



**THE REPORT OF
The Board of Administration
of S.I.F. Oltenia S.A.
regarding the Interim Consolidated Financial
Statements concluded on 30.06.2019**

Societatea de Investiții Financiare OLTEANIA S.A. („The Company”) – as a legal Romanian entity – established as a company on shares on 01.11.1996 based upon the Law no. 133/1996 (law for transforming Private Property Funds into financial investment companies), is classified in the category of Alternative Investment Fund Administrator (AFIA) and was authorized by The Financial Supervisory Authority (“ASF”) on 15.02.2018 receiving the Authorization no. 45/15.02.2018.

According to this articles and memorandum of association approved by The Financial Superisory Authority in February 2018 by the Approval no. 48/15.02.2018, the company has the following activity objective:

- a) administration and management of the shares in the companies for which own shares were issued, according to the Property Certificates and the Privatization Nominative Coupons subscribed by the citizens in accordance with the provisions of art. 4 p. 6 of Law no. 55/1995;
- b) administration and management of its own portfolio of securities and investments in securities in accordance with the regulations in force;
- c) risk management;
- d) other auxiliary activities and adjacent to the collective administration activity.

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

On 30.06.2019 the number of shareholders of the company was of 5,739,983 (31.12.2018: 5,742,311).

	Number of shareholders	Number of shares	(%)	Number of shareholders	Number of shares	(%)
			June 30 th , 2019		December 31 st , 2018	
Resident natural entities	5,737,879	230,522,035	39.73	5,740,203	237,561,073	40.95
Non-resident natural entities	1,861	2,014,172	0.35	1,852	2,168,581	0.37
Total natural entities	5,739,740	232,536,207	40.08	5,742,055	239,729,654	41.32
Resident legal entities	201	240,196,944	41.40	213	246,894,549	42.56
Non-resident legal entities	42	107,432,563	18.52	43	93,541,511	16.12
Total legal entities	243	347,629,507	59.92	256	340,436,060	58.68
Total	5,739,983	580,165,714	100.00	5,742,311	580,165,714	100.00

The shares of the Company are listed on the share of the Bucharest Stock Exchange, Premium category, with the SIF 5 indicator.

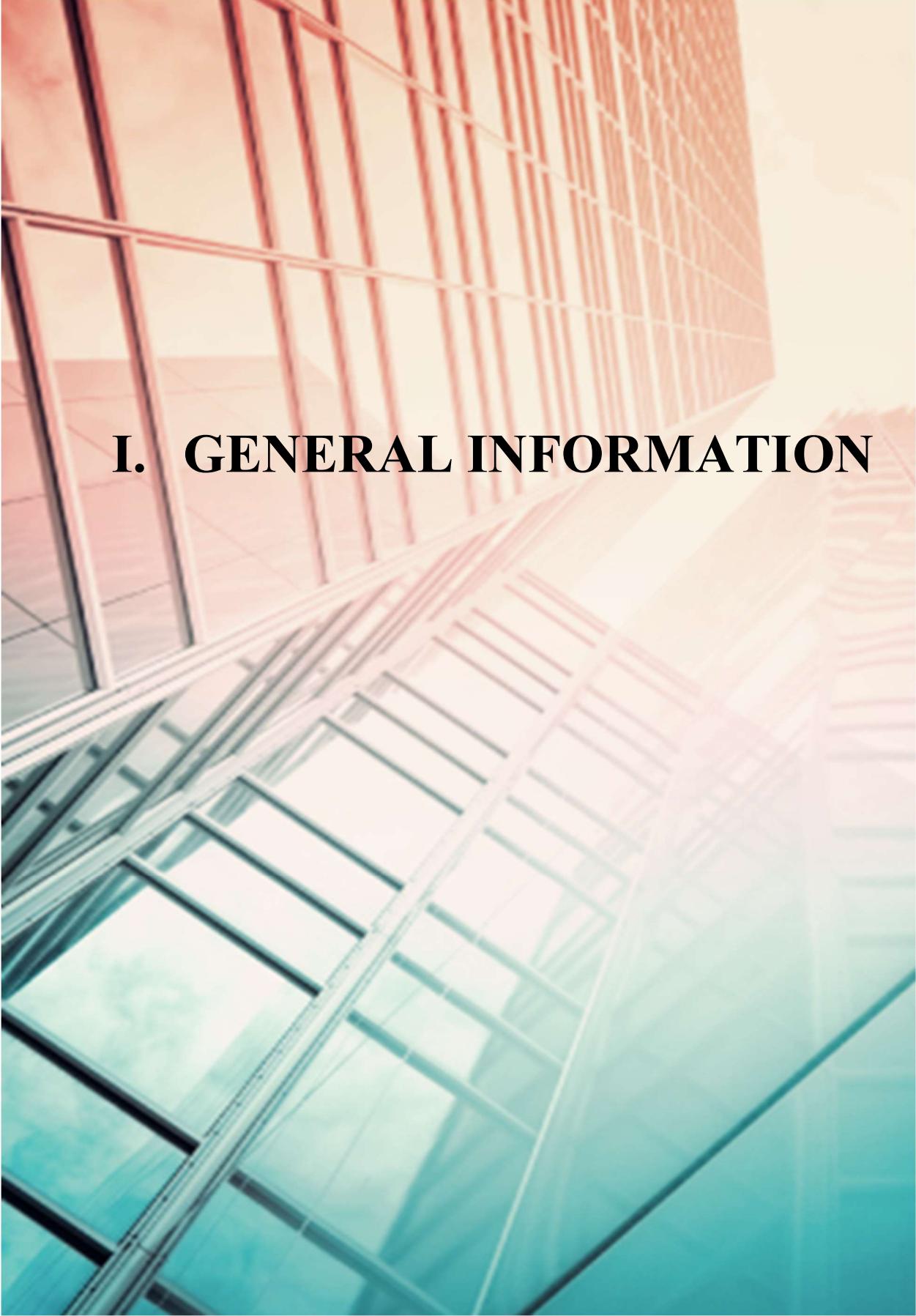
During the reporting period, the Company performed its activity in compliance with the legal provisions contained in:

- Law no. 31/1990 R regarding commercial companies, with further completions and amendments;
- Law no. 297/2004 regarding the capital market, with further completions and amendments;
- Law no. 74/2015 regarding the managers of alternative investment funds;
- A.S.F. Regulation no. 10/2015 regarding the management of alternative investment funds;
- Law no. 24/2017 regarding issuers of financial instruments and market operations;
- Regulation no. 5/2018 regarding issuers of financial instruments and market operations;

- C.N.V.M. (A.S.F.) Regulation no. 15/2004 regarding the authorization and functioning of investment management companies, collective investment undertakings and depositors;
- A.S.F. Regulation no. 9/2014 regarding the authorization and functioning of investment management companies, collective investment undertakings in securities and depositors of collective investment undertakings in securities;
- A.S.F. Regulation no. 2/2018 for the modification and completion of some regulatory documents;
- Regulation no. 1/2019 regarding the assessment and approval of the members of the management structure and of the persons holding key functions within the entities regulated by The Financial Supervisory Authority
- Regulation no. 2/2016 regarding the application of the principles of corporate governance by the entities authorized, regulated and supervised by The Financial Supervisory Authority;
- The Code of the Bucharest Stock Exchange;
- The Corporate Governance Code of the Bucharest Stock Exchange;
- The other regulatory documents in the field and
- Articles and memorandum of association (Articles of Association and Company agreement).

Carrying out the storage activities provided by the A.S.F. legislation and regulations during the analyzed period, was provided by RAIFFEISEN BANK S.A. - Bucharest branch.

The record of the shareholders of the Company is kept by the Depozitarul Central S.A. Bucharest.



I. GENERAL INFORMATION

The interim consolidated financial statements as of 30.06.2019 were prepared in accordance with the requirements of IAS 34 „Interim Financial Reporting” and must be read together with the consolidated financial statements for 2018, prepared in accordance with Regulation no. 39/2015 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards applicable to the entities authorized, regulated and supervised by the Supervisory Authority from the Financial Instruments and Investment Sector.

Based on the provisions of Law 24/2017 and Regulation no. 5/2018 regarding issuers of financial instruments and market operations, the Company prepares half-yearly consolidated accounting reporting in accordance with IFRS.

The half-yearly consolidated accounting report shall be prepared and submitted to the ASF no later than 3 months after the end of the semester.

The interim consolidated financial statements as of 30.06.2019, of the Company comprise the Company and its subsidiaries (hereinafter referred to as the Group) and are not audited. The Group's core activities are represented by the financial investment activity carried out by S.I.F. Oltenia S.A., as well as the activities carried out by subsidiaries, which belong to different sectors of activity such as: food, tourism, renting of spaces, etc.

The half-yearly financial statements of the subsidiaries are included in the consolidated half-yearly financial statements of the Company from the moment the control exercise begins and until the termination thereof. The accounting policies of the Group's subsidiaries have been modified in order to align them with those of the Group.

December 31st, 2015 is the date of the transition to IFRS as an accounting basis by the Company, the date on which the transactions determined by the transition from CNVM Regulation no. 4/2011 to the Accounting Regulations in accordance with IFRS.

Apart from the specific consolidation adjustments, the main restatements of the financial information included in the financial statements prepared in accordance with the RCR (Romanian Accounting Regulations), in order to align them with the requirements of the IFRS adopted by the European Union, consist of:

- grouping several elements into more comprehensive categories;
- adjustments of the assets and equity elements in accordance with IAS 29 „Financial reporting in hyperinflationary economies”, because the Romanian economy was a hyperinflationary economy until December 31, 2003;
- adjustments in the profit or loss account to record the dividend income at the time of the declaration and at the gross value;
- adjustments of real estate investments for their valuation at fair value in accordance with IAS 40 „*Real estate investments*”;
- adjustments of tangible fixed assets for their assessment in accordance with the Group's accounting policies and in accordance with IAS 16 „*Tangible fixed assets*”;
- adjustments for the recognition of deferred tax assets and liabilities in accordance with IAS 12 „*Income tax*”;
- presentation requirements in accordance with IFRS.

The Group adopted a presentation on a liquidity basis in the consolidated statement of financial position, and the presentation of income and expenses was made in relation to their nature in the consolidated statement of profit or loss and other elements of the overall result, considering that these methods of presentation provides information that is credible and more relevant than other methods permitted by IAS 1 „*Presentation of financial statements*”.

In terms of capital adequacy, the Group has a policy focused on maintaining a sound capital base in order to support the Company's continued development and to achieve its investment objectives. The main objective is the continuity of the activity in order to provide profitability for its shareholders. Equity capital consists of the share capital, the reserves created, the current result and the deferred result.

The group fails to make the subject to legal requirements for capital adequacy.

Consolidated financial statements are prepared based on the fair value convention for financial assets and liabilities at fair value through profit or loss and for financial assets measured at fair value through other elements of the overall result, except those for which the fair value cannot be established credibly.

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

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other than quoted prices included in Level 1 which are observable for assets or liabilities, either directly (ex: prices) or indirectly (ex: derived from prices);
- Level 3: assessment techniques based largely on unobservable elements.

This category includes all instruments for which the assessment technique includes elements that are not based on observable data and for which unobservable input parameters can have a significant effect on the assessment of the instrument.

The valuation at fair value of the equity instruments (shares) held on 30.06.2019 was performed as follows:

- for listed and traded securities during the reporting period, the market value was determined by considering the quotation from the last trading day (closing quotation on the main capital market for those listed on the regulated market - BVB, respectively the reference price for the alternative system - AERO for level 1, and for level 2, quotations are taken for shares traded in the last 30 trading days);

- for listed securities that have no transactions in the last 30 days of the reporting period, as well as for unlisted securities, the market value is determined as it results from the last approved annual financial statement of the entity;

- for securities issued by credit institutions not admitted to trading, the valuation is made at the book value per share calculated on the basis of the value of the own capital included in the monthly reports transmitted to the BNR;

- for securities not admitted to trading on a regulated market or within an alternative trading system in Romania issued by issuers holding more than 33% of the share capital, these are assessed exclusively in accordance with International Valuation Standards on the basis of a assessment report updated at least annually;

- for the securities related to the companies in the insolvency or reorganization procedure, the valuation is made at zero value;

The equity securities issued by the mutual fund are assessed considering the last unit value of the net asset, calculated and published.

The total market value of the portfolio of investments managed by the Group is **1,772,535,379** lei, in which securities and 4 investment funds worth **3,256,345** lei (**0.18%** of the market value of the managed portfolio) can be found.

On 30.06.2019 the Group mainly held shares in companies operating in the field of finance, banks with a share of **51.07%** of the total market value of the portfolio, increasing as of 31.12.2018, when the same business sector recorded a share of **39.54%**.

On June 30th, 2019 and December 31st, 2018, the Group has the following structure of financial assets:

<i>In lei</i>	Co.	Market value 30.06.2019		Co.	Market value 31.12.2018
Capital investments					
Listed companies	29	1,668,092,745		31	1,086,671,973
Unlisted companies	28	101,186,289		28	97,316,757
Fund units	4	3,256,345		4	2,732,940
Total financial assets	61	1,772,535,379		63	1,186,721,670

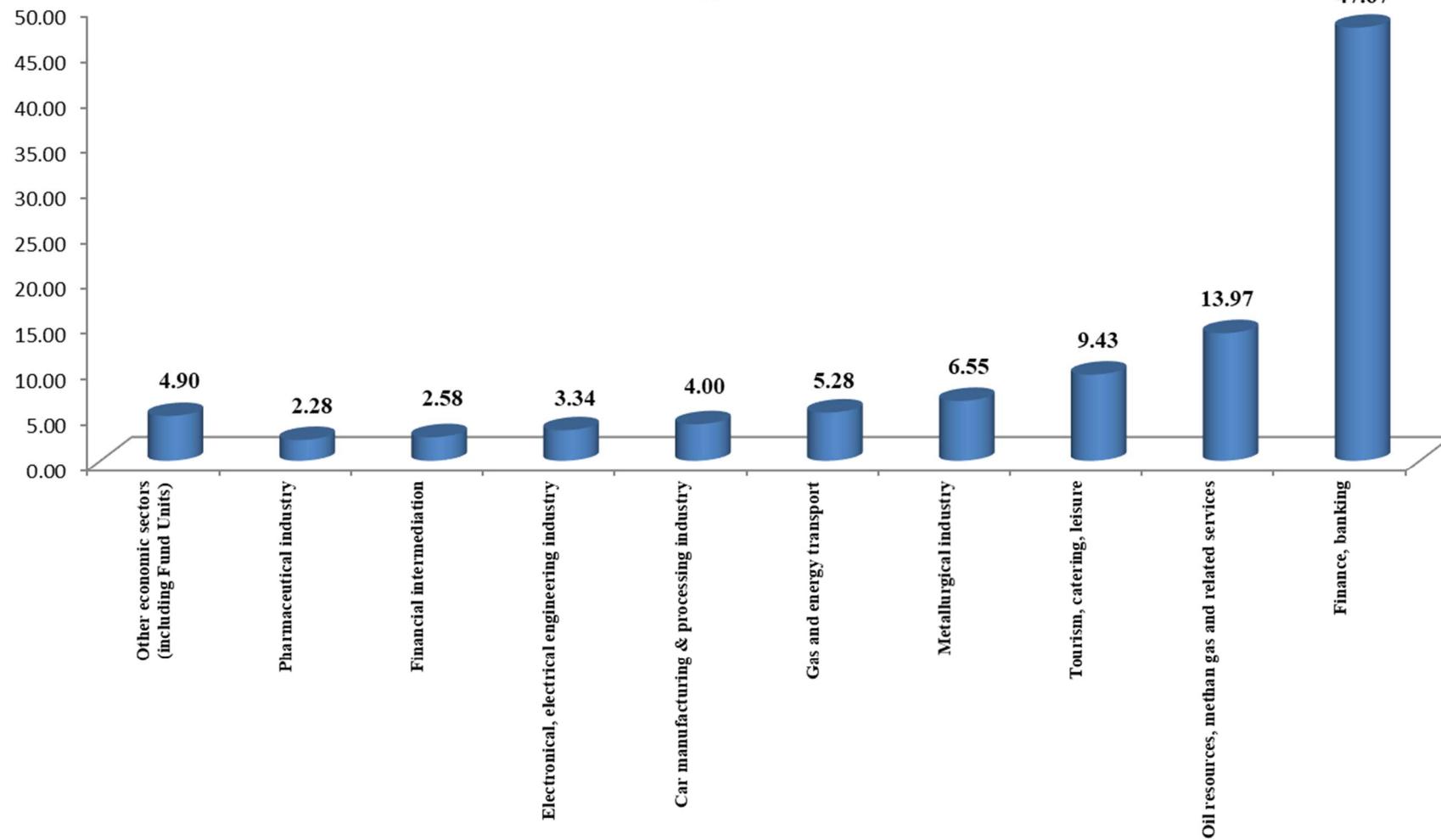
The investments held in the companies whose securities are listed and traded on the Romanian capital market, as of June 30th, 2019, represent **94.28%** (December 31st, 2018: **91.78%**) of the total value of the portfolio of shares managed.

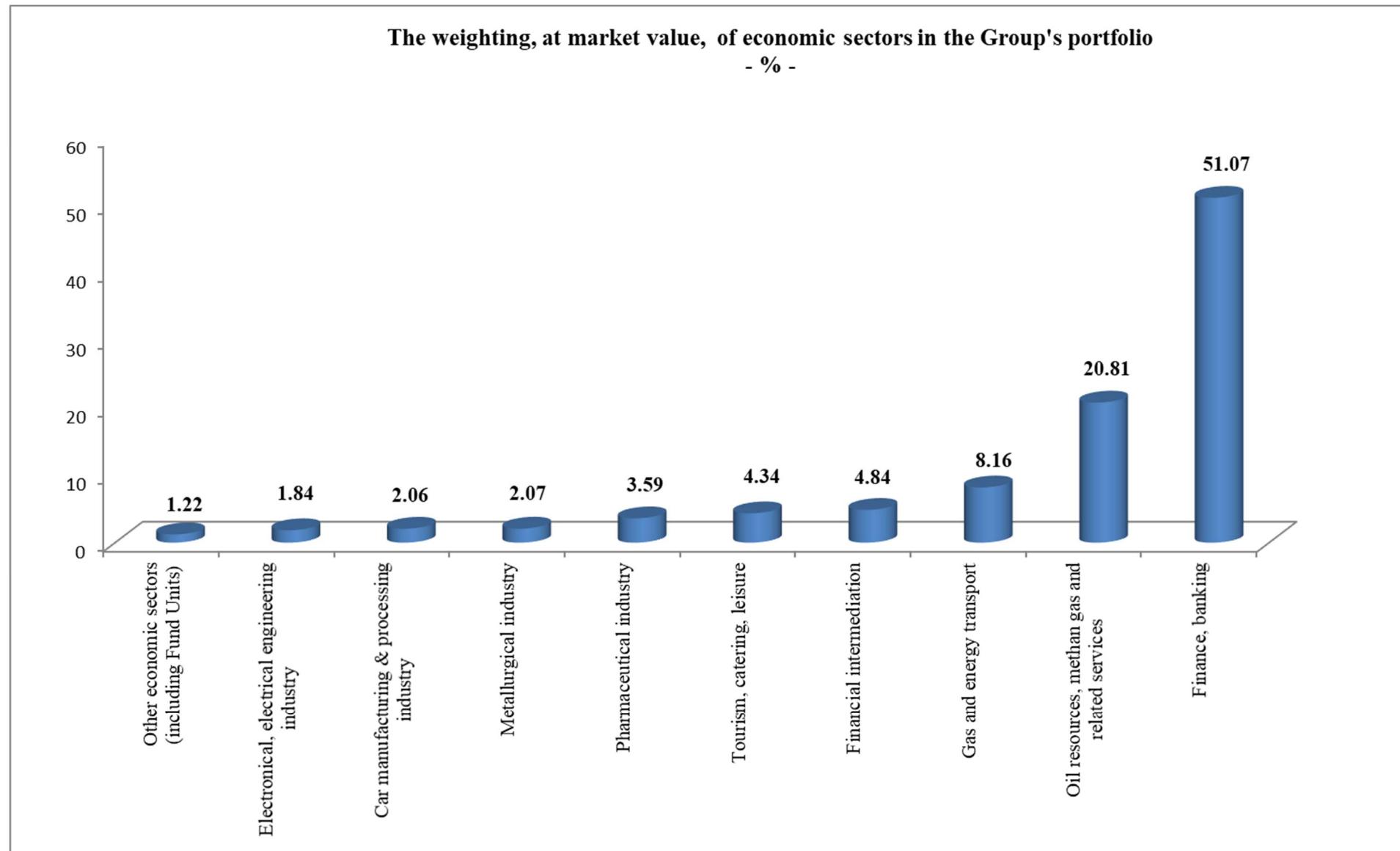
**Consolidated portfolio structure of the Group
 on 30.06.2019**

Portfolio structure		Issuers	Total nominal value of participation		Total market value of participation	
	Economic sectors with weight in the Group portfolio value:	No. companies	(lei)	%	(lei)	%
	Finance and Banking	4	266,593,805	47.67	905,249,859	51.07
	Oil resources, methane gas and related services	2	78,117,953	13.97	368,920,771	20.81
	Energy and gas transport	2	29,552,190	5.28	144,575,928	8.16
	Financial intermediation	8	14,425,273	2.58	85,756,317	4.84
	Tourism, catering, leisure	4	52,750,485	9.43	76,876,938	4.34
	Pharmaceutical industry	1	12,730,678	2.28	63,653,392	3.59
	Metallurgical industry	3	36,627,657	6.55	36,957,142	2.07
	Car manufacturing & processing industry	5	22,359,717	4.00	36,437,091	2.06
	Electronical, electrical engineering industry	4	18,652,854	3.34	32,554,276	1.84
	Chemical industry	1	4,702,595	0.84	11,850,539	0.67
	Food industry	1	2,493,295	0.45	2,627,455	0.15
	Real estate leasing and sub-leasing	2	1,646,563	0.29	1,943,844	0.11
	Cereals storage and trade	2	3,574,908	0.64	1,731,295	0.10
	Other activities	18	12,481,570	2.23	144,187	0.01
TOTAL CAPITAL SECURITIES		57	556,709,543	99.55	1,769,279,034	99.82
FUND UNITS		4	2,500,017	0.45	3,256,345	0.18
TOTAL		61	559,209,560	100.00	1,772,535,379	100.00

The weighting, at nominal value, of economic sectors in the Group's portfolio

- % -





In the consolidation scope were included a number of **11 companies**, in which the ownership is over **50%** of the voting rights, which were consolidated by the method of global integration.

The 11 trading companies represent a weight of **15.82%** in the total assets of the Company and **16.34%** respectively in its net assets.

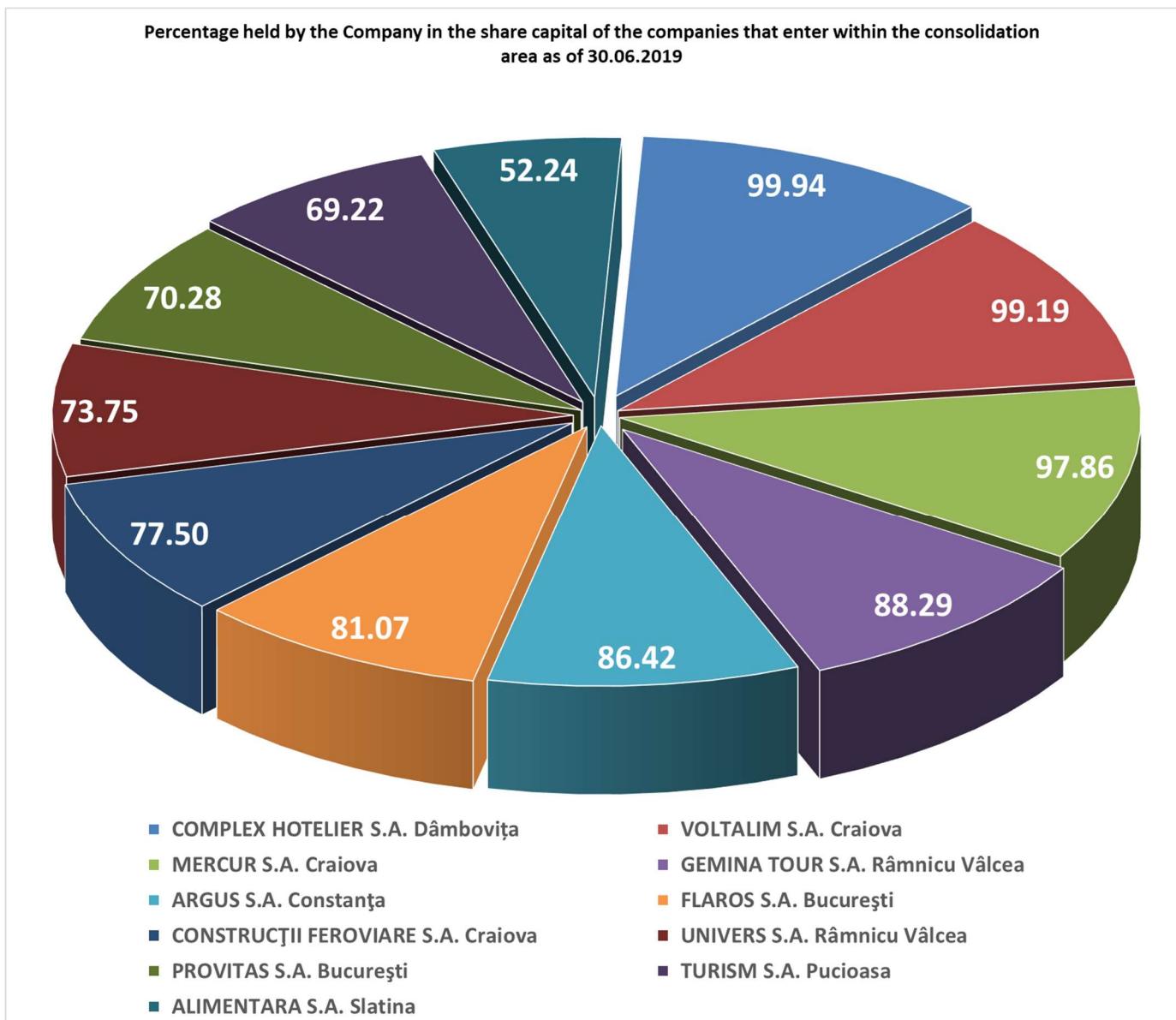
Settlements and transactions within the Group, as well as unrealized profits resulting from transactions within the Group, are completely eliminated from the half-year consolidated financial statements.

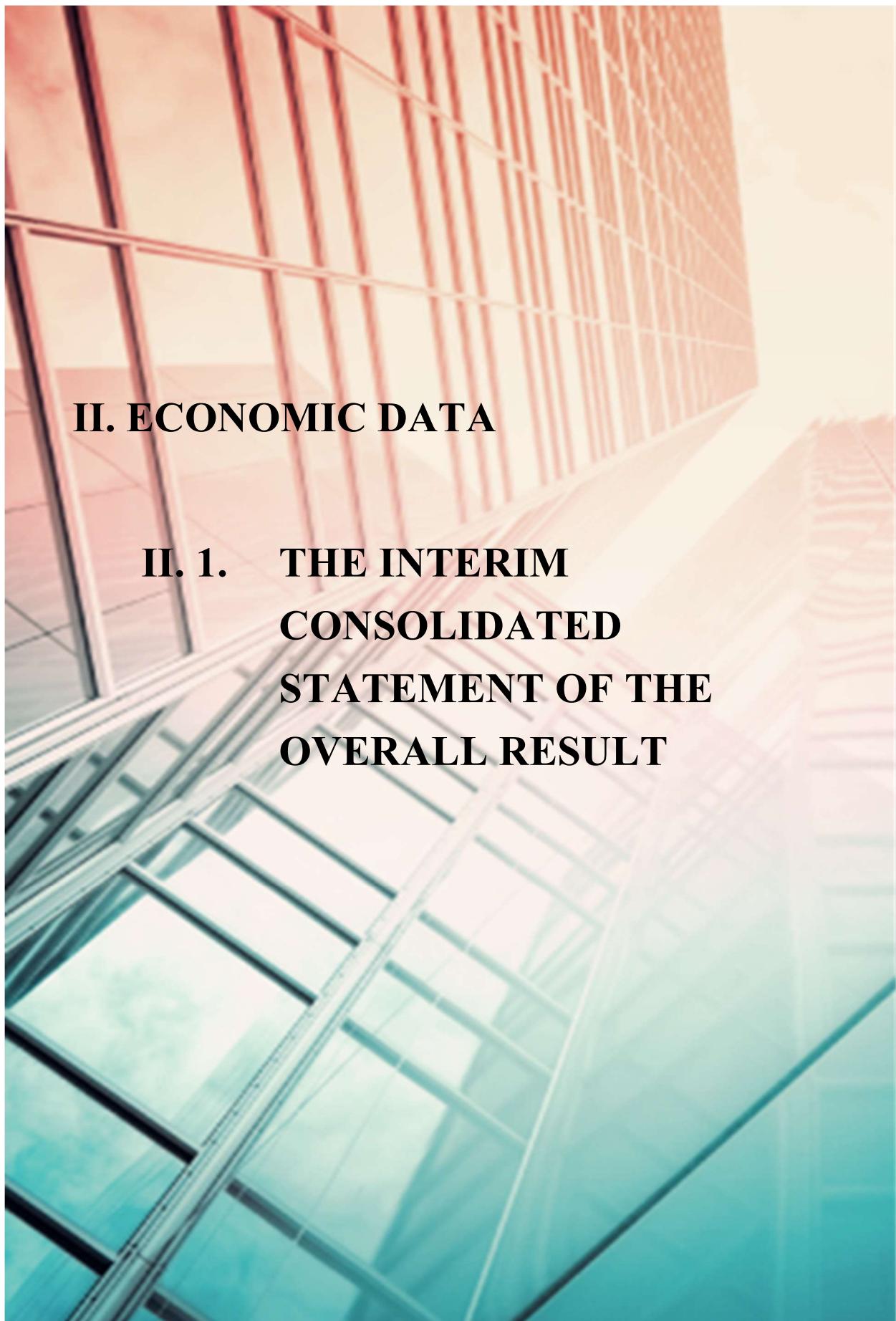
The following 11 companies were included in the scope of consolidation:

C. no.	Issuer	Symbol	Weighing in the share capital of the issuer on 30.06.2019	Weighing in the share capital of the issuer on 31.12.2018	Market on which is traded
1	ALIMENTARA S.A. SLATINA	ALRV	52.24	52.24	AeRO Standard
2	TURISM S.A. PUCIOASA		69.22	69.22	unlisted
3	PROVITAS S.A. BUCUREŞTI		70.28	70.28	unlisted
4	UNIVERS S.A. RM.VÂLCEA	UNVR	73.75	73.75	AeRO Standard
5	CONSTRUCȚII FEROVIARE S.A. CRAIOVA	CFED	77.50	77.50	AeRO Standard
6	FLAROS S.A. BUCUREŞTI	FLAO	81.07	81.07	AeRO Standard
7	ARGUS S.A. CONSTANȚA*	UARG	86.42	86.42	AeRO Premium
8	GEMINA TOUR S.A. RM.VÂLCEA		88.29	88.29	unlisted
9	MERCUR S.A. CRAIOVA	MRDO	97.86	97.86	AeRO Standard
10	VOLTALIM S.A. CRAIOVA		99.19	99.19	unlisted
11	COMPLEX HOTELIER DÂMBOVITA S.A.		99.94	99.94	unlisted

* Argus SA Constanța holds stakes in: Comcereal S.A. Tulcea. Aliment Murfatlar SRL. Argus Trans SRL and Eco-Rom Ambalaje S.A. Bucharest which were not included in the financial statements of the company and which do not have a significant influence on them.

The company management has classified as of January 1st. 2018 all investments in equity instruments (shares) in the category of financial assets assessed at fair value through other elements of the overall result. except the fund units that are measured by the profit or loss account.





II. ECONOMIC DATA

II. 1. THE INTERIM CONSOLIDATED STATEMENT OF THE OVERALL RESULT

<i>In lei</i>	June 30 th . 2019	June 30 th . 2018
Income		
Gross incomes from dividends	122,075,409	74,749,296
Interest income	383,912	43,715
Other operating income	123,873,865	99,119,396
Net profit from exchange rate differences	6,544,661	(96,380)
Net profit from the sale of financial assets	-	3,494,832
Earnings from financial assets at fair value through profit or loss account	520,468	-
Expenses		
Commissions and administration and supervision fees	(1,331,958)	(1,183,751)
Income from the resumption of provisions for risks and expenses	437,129	480,550
Other operating expenses	(123,209,089)	(105,918,881)
Profit before tax	129,294,397	70,688,777
Income tax	(7,420,684)	(4,842,779)
Net profit of financial exercise	121,873,713	65,845,998
Other elements of the overall result		
Incomes related to the transfer of the financial assets evoked at the fair value through other elements of the net global tax result recognized in the deferred result	2,284,711	-
Reserve variation from the rassessment of tangible assets net of deferred tax	-	-
Net change in reserve from changes in fair value of financial assets measured at fair value through other comprehensive income	228,597,269	43,793,662
Fair value reserve of financial assets measured by other comprehensive income transferred to profit or loss, net of tax	-	(4,534,200)
Fair value reserve of financial assets measured by other items of comprehensive income transferred, transferred to net tax-deferred income	(2,019,153)	-

Total other elements of the overall result	228,862,827	39,259,462
Total overall results afferent to the period	350,736,540	105,105,460
Net afferent profit	121,873,713	65,845,998
Company shareholders	120,458,645	65,784,506
Minority interest	1,415,068	61,492
Afferent overall result	350,736,540	105,105,460
Company shareholders	348,021,660	105,490,358
Minority interest	2,714,880	(384,898)
Result per share		
Basic	0,2076	0,1134
Diluted	0,2076	0,1134

The net profit for the financial year of **121,873,713 lei** is increasing by **85.09%** compared to **30.06.2018**.

Segment reporting

Indicators	Closure		Food industry		Tourism		Financial activity		TOTAL	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Fixed assets	157,847,340	148,511,657	59,356,746	60,372,327	14,364,474	14,444,553	1,784,015,552	1,208,080,833	2,015,584,112	1,431,409,370
Current assets	13,026,422	13,321,251	50,658,895	119,952,973	2,785,865	2,767,243	81,742,052	488,776,870	148,213,234	624,818,337
Prepayments	2,135,681	1,826,258	319,147	61,019	102,594	21,070	143,034	78,821	2,700,456	1,987,168
liability	20,400,320	19,147,030	39,132,907	112,564,916	848,113	786,505	152,481,660	185,769,025	212,863,000	318,267,476
Revenue in advance	864,935	846,597	3,423	3,507	98,356	61,610	29,438	25,831	996,152	937,545
Provisions	8,621	500,260	964,657	719,196	46,470	94,498	5,798,099	5,798,099	6,817,847	7,112,053
Minority interests	20,485,424	18,991,393	9,540,544	9,114,671	2,308,507	2,416,987	-	-	32,334,475	30,523,051
Equity	131,250,143	124,173,886	60,693,257	57,984,029	13,951,487	13,873,266	1,707,591,441	1,505,343,569	1,913,486,328	1,701,374,750

Indicators	Closure		Food industry		Tourism		Financial activity		TOTAL	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Total income	14,408,284	14,600,219	111,002,963	83,811,463	3,420,136	2,743,658	125,007,744	76,732,449	253,839,127	177,887,789
Total expenses	7,916,188	7,609,181	107,867,742	91,471,205	3,246,761	3,010,924	5,514,039	5,107,702	124,544,730	107,199,012
Gross result	6,492,096	6,991,038	3,135,221	(7,659,742)	173,375	(267,266)	119,493,705	71,624,747	129,294,397	70,688,777
Net result	6,072,718	6,437,904	3,135,101	(7,659,861)	133,360	(317,730)	112,532,534	67,385,685	121,873,713	65,845,998

Segment reporting

Segment reporting is represented by the segmentation by activities that takes into account the branch of activity of which the main object of activity of the companies in the consolidation perimeter is part.

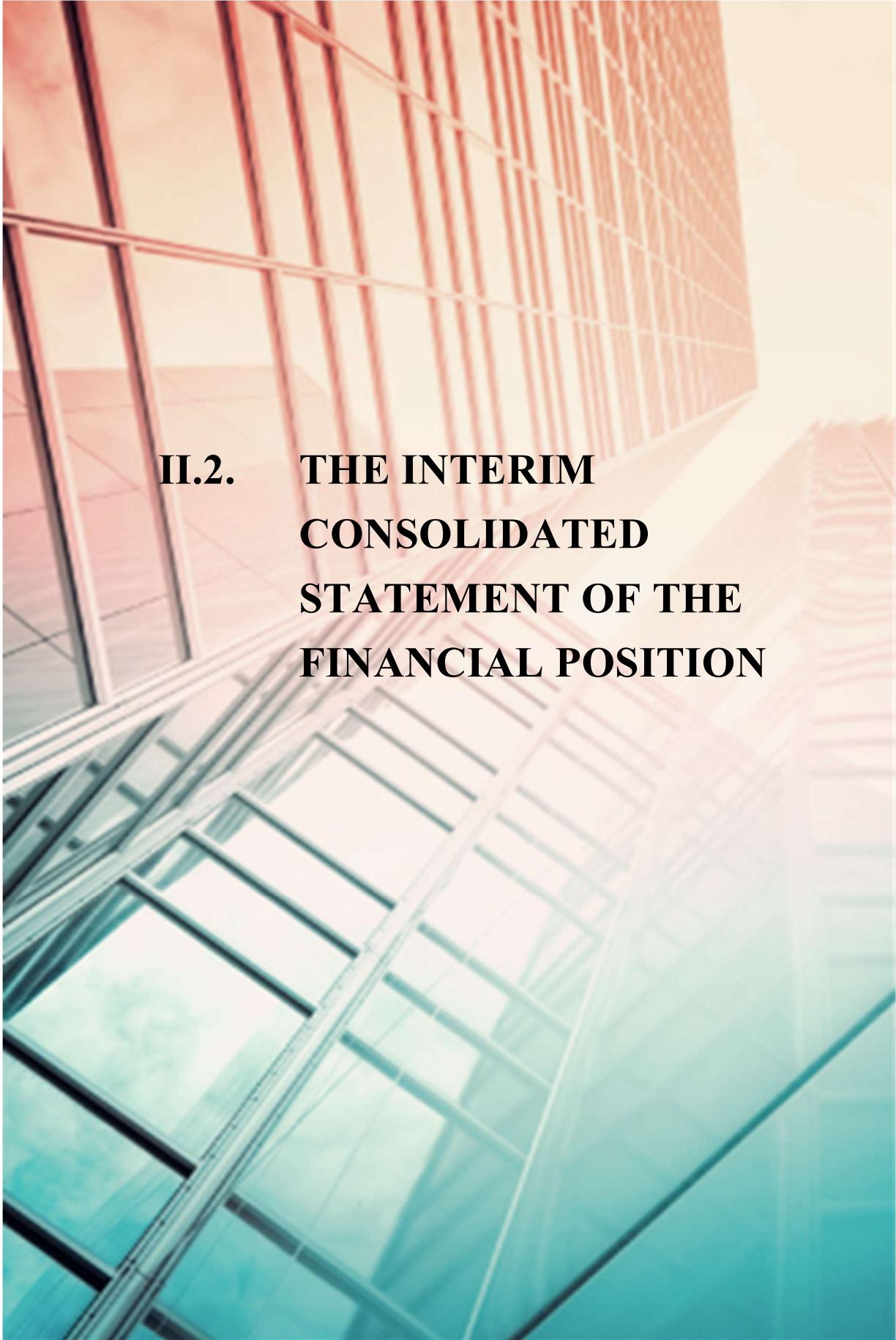
The company together with the portfolio companies in which it owns more than 50%, included in the consolidation scope, operates in the following main activity segments:

- financial investment activity
- rental of spaces
- food industry
- tourism

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

Within the fixed assets held on June 30th, 2019 by the Group, a weight of **88.51%** is held by the assets of the financial investment activity represented by the portfolio of financial fixed assets, respectively **84.40%** at December 31st, 2018.

The net profit on June 30th, 2019 was realized from the activity of financial investments in proportion of **92.34%**, the net profit realized by the companies included in the consolidation representing **7.66%**.



II.2. THE INTERIM CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

<i>In lei</i>	June 30th, 2019	December 31st, 2018
Assets		
Cash and cash equivalents	33,280,140	480,439,807
Deposits placed in banks	57,506,950	14,037,297
Financial assets measured at fair value through other comprehensive income	1,769,279,034	1,183,214,785
Financial assets at fair value through profit or loss account	3,256,345	3,506,885
Loans and receivables	22,590,487	38,856,954
Property, plant and equipment	85,093,803	87,216,858
Real estate investments	94,390,315	93,904,401
Other assets	101,091,326	157,037,888
Total assets	2,166,488,400	2,058,214,875
Liabilities		
Payment dividends	69,253,280	43,355,439
Taxes and taxes	4,659,948	99,371,144
Debt with deferred tax	85,786,394	43,682,766
Other liabilities	60,967,975	139,907,725
Total liabilities	220,667,597	326,317,074
Equities		
Social capital	58,016,571	58,016,571
Adjustments of share capital	103,847,238	103,847,238
Other equity elements	410,267,315	185,042,195
Reserves from reassessment of property, plant and equipment	38,785,604	39,055,057
Legal and statutory reserves	28,299,406	28,169,423
Other reservations	700,188,372	735,589,573
Own actions	(1,962,259)	
The deferred result representing the non-distributed profit or the uncovered loss	(27,939,205)	(17,634,138)
The result carried forward as a result of the application of IAS 29 on the share capital and reserves	(158,148,438)	(158,148,438)
The result carried over as a result of applying IAS without IAS 29	641,673,079	634,725,228
Current profit	120,458,645	92,712,041
Total equity attributable to the main company	1,913,486,328	1,701,374,750
Minority interest	32,334,475	30,523,051
from which:	1,415,068	510,612
Profit or loss of the financial year related to non-controlling interests	30,919,407	30,012,439
Total equities	1,945,820,803	1,731,897,801
Total debt and equity	2,166,488,400	2,058,214,875

On 30.06.2019 the Group has a portfolio of investments in companies and investment funds at a market value of **1,772,535,379 lei**, representing **81.82%** of the total assets, registering an increase of **49.36%** as of 31.12.2018 (1,186,721,670 lei).

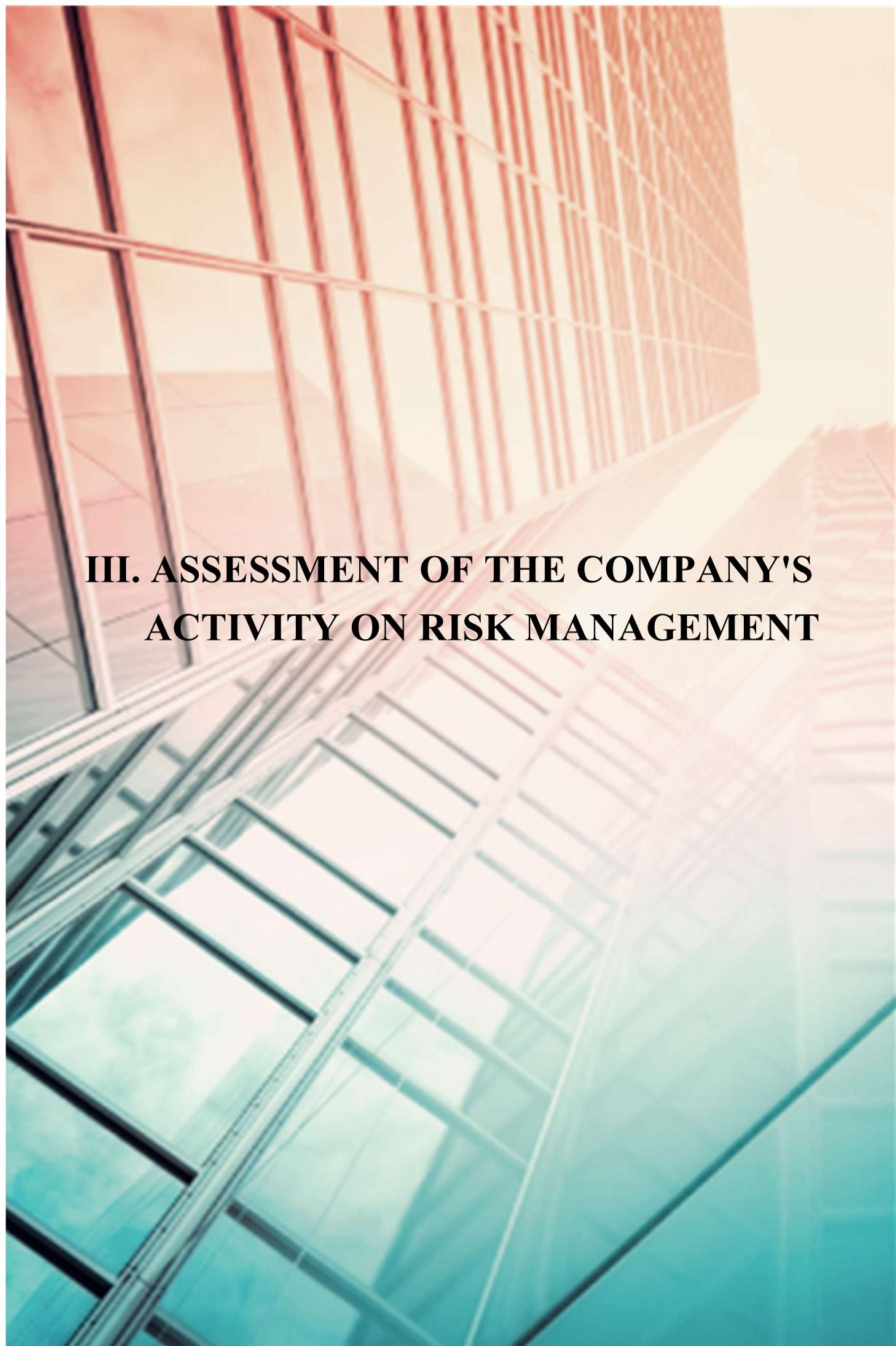
The companies with a share in the total portfolio are the following:

C.no.	Company	Percentage from total - % -	Market value at June 30 th , 2019 - lei -
1	BANCA TRANSILVANIA S.A. Cluj	28.60	506,960,167
2	B.R.D. - GROUPE SOCIETE GENERALE S.A.	20.35	360,684,624
3	OMV PETROM S.A. Bucuresti	16.93	300,126,920
4	S.N.T.G.N. TRANSGAZ S.A. Medias	4.94	87,627,960
5	S.N.G.N. ROMGAZ S.A. Medias	3.88	68,793,851
6	ANTIBIOTICE S.A. Iași	3.59	63,653,392
7	C.N.T.E.E. TRANSELECTRICA S.A. Bucuresti	3.21	56,947,968
8	S.I.F. BANAT CRISANA S.A.	3.15	55,785,780
9	TURISM FELIX S.A. Baile Felix	2.22	39,388,166
10	EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	2.12	37,605,068
TOTAL		88.99	1,577,573,896

Deposits placed in banks have a value of **57,506,950 lei**, with an increase of **4.10** times compared to 31.12.2018 (14,037,297 lei).

The total liabilities amount to **220,667,597 lei**, decreasing by **32.37%** compared to 31.12.2018 (326,317,074 lei).

The debts with deferred tax in the amount of **85,786,394 lei** represents **38.88%** of the total debts and the dividends of payment in the amount of **69,253,280 lei** – **31.38%**.



III. ASSESSMENT OF THE COMPANY'S ACTIVITY ON RISK MANAGEMENT

The group, due to the complexity of its activity, is subject to various risks.

The risk management activity, an important component of the company's activity, concerns both general and specific risks, as provided for by the legislation in force.

The management constantly assesses the risks that may affect the achievement of the company's objectives and takes the necessary measures in case of changing the conditions in which they operate.

The risk management approached by the Company is consistent with the general business strategy, acting planned to achieve the business objectives, aligned with the objectives of the risk strategy.

Among the main objectives of the risk strategy the following are highlighted:

- developing and implementing a process of risk management of high transparency for identifying and managing risks;
- promoting at the Company level a risk management approach through education and awareness meetings;
- identification of options for permanent risk management;
- description of the external environment expected to have an impact on the planned business and its evolution such as: market perspective, regulatory developments;
- description of the Company's business strategy, strategy targets, core activities;
- defining the key elements of the risk management framework to ensure the implementation of a strategy appropriate to the general business strategy;
- description of the current and targeted risk profile for the main types of risks.

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

At the Company level, a special structure, the Risk Manager, is organized, which supervises and coordinates this activity.

Also, the Company has implemented policies and procedures for managing and assessing the risks to which it is exposed. Risk monitoring is performed on each hierarchical level, with procedures for supervising and approving the decision limits.

The company attaches the utmost importance to efficient risk management in order to achieve the strategy's objectives and to ensure shareholder benefits.

Significant risk management involves providing the framework for identifying, assessing, monitoring and controlling these risks in order to maintain them at an acceptable level relative to the risk degree of the Company and its ability to mitigate or cover these risks,

The internal reporting of the risk exposure is carried out continuously, on each line of activity, the management of the company being permanently informed about the risks that may arise in carrying out the activity.

By the nature of the activity object the Company is exposed to different types of risks associated with the financial instruments held and the markets on which it has exposure.

The main risks identified in the Group's activity are:

- a) Market risk (price risk, currency risk, interest rate risk)
- b) Credit risk
- c) Liquidity risk
- d) Tax risk
- e) Risk related to the economic environment
- f) Operational risk

a) The market risk

Market risk represents the current or future risk of a negative impact on profits, as determined by the market fluctuations in the prices of equity securities - in terms of activities belonging to the trading portfolio - of the interest rate, as well as fluctuations in the exchange rate for the entire activity of the Group.

The efficient management of the market risk is done by using the fundamental analysis that gives indications on the soundness of an investment, as well as the estimation of the potential of some companies, and considering the forecasts regarding the evolution of the economic branches and of the financial markets.

The main aspects pursued in the analysis of the market risk are: assessment of the portfolio of actions from the point of view of profitability and growth potential, strategic allocation of long-term investments, identification of short-term investments to take advantage of price fluctuations on the capital market, setting limits of concentration of assets in a certain economic sector.

The Group is exposed to the market value risk of the financial instruments held that fluctuate as a result of changing conditions on the capital market. Periodically, the risk management strategy requires the preparation and submission of reports to the Audit Committee and the management structures that analyze the assessment, management, monitoring and reporting of the identified risks, the classification within the established risk limits and the measures to be taken, for the most efficient management.

The Group is subject to market risk, mainly because of its trading activity. Considering the specifics of the activity, the most relevant risks for the current activity are: the price risk of the shares, the interest rate risk, the foreign exchange risk.

The price risk

The Group is exposed to the fair value risk of the financial instruments held that fluctuate as a result of changes in market prices, whether it is caused by factors specific to the issuer's activity or factors affecting all the instruments traded on the market.

The market value of the listed stock portfolio, as of June 30th, 2019, represents **94.28%** of the total value of the managed stock portfolio.

Under these conditions, the Group identified an **average market risk** - associated with the change in the prices of financial assets on the capital market.

Within the managed portfolio are found a number of 7 issuers, of the 16 that constitute the BET index of the Bucharest Stock Exchange,

The market value of the shares held by the 7 issuers represents - on June 30th, 2019 – **78.54%** of the market value of the shares held in the listed companies.

The management of the Group monitors the market risk and grants competence regarding the trading limits on the capital market to the senior management of the company.

At June 30th, 2019 the Group has the following asset structure subject to price risk:

	C. no.	Market value 30.06.2019 - lei -		C. no.	Market value 31.12.2018 - lei -
Listed companies	29	1,668,092,745		31	1,086,671,973
Unlisted companies	28	101,186,289		28	97,316,757
Fund units	4	3,256,345		4	2,732,940
Total financial assets	61	1,772,535,379		63	1,186,721,670

The Group holds on 30.06.2019, mainly shares active in the field of finance, banks with a share of **51.07%** of the total portfolio, increasing compared to 31.12.2018, when the same activity sector recorded a weight of **39.54%**. This is due to the investments made by the Company on the capital market mainly in this financial sector.

The currency risk

Currency risk is the risk that the value of a portfolio will be adversely affected as a result of the exchange rate fluctuations. On June 30th, 2019 the foreign currency availabilities were of 12,832,929 lei, representing 14.14% of the total availabilities.

Given that most of the Group's assets are expressed in national currency, exchange rate fluctuations do not directly affect the Group's activity.

These fluctuations have an influence on the valuation of investments such as foreign currency deposits and current account availability.

Availability in foreign currency represents, on June 30th, 2019, 0.65% (December 31st, 2018: 23.92%) of the total financial assets, so the currency risk is low.

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

The concentration of assets and liabilities by types of currencies is summarized in the following table:

June 30 th , 2019	Accounting value - lei -	Lei	EUR	USD
Financial assets				
Cash and cash equivalents	33,280,140	21,088,658	12,190,436	1,046
Deposits placed in banks	57,506,950	56,865,503	199,671	441,776
Financial assets measured at fair value through other comprehensive income	1,769,279,034	1,769,279,034	-	-
Financial assets measured at fair value through profit or loss	3,256,345	3,256,345	-	-
Loans and receivables	22,590,487	22,590,487	-	-
Other financial assets	101,091,326	101,091,326	-	-
Total financial assets	1,987,004,282	1,974,171,353	12,390,107	442,822

Financial liabilities				
Payment dividends	69,253,280	69,253,280	-	-
Other financial liabilities	60,967,975	60,130,232	837,743	-
Total financial liabilities	130,221,255	129,383,512	837,743	-

The interest rate risk

The interest rate risk is that the value of a portfolio may change as a result of changes in market interest rates. The factors that define this type of market risk are a wide range of interest rates corresponding to a variation of markets, currencies and maturities for which the Group holds positions.

The interest rate directly influences the incomes and expenses attached to the variable interest-bearing financial assets and liabilities.

Most of the assets in the portfolio are not interest bearers. As a result, the Group is not significantly affected by the interest rate risk, Interest rates applied to cash and cash equivalents are short-term.

At the Group level, the share of borrowed resources in the total financing resources of the companies is not significant, except for ARGUS S.A. Constanța and MERCUR S.A, Craiova.

In order to benefit from the interest rate volatility, for greater flexibility in the policy of allocating the money availabilities, it will be intended that the placing of the money availabilities in monetary instruments will be made especially in the short term, of 1-3 months

The Group's exposure to the interest rate risk on 30.06.2019 is summarized in the following table:

<i>In lei</i>	Accounting value	Under 3 months	Between 3 and 12 months	1 and 5 years	Without interest
June 30th, 2019					
Cash and cash equivalents	33,280,140	-	-	-	33,280,140
Deposits placed in banks	57,506,950	55,249,333	1,854,038	403,579	-
Financial assets measured at fair value through other comprehensive income	1,769,279,034	-	-	-	1,769,279,034
Financial assets assessed at fair value through profit or loss	3,256,345	-	-	-	3,256,345
Loans and receivables	22,590,487	-	-	-	22,590,487
Other financial assets	101,091,326				101,091,326
Total financial assets	1,987,004,282	55,249,333	1,854,038	403,579	1,929,497,332
Financial liabilities					
Payment dividends	69,253,280	-	-	-	69,253,280
Other financial liabilities	60,967,975	32,246,502	2,100,000	8,386,476	18,234,997
Total financial liabilities	130,221,255	32,246,502	2,100,000	8,386,476	87,488,277

b) The credit risk

The credit risk expresses the possibility that the borrowers or the issuers do not fulfill their obligations at maturity, due to the degradation of the borrower's financial situation or the general situation of the economy. Credit risk appears in relation to any type of debt.

The issuer risk represents the risk of losing the value of a security in a portfolio, as a result of the deterioration of its economic-financial situation.

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

- the risk of non-payment of dividends from the companies in the portfolio;
- the risk of not collecting the value of the contract, in the case of the activity of selling the shares in „closed” companies, through a sale-purchase contract;
- the risk that in the situation of liquidation of a portfolio company, the value obtained will be lower than the value of the initial investment.

Credit risk assessment is carried out in two stages, both before carrying out the investment operations, as well as after the approval and the actual execution of the operations, following the evolution of the assets to take appropriate measures in case of occurrence of elements that may lead to the deterioration of the economic activity of the companies, and, in extreme cases, upon their insolvency.

In the case of the Group, the credit risk is diminished, because the portfolio is largely determined by the exposures on asset items of the type of „shares”, which represent **81.67%** of the assets managed, assessed according to the legal provisions.

The credit risk may affect the activity of the indirect Group, the case of the companies in the portfolio that have financial difficulties in paying their payment obligations corresponding to the dividends. Given the diversity of investments and the fact that most of them are carried out in stable entities and with increased liquidity in the market, this risk is greatly diminished and properly managed by the Group.

The Group may be exposed to credit risk through investments in bonds, current accounts, bank deposits, and other receivables. At the Group level there are no bonds, derivatives, which minimizes the credit risk.

As of June 30th, 2019, the Group did not hold any bonds, real guarantees as insurance and did not record outstanding financial assets.

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

The maximum exposure to credit risk on June 30th, 2019 is **111,373,449 lei**.

Exposure to the credit risk:

<i>In lei</i>	June 30th, 2019	December 31st, 2018
Deposits and bank accounts	89,269,560	494,136,055
Other assets	22,103,889	37,294,628
TOTAL	111,373,449	531,430,683

c) The liquidity risk

The Group aims to maintain a level of liquidity appropriate to its underlying obligations, based on an assessment of the relative liquidity of the assets on the market, considering the period required for liquidation and the price or value at which the respective assets can be liquidated, as well as their sensitivity, market risks or other external factors,

The Group must hold liquid assets, the sum of which will cover the difference between liquidity outflows and liquidity inflows in crisis situations, so as to ensure that the Group maintains levels of liquidity reserves that are adequate to enable it to cope, any imbalances between liquidity inflows and outflows in crisis situations,

The liquidity risk is mainly related to the shares held in the „closed” trading companies existing in the managed portfolio. Thus, the sale of participations - in the event of negative aspects in their economic-financial situation or in the case of obtaining liquidity - is particularly difficult, with the risk of not being able to obtain a price higher or at least equal to the one with which these participations are assessed in the calculation of the net assets, according to the regulations of ASF.

Within the Group, at June 30th, 2019, the market value of the portfolio of unlisted shares represents **5.71%** of the total value of the portfolio of shares manage.

We estimate that the **liquidity risk is average, correlated with the liquidity of the Romanian capital market.**

The structure of assets and liabilities in terms of liquidity as of 30.06.2019 is analyzed in the following table:

<i>In lei</i>	Accounting value	Between Under 3 m,	Between 3 m, and 12 m,	Between 1 and 5 y,	No default maturity
Financial assets					
Cash and cash equivalents	33,280,140	-	-	-	33,280,140
Deposits placed in banks	57,506,950	55,249,333	1,854,038	403,579	-
Financial assets measured at fair value through other comprehensive income	1,769,279,034	-	-	-	1,769,279,034
Financial assets measured at fair value through profit or loss	3,256,345	-	-	-	3,256,345
Loans and receivables	22,590,487	-	-	-	22,590,487
Total financial assets	1,885,912,956	55,249,333	1,854,038	403,579	1,828,406,006
Financial liabilities					
Payment dividends	69,253,280	-	-	-	69,253,280
Other financial liabilities	60,967,975	32,246,502	2,100,000	8,386,476	18,234,997
Total financial liabilities	130,221,255	32,246,502	2,100,000	8,386,476	87,488,277

d) The tax risk

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

The management of the Group considers that it has correctly interpreted the legislative provisions and has recorded correct values for taxes, charges and other debts to the state but, under these conditions, there is a certain risk attached.

The fiscal system in Romania is subject to various interpretations and permanent changes. In certain situations, the tax authorities may adopt different interpretations to the Group of certain tax issues and may calculate interest and penalties.

Tax and tax returns may be subject to review and revision for a period of five years, generally after the date of filing.

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

e) Risk related to the economic environment

This risk is extremely important, through the direct effect on the Group's activity, as well as indirectly, through the companies in which the Company owns shares.

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

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

The EU economy will be subject to political risks in 2019. The policy will influence the economy and generate uncertainty. How the UK will exit the EU, the conditions to be negotiated, still raises questions about the evolution of the EU economy in 2019.

These changes also have their mark on the economic evolution. In Romania, there is also a high political risk.

We estimate that **the risk related to the economic environment to which the Group is exposed is moderate (average)**.

f) The operational risk

Operational risk is defined as the risk of recording losses or failing to realize the estimated profits due to the inadequate use of systems, processes, human

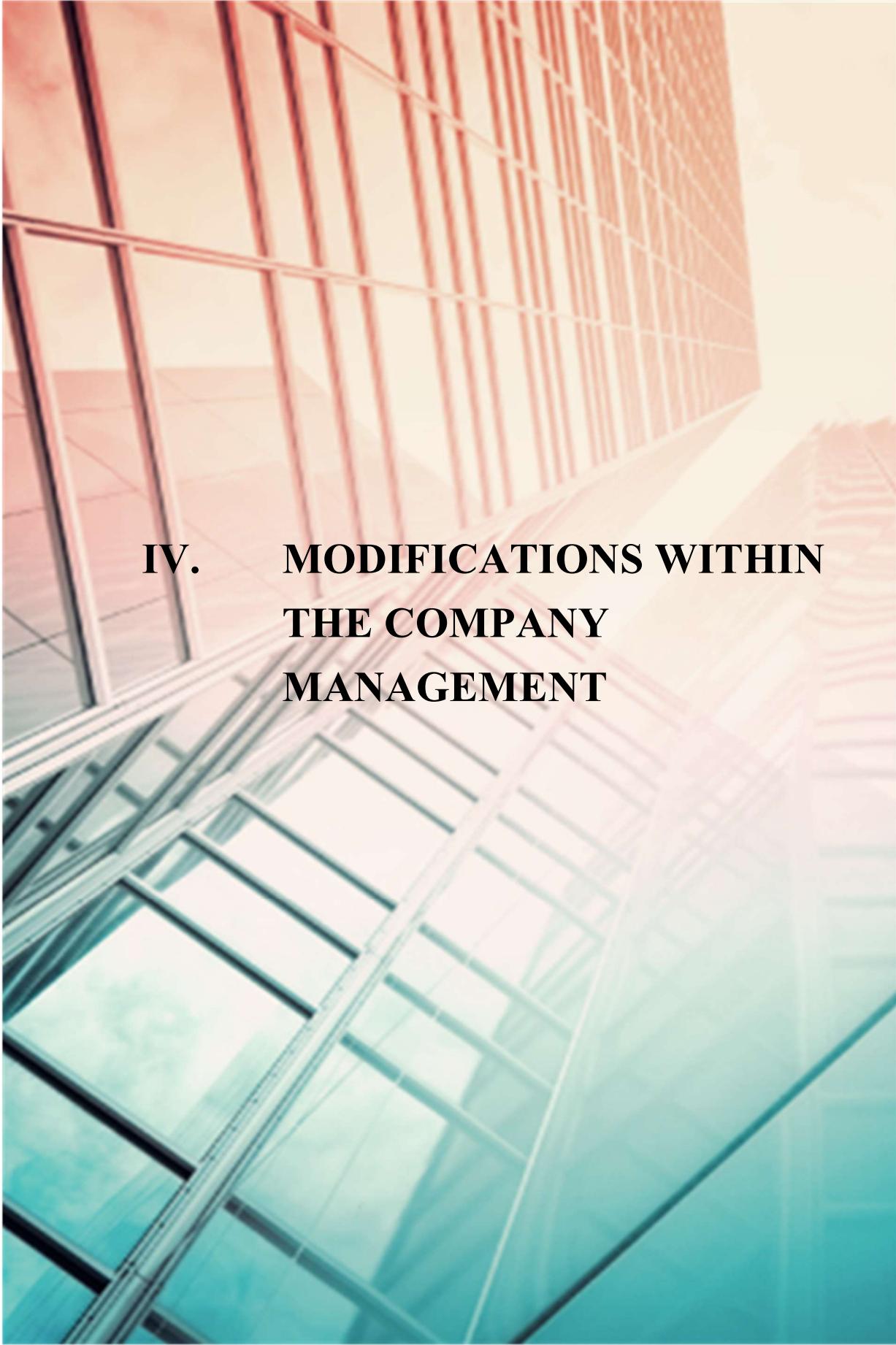
resources, both due to internal factors, such as the inadequate performance of internal activities, the existence of personnel or inadequate systems, as well as due to external factors, such as changing economic conditions, legislative changes on the capital market, inadequate or insufficiently defined provisions in contracts, socio-political events.

The development of the general standards of the Operational Risk Management Group takes place in the following directions:

- the proper establishment of the organizational structure and responsibilities;
- requirements for separation of responsibility;
- alignment with the requirements of the regulatory framework;
- reporting requirements for operational losses and proposals for remedying them;
- professional development and training;
- setting ethical standards for staff;
- documentation of controls and procedures;
- the prevention of litigation risk;
- establishing and implementing procedures for the prevention and management of conflicts of interest;
- establishing and implementing the risk management strategy, establishing the risk degree and the risk profile;

Operational risks are inherent to the Group's business.

The Group manages the operational risk by identifying, estimating, monitoring and controlling the risks, taking the necessary measures for their efficient management.



**IV. MODIFICATIONS WITHIN
THE COMPANY
MANAGEMENT**

In accordance with Articles and memorandum of association, the Company is managed in a unitary system.

The Board of Administration of the Company consists of 7 members elected by the General Assembly for a period of 4 years, with the possibility of being re-elected.

The majority of The Board of Administration members - 5 members - are non-executive.

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

The management structure is presented as follows:

June 30th, 2019

The Board of Administration members: Tudor Ciurezu - Chairman, Cristian Bușu – Vice-chairman, Radu Hanga, Anina Radu, Ana-Barbara Bobircă, Nicolae Stoian, Carmen Popa.

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

December 31st, 2018

The Board of Administration members: Tudor Ciurezu - Chairman, Cristian Bușu – Vice-chairman, Anina Radu, Radu Hanga, Ana-Barbara Bobircă, Nicolae Stoian, Carmen Popa.

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

The Board of Administration was elected by the Ordinary General Meeting of Shareholders from 04.04.2017 and was endorsed by A.S.F. on 26.07.2017 by the Opinion no. 424 / 26.07.2017.

At the same time, by the Opinion no. 423 / 26.07.2017 it was notified the modification of the composition of the Company's management, according to the CA Decision no. 4 of 04.04.2017.

During the first semester of 2019 there were no changes in the management of the company.



V. FURTHER EVENTS AFTER THE BALANCE DATE

S.I.F. OLTEНИA S.A. Craiova

1) Concerning the request to convene a General Meeting of Shareholders registered under no. 5071 / 11.06.2019, transmitted by S.I.F. Banat-Crișana S.A. and S.I.F. Muntenia SA, with items on the agenda regarding changes in the administrative and executive management of the Company, in the meeting of The Board of Administration on 08.07.2019, following the analysis of the above mentioned request, the call of the Ordinary General Meeting of Shareholders was rejected requested by the joint application registered with the company under no. 5071 / 11.06.2019 formulated by the shareholders of S.I.F. Banat Crișana S.A. and S.I.F. Muntenia S.A. (shareholders holding jointly representing 5.00% of the company's share capital), due to non-compliance with the legal conditions of form and fund.

2) The Board of Administration meeting in the meeting of 08.07.2019 acknowledged the resignation of Mr, Tudor Ciurezu, starting with 01.07.2019, as a member of the Nomination and Remuneration Committee and completed the composition of the Committee with the administrator Anina Radu.

Thus, the new composition of the committee is as follows:

- Ana Barbara Bobirca – non-executive independent board member, Chairman
- Radu Hanga – non-executive independent board member
- Anina Radu – non-executive board member

3) The company acknowledged the Decision A.S.F. no. 937 / 18.07.2019, which establishes the task of The Board of Administration of the Company to convene and to ensure the holding of the ordinary general meeting of shareholders within 45 days from the date of issuing the decision, including in the order daily the points proposed by SIF shareholders Banat Crișana S,A, and S.I.F Muntenia S.A, by the request registered at the issuer's headquarters with no. 5071 / 11,06,2019, A.S.F. no. 937 / 18.07.2019 was submitted for analysis The Board of Administration of the Company in the meeting of 29.07.2019 and the convening of the Ordinary General Meeting of Shareholders. was rejected and motivated by lowering the shareholding of the two requesting shareholders under the legal threshold and statutory 5% of the share capital of the Company. according to the Declaration of holdings transmitted by the Financial Investment Company Banat Crișana SA under no. 1663 / 23.07.2019.

4) The Company also acknowledged the address A.S.F. no. VPI 4888 / 30.07.2019. regarding the Decision A.S.F. no. 937 / 18.07.2019 establishing the task of The Board of Administration of the Company the obligation to convene and to ensure the ordinary general meeting of shareholders within 45 days from the date of issuing the decision. without being necessary an assessment of the fulfillment of the conditions provided by art. 119 paragraph (1) of Law no. 31/1990.

In the meeting of The Board of Administration on 01.08.2019. the convening of the Ordinary General Meeting of the Shareholders of the company was rejected. Motivation: decrease of the shareholding of the two requesting shareholders below the legal and statutory threshold of 5% of the share capital of the Company. according to the Declaration of holdings transmitted by S.I.F. Banat Crișana S.A. under no. 1663 / 23.07.2019 (registered with the company under no. 6535 / 24.07.2019) and of the non-fulfillment of the legal conditions of form and substance of the request of the two shareholders.

5) The company has filed a preliminary complaint against the Decision A.S.F. no. 937 / 18.07.2019. requesting its revocation by the registered address to A.S.F. with no. RG / 21424 / 07.22.2019.

A.S.F. issued Decision no. 1037 / 13.08.2019. by which he rejected the previous complaint made by the Company.

Subsequently on 29.08.2019 the Company registered under no. 48831/2/2019 on the role of the Bucharest Court of Appeal the action by which it requests the annulment of the Decision A.S.F. no. 937 / 18.07.2019. of the Decision A.S.F. no. 1037 / 13.08.2019 and the suspension of the execution of the Decision A.S.F. no. 937 / 18.07.2019 until the final settlement of the case.

6) On 13.09.2019 S.I.F. Oltenia S.A. received a summons according to which the file no. 6001/63/2019 having as object the obligation to do - the authorization to convene the Ordinary General Meeting of the Shareholders of S.I.F. Oltenia S.A. based on Article 119 paragraph 3 of Law no. 31/1990R. S.I.F. Banat-Crișana S.A. and S.I.F. Muntenia S.A. as applicants. The court gave first term on 01.10.2019.

CONSTRUCTII FEROVIARE S.A Craiova

The mandate contract of Mr. Țenea Aurel - General Manager for the period 01.07.2019 - 31.12.2019 was extended.

VOLTALIM S.A Craiova

The mandate contract of Mr. Pătrașcu Doru Dorel - General Manager for the period 01.08.2019 - 31.12.2019 was extended.

None of the companies included in the consolidation scope fall under OMFP no. 881/25.06.2012. respectively it is not obliged to prepare and report financial statements under IFRS conditions. These conduct the accounting records according to the regulations of OMFP no. 1802/2014 for the approval of the accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements. In order to consolidate. they prepare the second set of financial statements under IFRS. The financial statements prepared in accordance with IFRS result by restating the financial statements prepared on the basis of OMFP no. 1802/2014.

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

These financial statements are intended exclusively for use by the Group. its shareholders and ASF and do not generate changes in the rights of shareholders regarding dividends.

The interim financial statements consolidated on 30.06.2019 are not audited by the external financial auditor.

Associate Professor PhD Ec. Tudor CIUREZU
Chairman / General Manager

Associate Professor PhD Cristian BUŞU
Vice-chairman / Deputy General Manager

Ec. Elena SICHIGEA
Financial Manager