427,909	270,473,626
Income in advance	-	-	93,216	465,906	4,011	4,179	18,644	8,427	-	77,521	115,871	556,033
Provisions	-	120,395	322,696	372,361	409,729	1,061,666	38,408	67,085	8,198,829	8,211,531	8,969,662	9,833,038
Minority interests	-	-	-	-	-	-	-	-	28,677,320	32,776,884	28,677,320	32,776,884
Equity	147,081	3,454,923	99,505,006	94,949,158	82,219,715	82,062,992	15,144,908	15,147,519	1,223,945,068	1,219,342,417	1,420,961,778	1,414,957,009

Total income	999,919	1,804,290	18,424,332	19,933,578	207,078,821	175,463,769	4,290,071	4,330,610	185,861,842	133,167,565	416,654,985	334,699,812
Total expenses	1,376,719	1,776,692	15,408,351	15,855,166	208,658,814	171,961,917	4,103,026	3,957,365	25,858,406	22,196,008	255,405,316	215,747,148
Gross result	(376,800)	27,598	3,015,981	4,078,412	(1,579,993)	3,501,852	187,045	373,245	160,003,436	110,971,557	161,249,669	118,952,664
Total income	(376,800)	23,182	2,397,083	3,153,924	(1,579,993)	3,501,852	138,345	327,157	135,425,970	91,877,334	136,004,605	98,883,449

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 31.12.2015 by the Group a share of **90.98%** is held by financial investment assets represented by the portfolio of financial assets respectively **89.83%** on 31.12.2014.

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 31.12.2015 with a share of **37.43%** (31.12.2014: **40,33%**) in total debt.

Also, the net result on 31.12.2015 made by financial investments has a share of **99.57%**, well above the result obtained by the companies included in consolidation, respectively of **92.91%** on 31.12.2014.

II.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RON</i>	31 st December 2015	31 st December 2014
Assets		
Cash and cash equivalents	4,863,204	12,302,014
Deposits placed in banks	61,980,088	78,560,292
Financial assets available for sale	1,407,501,658	1,356,246,439
Financial assets at fair value by profit or loss	2,052,502	3,903,255
Credits and receivables	18,179,250	46,907,322
Tangible assets	71,468,450	71,216,715
Real estate investments	44,802,318	40,228,829
Other assets	154,305,070	119,231,724
Total assets	1,765,152,540	1,728,596,590
Liabilities		
Payment dividends	81,787,050	66,601,125
Taxes and fees	3,688,670	10,882,860
Debts with deferred tax	114,701,623	109,069,343
Other debts	115,336,099	94,309,369
Total debts	315,513,442	280,862,697
Own capitals		
Share Capital	58,016,571	58,016,571
Updating Share Capital	792,552,339	786,505,309
Reserves from revaluation of tangible assets	547,912,683	575,016,997
Payment dividends	33,189,781	30,870,481
Legal and statutory reserves	27,743,775	27,734,413
Other reserves	2,445,797,934	2,491,248,949
Deferred result representing undistributed profit or uncovered loss	(26,482,796)	(32,581,568)
Deferred result following the application of IAS 29 on the Share Capital and reserves	(2,656,645,975)	(2,656,645,975)
Deferred result following the application of IAS less IAS 29	63,157,614	37,410,942
Current profit	135,719,852	97,380,890
Total equity assignable to mother company	1,420,961,778	1,414,957,009
Minority interest		
Of which:	28,677,320	32,776,884
Profit or loss of the financial year related to interests which do not control	284,753	1,502,559
Other own capitals	28,392,567	31,274,325
Total capitals	1,449,639,098	1,447,733,893
Total debts and equity	1,765,152,540	1,728,596,590

On 31.12.2015 the Group holds a portfolio amounting to **1,409,554,160 lei** representing **79.85%** of total assets, registering a slight increase of **3.63%** compared to 31.12.2014.

Companies with share in total portfolio are the following:

			2015 - lei -
1	ROMANIAN COMMERCIAL BANK BUCHAREST	28.03	395,046,018
2	B.R.D.-GROUPE SOCIETE GENERALE BUCHAREST	16.23	228,803,631
3	OMV PETROM BUCHAREST	14.63	206,279,009
4	C.N.T.E.E. TRANSELECTRICA BUCHAREST	8.17	115,116,411
5	BANCA TRANSILVANIA CLUJ	5.93	83,573,639
6	S.N.T.G.N. TRANSGAZ MEDIAS	3.56	50,152,789
7	ANTIBIOTICE IASI	3.44	48,523,203
8	EXIMBANK BANCA DE EXPORT IMPORT A ROMANIEI BUCHAREST	2.60	36,640,511
9	ELECTROMAGNETICA BUCHAREST	2.42	34,138,174
10	S.N.G.N. ROMGAZ SA	2.37	33,340,672
	Total	87.38	1,231,614,057

Deposits with banks have a value of **61,980,088 lei**, decreasing by **21.11%** compared to 31.12.2014.

Total liabilities amount to **315,513,442 lei**, increasing by **12.34%** compared to 31.12.2014.

Deferred tax liabilities represent **36.35%** of the total liabilities.

III. EVALUATING THE COMPANY'S BUSINESS ON RISK MANAGEMENT

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: audit committee, internal auditor, internal control, 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) Operational risk
- c) Market risk (price risk, currency risk, interest rate risk)
- d) Credit risk
- e) Liquidity risk
- f) Tax 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.

From the Romanian economy point of view, 2015 was a good year, the growth registered by GDP being of 3.7%, higher to the forecast level.

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 risks that the EU economy faces (for instance, Great Britain exit of the EU), as well as a more accentuated uncertainty of the growing rhythm of the Chinese economy – which may affect global economy – are permanently monitored by the management, in order to anticipate the effects on the portfolio managed.

2016 will be a difficult year, with high risks due to international economic evolutions and especially the political ones.

b) Operational risk

Operational risk is defined as the risk of registering certain losses or of not accomplishing the estimated profits due to internal factors, like inadequate development of internal activities, the existence of inadequate personnel or systems, or due to 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 company management. The responsibility is supported by the development of the general company standards for managing the operational risk on the following areas:

- demands to separate responsibility;
- 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;
- documenting controls and procedures;
- preventing litigations risk.

Operational risks are inherent to the company activity.

The Group manages operational risk by the identification, estimation, monitoring and risks control.

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

c) Market risk

Market risk represents the actual 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 fair value risk of financial instruments held which fluctuates as a result of changes in market prices.

Price risk

The market value of the portfolio of listed shares (on BVB – settled market, BVB-AERO, SIBEX), on 31.12.2015, represents 63.92% (2014: 68.69%) of the total value of shares portfolio managed.

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

In the managed portfolio a number of 8 issuers can be found, of the 10 that constitute the BET index of Bucharest Stock Exchange.

Market value of the holdings in those 8 issuers, represents on 31.12.2015 81.49% (2014: 76.88%) 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 effective management of the company.

On 31st December 2015 the Group has the following structure of assets subject to price risk:

<i>In RON</i>	No. comp anies	Market value 31.12.2015	No. companies	Market value 31.12.2014
Capital investments				
Companies listed	31	899,559,429	46	932,707,927
Companies not listed	39	507,693,540	36	425,119,083

Fund units	4	2,301,191	5	2,322,684
Total capital investments	74	1,409,554,160	87	1,360,149,694

Placements held in companies whose securities are listed and traded on the stock market in Romania, plus placement owned in Romanian Commercial Bank represent on 31.12.2015 - 91.84% (2014: 92.24%) of the fair value of investments.

On 31.12.2015 the Group mainly held shares activating in the finance, banks, insurance field accounting for **52.79%** of the total portfolio, up from 31.12.2014, when the same activity sector recorded a share of **43.87%**.

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.

Currency available holdings represent, on 31.12.2015, **1.26%** 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:

- in RON-	Accounting value	RON	EUR	USD
31st December 2015				
Financial assets				
Cash and cash equivalents	4,863,204	4,709,601	71,797	81,806
Deposits placed in banks	61,980,088	41,318,073	1,046,913	19,615,102
Financial assets available for sale	1,407,501,658	1,407,501,658	-	-
Financial assets measured at fair value through profit or loss	2,052,502	2,052,502	-	-

Credits and receivables	18,179,250	18,179,250	-	-
Other financial assets	154,305,070	154,305,070	-	-
Total financial assets	1,648,881,772	1,628,066,154	1,748,710	19,696,908

Financial debts				
Payment dividends	81,787,050	81,787,050	-	-
Other financial debts	115,336,099	115,336,099	-	-
Total financial debts	197,123,149	197,123,149		

Interest risk rate

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.

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

d) Credit risk

The credit risk represents the Group's risk of recording losses as a consequence of insolvability of its debtors.

For the Group, the credit risk is mostly determined by exposures on asset elements of the type of "shares" representing 79.85% of the assets managed, evaluated under legal provisions.

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 companies economic activity and, in extreme cases, to their entering in insolvency.

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

The credit risk may affect indirectly the Company activity, being the case of commercial companies of the portfolio, which face financial difficulties in paying their obligations corresponding to dividends.

The Group may be exposed to credit risk through investments realized in bonds, of current accounts, bank deposits as well as other receivables.

On 31st December 2015 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 31st December 2015 is of 79,921,808 lei.

Exposure to credit risk:

<i>In RON</i>	31 st December 2015	31 st December 2014
Deposits and accounts in banks	66,521,786	90,403,770
Other assets	13,400,022	29,382,901
TOTAL	79,921,808	119,786,671

e) Liquidity risk

Liquidity is the capacity of the Group to assure its necessary funds in order to fulfil all its direct or 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 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.

At the same time, the low liquidity of the capital market of Romania makes often difficult even trading holdings in commercial companies listed.

Looking ahead to 2016, we anticipate the maintaining of a low liquidity level for the capital market, following uncertainties connected to Euro zone.

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

<i>In RON</i>	Accounting value	Below 3 months	Between 3 and 12 months	Without preestablished maturity
31st December 2015				
Financial assets				
Cash and cash equivalents	4,863,204	-	-	4,863,204
Deposits placed in banks	61,980,088	43,652,176	18,327,912	
Financial assets available for sale	1,407,501,658	-	-	1,407,501,658
Financial assets measured at fair value through profit or loss	2,052,502	-	-	2,052,502
Credits and receivables	18,179,250			18,179,250
Total financial assets	1,494,576,702	43,652,176	18,327,912	1,432,596,614
Financial debts				

Payment dividends	81,787,050	81,787,050	
Other financial debts	115,336,099	21,326,960	94,009,139
Total financial debts	197,123,149	103,114,010	94,009,139

f) 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.

IV. CHANGES IN COMPANY MANAGEMENT

In accordance with the Articles of Incorporation, the Company is managed 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, three administrators are independent and represent the Audit Committee.

Management structure is as follows:

31st December 2015

Board of Directors Members: Tudor Ciurezu - President, Anina Radu - Vice President, Cristian Busu, Victor Capitanu, Nicolae Stoian, Carmen Popa, Paul-George Prodan.

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

Executive Management: Elena Sichigea - Economic Department Director, Elena Calîtoiu - 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.

31st 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 Calîtoiu - Director of Investments and Risk Management, Dan Voiculescu - Director of Portfolio Monitoring Department, Vasilica Bucur - Legal Department Director.

On 04.02.2015 Mister Iulius-Grigore Postolache advanced his resignation from the position of administrator of S.I.F. Oltenia S.A., being appointed for the position of General Director of Allianz-Țiriac Private Pensions – Management Company for Private Pensions Funds S.A. The Administration Board of S.I.F. Oltenia S.A. decided, following these events, to directly elect a definitive administrator by the Ordinary General Meeting of Shareholders for the presentation and approval of the financial statements of 2014. The Ordinary General Meeting of S.I.F. OLTENIA S.A.

Shareholders, reunited in a second convocation on 29.04.2015, elected, in the position of administrator, with majority of votes cast, for a mandate period equal to that of the Administration Board of S.I.F. Oltenia S.A. in operation (elected in A.G.O.A. of 20.04.2013), Mister Paul-George Prodan.

As of 23.04.2015, Mister Ion Patrichi was appointed in the position of Director of Human Resources Department.

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

They lead accounting records according to OMPF 1802/2014 regulations for approval of accounting regulations on individual annual financial statements and annual consolidated financial statements.

For the consolidation, they prepare the second set of financial statements in terms of IFRS. The financial statements prepared in terms of IFRS result by restating financial statements prepared under OMFP 1802/2014.

Consolidated financial statements were prepared in accordance with Rule no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Sector of Financial Instruments and Investments.

According to RNSC Decision no. 1176/15.09.2010, the financial investment companies are required to prepare and submit to RNSC (FSA) annual consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union, within 8 months from the closing of the financial year.

These financial statements are intended solely for use by the Group, its shareholders and FSA and do not generate changed in the shareholders' rights regarding dividends.

associate professor PhD ec. Tudor CIUREZU

Anina RADU

ec. Elena SICHIGEA

President / General Director

Vicepresident / Deputy General Director

Financial Office

