

**S.I.F. OLTENIA S.A.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**ON 31 DECEMBER 2016**

**PREPARED IN ACCORDANCE WITH THE REGULATION NO.**  
**39/2015 FOR THE APPROVAL OF THE ACCOUNTING**  
**REGULATIONS IN ACCORDANCE WITH THE INTERNATIONAL**  
**FINANCIAL REPORTING STANDARDS, APPLICABLE TO**  
**AUTHORIZED ENTITIES, REGULATED AND SUPERVISED BY THE**  
**FINANCIAL SUPERVISORY AUTHORITY FROM THE FINANCIAL**  
**INSTRUMENTS AND INVESTMENT SECTOR**

**AUDITED**

## Contents

	<u>page</u>
Consolidated situation of the profit or loss and some other elements of the general result .....	1
Consolidated situation of the financial position .....	2
Consolidated situation of equity modifications .....	3 - 4
Consolidated situation of treasury flows .....	5
Notes to the consolidated financial situations .....	6 - 69

**Consolidated statement of the profit or loss and of other elements of the comprehensive income for the financial year ended on December 31<sup>st</sup> 2016**

<i>In RON</i>	Note	31 <sup>st</sup> December 2016	31 <sup>st</sup> December 2015
<b>Incomes</b>			
Incomes from dividends	7	46,195,459	28,373,226
Incomes from interests	8	178,485	821,549
Other operational incomes	9	274,231,826	324,326,238
Net profit from differences of exchange rate	10	(755,507)	773,930
Net profit from sale of financial assets	11	55,499,636	56,346,554
<b>Expenses</b>			
Commissions and administration and supervision fees	12	(2,512,083)	(3,336,746)
Incomes from restatement of commissions for risks and expenses		8,521,241	6,012,488
Other operational expenses	13	(257,985,849)	(248,124,285)
<b>Profit before taxation</b>		<b>123,373,208</b>	<b>165,192,954</b>
Profit tax	14	(18,115,789)	(29,188,349)
<b>Net profit of the financial year</b>		<b>105,257,419</b>	<b>136,004,605</b>
<b>Other elements of the comprehensive income</b>			
Reserve variation from the reassessment of the tangible assets, net tax delayed		25,940	47,908
Net variation of the reserve from the fair value modification of available financial assets for sale		(4,981,909)	(85,021,347)
Reserve afferent to the difference from the fair value modification of available financial assets for sale transferred into profit or loss, net tax		(46,406,865)	(29,136,469)
<b>Total comprehensive income for the period</b>		<b>53,894,585</b>	<b>21,894,697</b>
<b>Net profit for</b>			
Company shareholders		103,818,103	135,719,852
Minority interest		1,439,316	284,753
		<b>105,257,419</b>	<b>136,004,605</b>
<b>Comprehensive income for</b>			
Company shareholders		52,449,509	21,615,393
Minority interest		1,445,076	279,304
		<b>53,894,585</b>	<b>21,894,697</b>
<b>Result per share</b>			
	29		
Basic		0.179	0.234
Diluted		0.179	0.234

The consolidated financial statements were approved by the Administration Board in the meeting from 01.08.2017 and were signed on its behalf by:

ADMINISTRATOR,  
Conf. Univ. PhD. Ec. Ciurezu Tudor

PREPARED,  
Chief Financial Officer  
Ec. Sichigea Elena

**Consolidated statement of financial position  
for the financial year ended December 31<sup>st</sup> 2016**

<i>In RON</i>	Note	31 <sup>st</sup> December 2016	31 <sup>st</sup> December 2015
<b>Assets</b>			
Cash and cash equivalents	15	14,097,652	4,863,204
Deposits placed in banks	16	55,766,431	61,980,088
Financial assets available for sale	17	1,320,042,260	1,407,501,658
Financial assets at fair value by profit or loss	17	1,879,308	2,052,502
Credits and receivables	18	27,956,237	18,179,250
Tangible assets	19	89,336,477	71,468,450
Real estate investments	20	92,053,162	44,802,318
Other assets	21	128,854,425	154,305,070
<b>Total assets</b>		<b>1,729,985,952</b>	<b>1,765,152,540</b>
<b>Liabilities</b>			
Payment dividends	22	57,862,221	81,787,050
Taxes and fees	23	7,198,620	3,688,670
Debts with deferred tax	24	103,341,237	114,701,623
Other debts	25	121,757,366	115,336,099
<b>Total debts</b>		<b>290,159,444</b>	<b>315,513,442</b>
<b>Own capitals</b>			
Share Capital	26	58,016,571	58,016,571
Updating Share Capital		735,595,648	792,552,339
Other elements of own capital		494,271,572	547,912,683
Reserves from revaluation of tangible assets		40,580,683	33,189,781
Legal and statutory reserves		27,767,864	27,743,775
Other reserves	27	2,461,325,656	2,445,797,934
Deferred result representing undistributed profit or uncovered loss		(14,861,962)	(26,482,796)
Deferred result following the application of IAS 29 on the Share Capital and reserves		(2,596,780,323)	(2,656,645,975)
Deferred result following the application of IAS less IAS 29		98,074,970	63,157,614
Current profit		103,818,103	135,719,852
<b>Total equity assignable to mother company</b>		<b>1,407,808,782</b>	<b>1,420,961,778</b>
<b>Minority interest</b>			
Of which:	28	<b>32,017,726</b>	<b>28,677,320</b>
Profit or loss of the financial year related to interests which do not control		1,439,316	284,753
Other own capitals		30,578,410	28,392,567
<b>Total capitals</b>		<b>1,439,826,508</b>	<b>1,449,639,098</b>
<b>Total debts and equity</b>		<b>1,729,985,952</b>	<b>1,765,152,540</b>

The consolidated financial statements were approved by the Administration Board in the meeting from \_\_\_\_\_ and were signed on its behalf by:

ADMINISTRATOR,  
Conf. Univ. PhD. Ec. Ciurezu Tudor

PREPARED,  
Chief Financial Officer  
Ec. Sichigea Elena

**Consolidated statement of equity modifications  
for the financial year ended December 31<sup>st</sup> 2016**

- RON -

	Inflated share capital	Reserves from the reassessment of tangible assets	Legal and statutory reserves	Other reserves	Reserves from the reassessment of available financial assets for sale	Other elements of own capitals	Result reported due to IAS 29 applied over the share capital and reserves	Cumulated profit	Total own capitals attributed to the mother company	Minority interests	TOTAL
<b>BALANCE ON JANUARY 1<sup>st</sup>, 2016</b>	<b>850,568,910</b>	<b>33,189,781</b>	<b>27,743,775</b>	<b>2,445,797,934</b>	<b>550,974,363</b>	<b>(3,061,680)</b>	<b>(2,656,645,975)</b>	<b>172,394,670</b>	<b>1,420,961,778</b>	<b>28,677,320</b>	<b>1,449,639,098</b>
<b>COMPREHENSIVE INCOME</b>											
<b>Profit of financial exercise</b>	-	-	-	-	-	-	-	103,818,103	103,818,103	1,439,316	105,257,419
<b>Other elements of the comprehensive income</b>											
1. Reserve variation from the reassessment of the tangible assets, net tax delayed	-	(301,287)	-	-	-	-	-	321,467	20,180	5,760	25,940
2. Net variation of the reserve from the fair value modification of available financial assets for sale	-	-	-	-	(4,981,909)	-	-	-	(4,981,909)	-	(4,981,909)
3. Reserve afferent to the difference from the fair value modification of available financial assets for sale transferred into profit or loss, net tax	-	-	-	-	(46,406,865)	-	-	-	(46,406,865)	-	(46,406,865)
<b>TOTAL COMPREHENSIVE INCOME afferent to the period</b>	-	<b>(301,287)</b>	-	-	<b>(51,388,774)</b>	-	-	<b>104,139,570</b>	<b>52,449,509</b>	<b>1,445,076</b>	<b>53,894,585</b>
Delayed tax afferent to the unperformed taxed surplus result	-	-	-	-	-	-	-	19,345	19,345	-	19,345
Other reserves – own financial sources	-	-	24,089	12,765,824	-	-	-	(12,789,913)	-	-	-
Other elements of own capitals (delayed tax afferent reserves)	-	-	-	585,049	-	(585,049)	-	-	-	-	-
Other transfers (reported result)	(59,865,651)	8,810,211	-	452,383	(162,406)	(2,281,376)	59,865,652	4,678,429	11,497,242	-	11,497,242
Balance transfer of free shares	-	-	-	-	-	-	-	-	-	-	-
<b>Transactions with directly known shares in own captials</b>											
1. Prescribed dividends according to the law – transfer in the profit or loss account from other reserves	-	-	-	-	-	-	-	-	-	-	-
2. Payment dividends afferent to the year 2015	-	-	-	-	-	-	-	(76,747,670)	(76,747,670)	-	(76,747,670)
3. Afferent variation of branches	2,908,960	(1,118,022)	-	1,724,466	-	776,494	-	(4,663,320)	(371,422)	-	(371,422)
4. Increase/decrease of participation interests in branches	-	-	-	-	-	-	-	-	-	1,895,330	1,895,330
<b>TOTAL TRANSACTIONS WITH DIRECTLY KNOWN SHARES IN OWN CAPTIALS</b>	<b>2,908,960</b>	<b>(1,118,022)</b>	-	<b>1,724,466</b>	-	<b>776,494</b>	-	<b>(81,410,990)</b>	<b>(77,119,092)</b>	<b>1,895,330</b>	<b>(75,223,762)</b>
<b>BALANCE ON DECEMBER 31<sup>st</sup>, 2016</b>	<b>793,612,219</b>	<b>40,580,683</b>	<b>27,767,864</b>	<b>2,461,325,656</b>	<b>499,423,183</b>	<b>(5,151,611)</b>	<b>(2,596,780,323)</b>	<b>187,031,111</b>	<b>1,407,808,782</b>	<b>32,017,726</b>	<b>1,439,826,508</b>

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Notes from page 6 to page 69 are integral part of the consolidated financial statements.

Consolidated statement of equity modifications  
for the financial year ended December 31<sup>st</sup> 2015

- RON -

	Inflated share capital	Reserves from the reassessment of tangible assets	Legal and statutory reserves	Other reserves	Reserves from the reassessment of available financial assets for sale	Other elements of own capitals	Result reported due to IAS 29 applied over the share capital and reserves	Cumulated profit	Total own capitals attributed to the mother company	Minority interests	TOTAL
<b>BALANCE ON JANUARY 1<sup>st</sup>, 2015</b>	844,521,880	30,825,824	27,734,413	2,491,095,837	575,016,997		(2,656,645,975)	102,408,033	1,414,957,009	32,776,884	1,447,733,893
<b>COMPREHENSIVE INCOME</b>											
<b>Profit of financial exercise</b>	-	-	-	-	-	-	-	135,719,852	135,719,852	284,753	136,004,605
<b>Other elements of the comprehensive income</b>											
1. Reserve variation from the reassessment of the tangible assets, net tax delayed	-	53,357	-	-	-	-	-	-	53,357	(5,449)	47,908
2. Net variation of the reserve from the fair value modification of available financial assets for sale	-	-	-	-	(85,021,347)	-	-	-	(85,021,347)	-	(85,021,347)
3. Reserve afferent to the difference from the fair value modification of available financial assets for sale transferred into profit or loss, net tax	-	-	-	-	(29,136,469)	-	-	-	(29,136,469)	-	(29,136,469)
<b>TOTAL COMPREHENSIVE INCOME afferent to the period</b>	-	53,357	-	-	(114,157,816)	-	-	135,719,852	21,615,393	279,304	21,894,697
Delayed tax afferent to the unperformed taxed surplus result	-	-	-	-	-	-	-	-	-	-	-
Other reserves – own financial sources	-	-	9,362	22,318,170	-	-	-	(22,327,532)	-	-	-
Other elements of own capitals (delayed tax afferent reserves)	-	-	-	-	-	(3,061,680)	-	-	(3,061,680)	-	(3,061,680)
Other transfers (reported result)	-	1,894,871	-	14,069,647	(2,801)	-	-	3,400,565	19,362,282	-	19,362,282
Balance transfer of free shares	-	-	-	-	90,117,983	-	-	27,838,946	117,956,929	-	117,956,929
<b>Transactions with directly known shares in own captials</b>											
1. Prescribed dividends according to the law – transfer in the profit or loss account from other reserves	-	-	-	(82,666,768)	-	-	-	-	(82,666,768)	-	(82,666,768)
2. Payment dividends afferent to the year 2014	-	-	-	-	-	-	-	(71,473,271)	(71,473,271)	-	(71,473,271)
3. Afferent variation of branches	6,047,030	415,729	-	981,048	-	-	-	(3,171,923)	4,271,884	-	4,271,884
4. Increase/decrease of participation interests in branches	-	-	-	-	-	-	-	-	-	(4,378,868)	(4,378,868)
<b>TOTAL TRANSACTIONS WITH DIRECTLY KNOWN SHARES IN OWN CAPTIALS</b>	6,047,030	415,729	-	(81,685,720)	-	-	-	(74,645,194)	(149,868,155)	(4,378,868)	(154,247,023)
<b>BALANCE ON DECEMBER 31<sup>st</sup>, 2015</b>	850,568,910	33,189,781	27,743,775	2,445,797,934	550,974,363	(3,061,680)	(2,656,645,975)	172,394,670	1,420,961,778	28,677,320	1,449,639,098

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**Consolidated statement of treasury flows**  
**for the financial year ended on December 31st 2016**

RON

Name of the element	Financial year	
	2016	2015
A	1	2
<b>Treasury flows from operating activities</b>		
Cashes from customers, other cashes	247,941,549	262,547,052
Cashes from sales of financial investments (securities)	78,267,040	131,569,022
Payments to suppliers and employees, other payments	(19,528,404)	(101,823,981)
Interests paid	(200,407,756)	(259,584,777)
Corporate tax paid	(19,502,274)	(29,085,071)
Cashes from insurance against earthquakes	215,202	838,388
Cashes from customers, other cashes	44,997,817	25,920,346
Cashes from sales of financial investments (securities)	(1,939,797)	(1,670,561)
Payments to suppliers and employees, other payments	(11,814,496)	(15,575,535)
Interests paid	-	-
<b>Net treasury from operating activities</b>	<b>118,228,881</b>	<b>13,134,883</b>
<b>Treasury flows from investment activities:</b>		
Payments for acquisition of tangible assets	(62,024,450)	(6,118,024)
Cashes from sale of tangible assets	10,013,253	864,850
<b>Net treasury from investment activities</b>	<b>(52,011,197)</b>	<b>(5,253,174)</b>
<b>Treasury flows from financing activities:</b>		
Cashes from emission of shares	-	-
Cashes from loans on short term	127,848,932	124,392,959
Reimbursement of loans on short term	(146,652,984)	(97,700,495)
Cashes from loans on long term	18,000,000	-
Reimbursement of loans on long term	(1,958,780)	-
Payment of debts related to financial leasing	(28,168)	(21,845)
Dividends paid	(55,115,459)	(48,301,069)
Downpayments to the Central Deposit for dividends payments	(1,228,728)	(729,188)
Tax on payed dividends	(4,087,166)	(9,322,299)
<b>Net treasury from financing activities</b>	<b>(63,222,353)</b>	<b>(31,681,937)</b>
<b>Net increase of treasury and cash equivalents</b>	<b>2,995,331</b>	<b>(23,800,228)</b>
<b>Treasury and cash equivalents at the beginning of the financial year</b>	<b>66,771,324</b>	<b>90,571,552</b>
<b>Treasury and cash equivalents at the end of the financial year</b>	<b>69,766,655</b>	<b>66,771,324</b>

The structure of treasury and treasury equivalents includes balances of the following accounts: 508, 5121, 531, 532, (excluding accrued interest).

ADMINISTRATOR,  
 Conf. Univ. PhD. Ec. Ciurezu Tudor

PREPARED,  
 Chief Financial Officer  
 Ec. Sichigea Elena

# **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

## **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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### **1. THE REPORTING ENTITY**

Societatea de Investiții Financiare Oltenia S.A. („The Company”) was founded on 01.11.1996 in Craiova - Romania, based on the provisions of Law no. 133/1996, law for the transformation of the Private Property Funds into Companies of Financial Investments. The company was founded by the transformation of the Private Property Fund V Oltenia.

The company is a collective investment undertaking operating under Law no. 31/1990 on commercial companies and Law no. 297/2004 on capital market, with subsequent amendments and completions.

The company has its registered office in Craiova, str. Tufănele, nr. 1, zip code 200767, Dolj county.

The company is registered with:

-The Chamber of Commerce and Industry Oltenia, registration number J16/1210/1993, Unique Registration Code 4175676, fiscal attribute RO;

-National Securities Commission as other Collective Investment Undertaking having a various policy in accordance with Decision no. 1858/02.09.1999 and registered in the RNSC Register with no. PJR09SIIR/160003/14.02.2006. As of April 30, 2013, according to GEO no.93/Dec.2012, is established Financial Supervisory Authority (FSA) which takes over the duties of National Securities Commission, Private Pension System Supervisory Commission and Insurance Supervisory Commission.

-The Office of Securities according to the certificate no 419/07.09.1999..

The shares of the company are registered at the quote of Bucharest Stock Exchange, category Premium, with the indicative SIF5 as of 01.11.1999.

The evidence of shareholders and shares of the company is kept by SC DEPOZITARUL CENTRAL S.A. Bucharest.

The depositing activity provided by the legislation and RNSC/FSA regulations is assured Raiffeisen Bank S.A. Bucharest Branch.

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

-The management and administration of shares in commercial companies for which own shares were issued, corresponding to the Ownership Certificates and the Nominative Privatization Coupons subscribed by citizens according to the provisions of art. 4 paragraph 6 of the Law no. 55/1995;

-The administration of the own portfolio of securities and the fulfillment of investments in securities according to the regulations in force;

-Other similar and adjacent activities, according to the regulations in force, as well as administration of the own assets;

Subscribed and paid Share Capital is of 58.016.571 RON, divided in 580.165.714 shares having a nominal value of 0,1 RON/share. The main characteristics of the shares issued by the company are: ordinary, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders.

The consolidated financial statements of the company for the year ended on 31<sup>st</sup> December 2016 include the Company and its subsidiaries (further on named “the Group”).

The Group's core activities are the financial investments activities conducted by the Company, and the activities of the subsidiaries, which belong to various sectors of activity like: food, commerce, tourism, space rental, etc.

### **2. BASIS OF PREPARATION**

#### **a) Declaration of conformity**

The consolidated financial statements have been prepared in accordance with Regulation no. 39/2015 for the approval of accounting regulations compliant with international financial reporting standards, applicable

## ***SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.***

### ***Notes to consolidated financial statements***

#### ***for financial year ended on 31.12.2016***

*(all amounts are expressed in RON, unless otherwise stated)*

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## **2. BASIS OF PREPARATION (continued)**

### **a) Declaration of conformity (continued)**

to authorized entities, settled and supervised by the Financial Supervisory Authority from the Sector of Financial Instruments and Investments.

Under the provisions of the Regulations no. 1606/2002 of the European Parliament and the Council of the European Union of 19<sup>th</sup> July 2002, as well as of the RNSC Decision no. 1176/15.09.2010, the financial investments companies have to obligation to prepare and submit to RNSC (FSA) consolidated annual financial statements, in compliance with the International Financial Reporting Standards adopted by the European Union, within 8 months from the end of the financial year. The consolidated financial statements of the Group S.I.F. Oltenia S.A. on 31.12.2015 will be prepared, approved and made public until 31.08.2016. They will be found on the Company site: [www.sifolt.ro](http://www.sifolt.ro).

The accounting reports of the Group are reflected in RON.

The main specific adjustments of the consolidation are the following:

- removing from the financial situation the position of the participation titles held at the group companies and the legal value and depreciation adjustments afferent to them and constituted in accordance with IAS 39 „*Financial and assessment recognition instruments*”;
- removing the transaction with participation titles within the group and the legal value and depreciation adjustments afferent to them and constituted in accordance with IAS 39 „*Financial and assessment recognition instruments*”;
- registering the commercial fund identified as differenc between the acquisition value and payment value of the titles held at the companies within the group;
- removing from the situation of the profit and loss account and other elements of the comprehensive income from dividends at the gross value settled within the group;
- removing balances, transactions, incomes and expenses from within the group;
- the minority interests are presented in the situation of the consolidated financial position as element of own capital, separated from the own capitals of the mother company and represent the partial share held by them in the own capital elements and profits of the companies from the group.

The date of December 31<sup>st</sup>, 2015 is the date of transaction at IFRS as accounting basis, date from which the retreatment was carried out and registered in the accounting system as operations determined by the passing from the CNVM regulation no 4/2011 to the Accounting regulations according to IFRS.

In addition to consolidation specific adjustments, major restatement of financial information presented in the financial statements prepared under RCR, to align them to the requirements of IFRS adopted by the European Union were:

- Grouping multiple items into more comprehensive categories;
- Fair value adjustments and for impairment of financial assets in accordance with IAS 39 “Financial Instruments Recognition and Evaluation”;
- Adjustments of equity and asset items in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” as the Romanian economy was a hyperinflationary economy until 31 December 2003;
- Adjustments of the profit or loss account to record income from dividends at the time of statement and at gross value;
- Adjustments of real estate investments for their evaluation at fair value according to IAS 40 “Real estate investments”;
- Adjustments for the recognition of receivables and debts regarding deferred corporate tax in accordance with IAS 12 “Corporate Tax”;
- presentation requirements according to IFRS.
- presentation requirements in accordance with IFRS.

# **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

## **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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### **2. BASIS OF PREPARATION (continued)**

#### **b) Presentation of financial statements**

The consolidated financial statements are presented in accordance with IAS 1 “*Presentation of Financial Statements*”.

The Group has adopted a presentation based on liquidity in the consolidated statement of financial position and income and expenditure presentation was made in relation to their nature in the consolidated statement of profit or loss and other elements of the comprehensive income. It was considered that these methods of presentation provide information that is more credible and relevant than other methods allowed by IAS 1 “*Presentation of Financial Statements*”.

#### **c) Functional and presentation currency**

Management of the Group believes that functional currency as it is defined by IAS 21 “The effects of exchange rate fluctuations” is the Romanian RON. The present consolidated financial statements are prepared in RON, rounded to the nearest RON, the currency that the Group management chose as the presentation currency.

#### **d) Basis of evaluation**

The consolidated financial statements are prepared based on the fair value convention for derivative financial instruments, financial assets and liabilities at fair value through profit and loss account and financial assets available for sale, except those for which fair value can not be determined reliably.

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

#### **e) Use of estimates and judgements**

Preparation of financial statements in accordance with IFRS requires the use by the management of certain estimates, judgements and assumptions that affect the application of accounting policies as well as the reported value of assets, debts, revenues and expenditures. Judgements and assumptions associated with these estimates are based on historical experience as well as other factors considered reasonable in the context of these estimates. The result of estimates forms the basis of judgements regarding the accounting values of assets and liabilities that cannot be obtained from other sources of information. The results obtained may differ from the values of estimates.

The estimates and assumptions underlying accounting records are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period in which the estimate is revised and future periods if the revision affects both the current period and future periods.

The modification of estimates, by its nature, is not connected to previous periods and does not represent the correction of an error.

### **3. BASIS OF CONSOLIDATION**

#### **a) Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the company is exposed, or has rights to variable incomes based on its participation in the entity in which was invested and the capacity to influence those incomes by its authority on the entity in which was invested.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

### **3. BASIS OF CONSOLIDATION (continued)**

#### **a) Subsidiaries (continued)**

When assessing control, potential or convertible voting rights that are exercisable at that time must be taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the moment they start to exercise control and until its termination. Group Accounting policies of subsidiaries have been changed to align them with those of the Group.

The companies in which the Company holds more than 50% of the issuer`s share capital are 11 (eleven).

In the consolidation perimeter were included all those 11 (eleven) commercial companies in which ownership is over 50% of the voting rights, as follows:

Item no.	Company name	Address	CUI	Trade Register No.	Percentage held by SIF on 31.12.2016	Percentage held by SIF on 31.12.2015
1	ALIMENTARA S.A. SLATINA	STR. ARINULUI NR.1, JUD. OLT	1513357	J28/62/1991	52.24	52.24
2	TURISM S.A. PUCIOASA	STR. REPUBLICII NR.110 , JUD. DAMBOVITA	939827	J15/261/1991	69.22	69.22
3	PROVITAS S.A. BUCURESTI	B-DUL UNIRII NR. 14, BL. 6C, SECT. 4, BUCUREȘTI	7965688	J40/10717/1995	70.28	70.28
4	UNIVERS S.A. RM.VALCEA	STR.REGINA MARIA NR.4, JUD. VALCEA	1469006	J38/108/1991	73.75	73.75
5	CONSTRUCTII FERROVIARE S.A. CRAIOVA	ALEEA I BARIERA VALCII NR.28, JUD. DOLJ	2292068	J16/2209/1991	77.50	77.50
6	FLAROS S.A. BUCURESTI	STR. ION MINULESCU 67-93 SECTOR 3, BUCUREȘTI	350944	J40/173/1991	81.04	81.04
7	ARGUS S.A. CONSTANTA	STR. INDUSTRIALA NR. 1, JUD. CONSTANTA	1872644	J13/550/1991	86.21	86.20
8	GEMINA TOUR S.A. RM.VILCEA	STR. STIRBEI VODA NR. 103, JUD. VALCEA	1477750	J38/876/1991	88.29	88.29
9	MERCUR S.A. CRAIOVA	STR. CALEA UNIRII NR.14, JUD. DOLJ	2297960	J16/91/1991	93.37	93.37
10	COMPLEX HOTELIER S.A. DAMBOVITA	B-DUL LIBERTATII NR. 1, JUD. DAMBOVITA	10108620	J15/11/1998	99.94	99.94
11	VOLTALIM S.A. CRAIOVA	B-DUL DACIA NR. 120 A, JUD. DOLJ	12351498	J16/698/1999	99.19	99.99
12	CONSTRUCȚII MONTAJ 1 S.A. Craiova*	STR.M. KOGALNICEANU 20, JUD. DOLJ	2321996	J16/187/1991	-	96.56

\* CONSTRUCTII MONTAJ 1 S.A. CRAIOVA exited the portfolio in 2016 due to its fusion by absorption by VOLTALIM SA Craiova.

On 31.12.2016 the eleven companies comprised in the consolidation perimeter represent a percentage of 13.22% (2015: 16.49%) in total assets of the Companies and respectively 13.89% (2015: 17.36%) in net assets and were consolidated by the global integration method.

# **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

## **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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### **3. BASIS OF CONSOLIDATION (continued)**

#### **a) Subsidiaries (continued)**

The main activities undertaken by the Company and the companies included in the consolidation are financial investment activities carried by the Company and the activities carried by those companies, which are mainly represented by the sectors: food, commerce, tourism, spaces rental, etc.

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

#### **b) Associated companies**

Associated companies are those companies in which the Group has significant influence, but not control over financial and operating policies.

Participations in which the Group holds between 20% and 50% of the voting rights but over which it does not exercise significant influence, are classified as financial assets available for sale.

Following the analysis of quantitative and qualitative criteria set out in IAS 27 - "*Individual financial statements*" and IFRS 10 - "*Consolidated financial statements*", the Group has concluded that it does not hold investments in associates at 31<sup>st</sup> December 2016 and 2015.

#### **c) Transactions eliminated on consolidation**

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

### **4. SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies represent principles, bases, conventions, rules and specific practices applied by the entity in the preparation and presentation of financial statements.

The main accounting policies applied in preparing these consolidated financial statements are presented below.

#### **a) Transactions in foreign currency**

Transactions denominated in foreign currencies are initially recorded in RON at the official exchange rate on the date of transactions settlement. Monetary assets and liabilities registered in foreign currencies at the date of preparation of the consolidated financial position are translated into the functional currency at the exchange rate of that day. Gains or losses from their settlement and the conversion using the exchange rate at the end of financial year of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss account, except those that have been recognized in equity as a result of registration in accordance with hedge accounting.

Conversion differences on items such as holdings at fair value through profit or loss account are presented as gains or losses from fair value. Conversion differences on items such as financial instruments classified as available for sale are included in the reserve derived from the modification of fair value of these financial instruments.

Foreign currency exchange rates, relative to RON, used at the reporting date are:

<b>Currency</b>	<b>31<sup>st</sup> December 2016</b>	<b>31<sup>st</sup> December 2015</b>	<b>Variation</b>
EUR	4.5411	4.5245	+0.37
USD	4.3033	4.1477	+3.75

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **b) Accounting the effect of hyperinflation**

According to IAS 29 “Financial Reporting in Hyperinflationary Economies”, the financial statements of a company whose functional currency is the currency of a hyperinflationary economy should be stated in terms of current purchasing power of the currency at the date of elaboration of the statement of financial position, that is non-monetary items are restated by the application of the general price index from the date of purchase or contribution. IAS 29 states that an economy is considered hyperinflationary if, among other factors, the cumulated inflation rate exceeds 100% over a period of three years.

The continuous decline of inflation rate and other factors related to economic environment in Romania, indicate that the economy has ceased to be hyperinflationary, with effect on financial periods beginning from 1st January 2004. Thus, the provisions of IAS 29 have been adopted in preparing consolidated financial statements until 31st December 2003.

Thus, the amounts expressed in the measuring unit current on 31st December 2003 are treated as the basis for the accounting values reported in these financial statements and do not represent measured values, replacement cost, or any other measure of the current value of assets or of prices at which transactions would occur at this time.

For the preparation of consolidated financial statements, the Group adjusted to be expressed in the measuring unit of 31st December 2003 the following elements:

- Share capital and items such as reserves
- Financial assets available for sale evaluated at cost for which no active market exists or the market is not active.

##### **c) Cash and cash equivalents**

Cash includes the cash available in the cash register, in banks and sight deposits.

Cash equivalents are short-term investments, highly liquid, which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

When preparing the statement of treasury flows, the Group considers as cash and cash equivalents: effective cash, current accounts in banks and bank deposits with initial due time less than 90 days.

##### **d) Financial assets and liabilities**

- **Classification**

Financial instruments held by the Group are classified in the following categories:

*Financial assets or liabilities measured at fair value through profit or loss account*

In this category are included financial assets or liabilities held for trading, derived financial instruments, structured and financial instruments classified at fair value through profit or loss account at the moment of initial recognition. An asset or a liability is classified in this category if it was acquired mainly for speculative purpose or if it was designated in this category by the Group management. Derivatives are classified as being held for trading if they do not represent the instruments used for hedge accounting.

*Investments held until maturity*

Investments held until maturity represent non-derivative financial assets with fixed or determinable payments, and with fixed maturity, which the Group has the positive intent and capacity to hold them until maturity. Investments held until maturity are measured at amortized cost by the effective interest method less impairment losses.

# **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

## **Notes to consolidated financial statements**

### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **d) Financial assets and liabilities (continued)**

###### *Credits and receivables*

Credits and receivables are non-derivative financial assets, with fixed or determinable payments, that are not quoted on an active market, other than those which the Group intends to sell immediately or in the near future. Mainly in this category are included deposits placed in banks.

###### *Financial assets available for sale*

Financial assets available for sale are those financial assets that are not classified as loans and receivables, investments held until maturity or financial assets at fair value through profit or loss.

After initial recognition, these financial assets available for sale, for which there is an active market, are measured at fair value, and the differences toward it, other than impairment losses, as well as gains and losses resulting from the exchange rate variations related to monetary elements available for sale are directly recognized in equity. On derecognition of the asset, the cumulated gain or loss is transferred in the profit or loss account.

The company classified all holdings in the Share Capital of other issuers as financial assets available for sale.

- **Recognition**

Financial assets and liabilities are recognized on the date on which the Group becomes a contractual party to the conditions of the respective instrument. Financial assets and liabilities are measured at the moment of initial recognition at fair value plus trading costs directly attributable, except for financial assets at fair value through profit or loss account and loss for which trading costs are not included in the instrument value and investments in shares whose fair value could not be reliably determined and which are initially recognized at cost.

- **Compensations**

Financial assets and liabilities are compensated, and the net result is presented in the consolidated statement of financial position only when there is a legal right of compensation and there is the intention of their settlement on a net basis or if it is intended to realize the asset and to settle debt simultaneously.

Incomes and expenses are presented in net manner only when permitted by accounting standards, or for profit and loss resulted from a group of similar transactions such as those from the trading activity of the Group.

- **Evaluation at amortized cost**

The amortized cost of a financial asset or liability is the amount at which the financial asset or the financial debt is measured at initial recognition minus main repayments, plus or minus the cumulated amortization until that moment using the effective interest method for each difference between the initial value and the value at maturity, and minus any reduction (direct or by using an adjustment account) for impairment or impossibility of recovery.

- **Evaluation at fair value**

Fair value is the amount for which an asset could be traded or a liability settled in a normal transaction between market participants to the valuation date, or in the absence of main market, on the most advantageous market in which the Company has access on that date.

The Company measures the fair value of a financial instrument using quoted prices in an active market for that instrument. A financial instrument has an active market if for that instrument are available quickly and regularly quoted prices. The company measures listed instruments in active markets using the closing price.

## ***SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.***

### ***Notes to consolidated financial statements***

#### ***for financial year ended on 31.12.2016***

*(all amounts are expressed in RON, unless otherwise stated)*

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **d) Financial assets and liabilities (continued)**

A financial instrument is regarded as quoted on an active market when quoted prices are immediately available and regularly from an exchange, a dealer, a broker, an association of industry, a service for pricing or a regulatory agency, and these prices reflect real transactions occurring regularly, carried out in objective market conditions.

In the category of shares quoted on an active market are included all those shares admitted to trading on the Bucharest Stock Exchange or on an alternative market and having frequent transactions. The criterion for determining the active market should be set so as to ensure a stable portfolio of shares valued at fair value from one reporting period to another. The market price used to determine fair value is the market closing price of the last trading day prior to the evaluation date.

The fair value of financial instruments traded on an active market is measured as the product between the quoted price for the individual asset or liability and the amount owned.

Securities issued by collective investment bodies will be assessed at the last unitary value of the net asset calculated and published.

Financial assets available for sale for which there is no active market and for which it is not possible to reliably determine the fair value are measured at cost and are periodically tested for impairment.

- ***Identification and evaluation of value impairment***

- Financial assets measured at amortized cost*

- If there is objective evidence that there has been an impairment loss on credits and receivables or on investments held until maturity recorded at amortized cost, the loss is measured as difference between the accounting value of the asset and the updated value of future cash flows estimated (excluding future losses from the credit risk which were not paid), updated with the initial rate of the effective interest of the financial asset.

- When such impairment loss appears, the accounting value of the asset is reduced by using an adjustment account for impairment.

- The value of the impairment loss is recognized in profit or loss.

- In the event that, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event that occurred after being recognized the impairment, the impairment loss previously recognized is reversed using an adjustment account for impairment.

- Resumption may not result in an accounting value of the financial asset greater than the value that would have formed the amortized cost if impairment had not been recognized, at the date the impairment loss is reversed.

- The amount of the reversal of impairment loss is recognized in profit or loss.

- Financial assets available for sale*

- In the case of financial assets available for sale, when a decrease in the fair value of a financial asset available for sale was recognized directly in own equity and there is objective evidence that the asset is impaired the cumulative loss that was directly recognized in own equity shall be retaken from the accounts of own capitals and recognized in the profit or loss account even if the financial asset has not been yet derecognised.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d) Financial assets and liabilities (continued)**

The amount of the cumulative loss that is repeated in own equity accounts in the profit or loss account will be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss account.

Losses from impairment of assets recognized in profit or loss account related to equity classified as available for sale are not reversed in profit or loss account. If, in a subsequent period, the fair value of an impaired equity increases, the recovery is recognized directly in other elements of global result.

If there is objective evidence of an impairment loss on unlisted shares which is not presented at fair value because fair value can not be reliably measured, or regarding a derivative asset that is linked or to be settled by such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the accounting amount of the financial asset and the updated value of future cash flows using the current internal rate of return of the market for a similar financial asset. Such impairment losses are not restated in profit or loss account.

In order to determine whether an asset is impaired, the Company takes into account the loss-relevant events, such as long-term and significant decrease in the fair value below cost; market conditions and of the activity field, to the extent that they influence the recoverable value of the asset; financial condition and near-term prospects of the issuer, including any specific adverse events that may affect the operations carried out by the issuer, the issuer's recent losses, qualified independent auditor's report on the most recent financial statements of the issuer, etc.

- ***Derecognition***

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expire, or when the Group has transferred its rights to receive the contractual cash flows attributable to that financial asset in a transaction that has transferred substantially all risks and rewards of ownership right.

On derecognition shares are detracted using the FIFO method (first in, first out).

Any interest in transferred financial assets that is retained by the Group or created for the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations ended or when the contractual obligations are cancelled or expire.

- ***Gains and losses***

Gains or losses arising from a change in fair value of a financial asset or financial liability that is not part of a covering relationship against risks are recognized as follows:

- Gains or losses arising from financial assets or financial liabilities classified as being evaluated at fair value through profit or loss are recognized in profit or loss;
- Gains or losses generated from a financial asset available for sale are recognized in other elements of the global result, except for impairment losses.

When the asset is derecognised, the cumulative gain or loss previously recognized in other elements of the global result are reclassified from own equity to profit and loss.

At the moment of impairment or derecognition of financial assets and financial liabilities accounted at amortized cost, and through the amortization thereof, a gain or loss in profit or loss account is recognized.

**e) Other financial assets and liabilities**

Other financial assets and liabilities are measured at amortized cost using the effective interest method less any impairment losses.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **f) Assets held for sale**

Fixed assets and the groups designated for disposal are classified as held for sale if their accounting value will be mainly recovered by a sales operation and not by their continuous use. This condition is considered as being fulfilled only when the sale is probable and it is estimated that it will be completed in more than one year from the date of classification, and the assets are available for immediate sale, as they are presented at the respective time.

##### **g) Tangible assets**

Intangible assets are initially assessed at the cost. After the initial recognition, an intangible asset is accounted at the cost minus the cumulated liquidation and any loss from the cumulated depreciation.

- **Further expenses**

The further expenses are capitalized only when they increase the value of future incorporated economic values within the designated asset. All other expenses, including the ones for commercial fund depreciation and the marks internally generated, are recognised in the profit and loss account at the time when they are supported.

- **Liquidation of intangible assets**

The liquidation is calculated for the cost of the asset or another value which substitutes the cost, minus the residual value. The liquidation is recognised in the profit and loss account using the linear method for the useful lifecycle estimated for intangible assets, from the date they are available to use, this method reflecting in the most loyal way the foreseen consumption of economic benefits incorporated in the asset.

The estimated useful lifecycles for the current period and for the compared periods are:

- informatic programs 3 years.

Liquidation methods, useful lifecycles and the residual values are reviewed at each end of the financial year and then properly adjusted.

##### **h) Tangible assets**

- **Recognition and evaluation**

Tangible assets recognized as assets are initially evaluated at acquisition cost (for those purchased against payment), at the value of contribution (for those received as contribution in kind to the establishment / capital increase) and respectively the fair value at the acquisition date for those received for free.

The cost of an item of tangible assets comprises the purchase price, including non-recoverable taxes, after deducting any price discounts of commercial type and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used to the goal set by management, such as: staff costs arising directly from the construction or acquisition of assets, the cost of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees.

Tangible assets are classified by the Group in the following asset classes of the same kind and with similar use:

- Land and buildings;

- Plant and machinery;

- Other installations, equipment and furniture

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **h) Tangible assets (continued)**

- ***Evaluation after recognition***

For subsequent recognition, the Group adopted the revaluation model.

After recognition as an asset, tangible assets items of the kind of lands and constructions, whose fair value can be reliably measured are accounted at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations shall be made with sufficient regularity to ensure that the accounting value does not differ significantly from that which would be determined using fair value at the balance sheet date.

If an item of tangible assets is revalued, then the entire group of tangible assets of which the item is part is subject to revaluation.

If an asset accounting value is increased as a result of a revaluation, the increase is recognized in other elements of global result and accumulated in own equity, with the title of revaluation excess.

However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If an asset accounting value is decreased as a result of a revaluation, the decrease is recognized in profit or loss.

However, the reduction will be recognized in other elements of global result to the extent that the revaluation surplus presents a credit balance for that asset. Transfers from revaluation surplus to retained earnings is not made through profit or loss.

Lands and buildings are stated at revalued amount, representing the fair value at the date of revaluation less accumulated depreciation and impairment losses. Revaluations are performed by evaluators members of the National Association of Evaluators of Romania (ANEVAR). The revaluation frequency is dictated by the dynamic of the markets to which the lands and buildings held by the Group belong to.

- ***Subsequent costs***

Expenditures with daily maintenance and repairs of fixed assets are not capitalized; they are recognized as costs of the period in which they arise. These costs consisted primarily of costs of labor and consumables, and may include the cost of components of little value.

Expenses with maintenance and repairs of tangible assets are recorded in the profit and loss account when they occur, and significant improvements brought to tangible assets, that increase the value or life of them, or that significantly increase generation capacity of economic benefits by them, are capitalized.

- ***Depreciation***

Depreciation is calculated at accounting value (acquisition cost or revalued amount minus residual value). Depreciation is recognized in profit or loss account using the straight-line method for the estimated useful life of tangible assets (less lands and non-current assets in course of execution).

Depreciation is registered from the date they are available for use, for the activity they are designed for, this method reflecting more accurately the expected pattern of consumption of the economic benefits embodied in the asset.

Depreciation of an asset ceases at the earliest of the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised. Therefore depreciation does not cease when the asset is used or is retired from active use unless the asset is fully depreciated.

The depreciation methods, useful life and residual values shall be reviewed by the Group's management on each reporting date.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **h) Tangible assets (continued)**

If expectations differ from other previous estimates, the change shall be accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Estimated useful lives for the current and comparative periods are as follows:

- buildings	12-75 years
- Technical installations and means of transport	2-20 years
- Other installations, equipment and furniture	2-15 years

La VOLTALIM SA Craiova are found normal period of use over those in legislation. These periods were established after the construction works reassessment by evaluators.

- ***Accounting treatment over the surplus from reassessment***

The group opted for the next accounting treatment of the surplus from reassessment: the reassessment surplus included in the equity afferent to a tangible asset item is directly transferred in the reported result during depreciation and when the asset is derecognised, released and scrapped.

The reassessment surplus included in the reassessment reserve is capitalised by the transfer in the reported result, during depreciation and at the asset underlining. The underlining of the reassessment reserves is carried out on each immobilization and on each reassessment operation which took place. The diminishment of the reassessment reserves may be performed only within the limits of the existent creditor balance, afferent to the respective immobilization.

- ***Depreciation***

An asset is depreciated when its accounting amount exceeds its recoverable value.

At each reporting date, the Group shall determine whether there are indications of impairment of assets. If such indications are identified, the Group shall estimate the recoverable amount of the asset.

If an asset accounting value is decreased as a result of a revaluation, this decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other elements of comprehensive income to the extent that the revaluation surplus presents a credit balance for that asset. Reducing recognized in other elements of comprehensive income reduces the amount accumulated in own equity under the heading of revaluation surplus.

Land is not depreciated. Impairment of other tangible assets is calculated using the straight-line method, allocating costs related to the residual value, according to the corresponding lifetime.

- ***Derecognition***

The accounting value of an item of tangible assets is derecognised (eliminated from the consolidated statement of financial position) on disposal or when no future economic benefits are expected from its use or disposal. Tangible assets which are retired or sold are removed from the balance sheet with the corresponding accumulated depreciation. Gains or losses resulting from the derecognition of a tangible asset element is included in the current profit or loss account when the element is derecognized.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **i) Real estate investments**

Real estate investments are real estate properties (lands, buildings or parts of a building ) held by the Group (as owner) for the purpose of rent or to increase value or both, and not:

- to be used in the production or supply of goods or services or for administrative purposes; or
- to be sold during the normal development of activity.

Certain properties include one part which is held in order to be rented or with the purpose of increasing value and another part which is held for the purpose of producing assets, performing services or for administrative purposes.

If these parts can be sold separately (or rented separately based on a financial leasing contract), then they are accounted separately. If the parts cannot be sold separately, the property is treated as real estate investment only if the part used for the purpose of producing goods, performing services or for administrative purposes is insignificant.

- **Recognition**

A real estate investment is recognized as asset if, and only if:

- It is probable that a future economic benefit associated to the real estate investment to enter the Group.
- The asset cost can be determined in a credible way.

- **Evaluation**

##### *Initial evaluation*

A real estate investment is initially measured at cost, inclusively trading costs. The cost of a real estate investment acquired is formed from its buying price plus any expenses directly assignable (for instance professional fees for performance of legal services, transfer of ownership fees and other trading costs).

##### *Further evaluation*

The accounting policy of the Group regarding further evaluation of real estate investments is that based on the model of fair value. This policy is uniformly applied to all real estate investments.

The assessment of the fair value of real estate investments is performed by assessors members of ANEVAR. The fair value is based on quotations of market prices, adjusted, as the case may be, so as to reflect differences connected to nature, location or conditions of the respective asset. These evaluations are periodically revised by the Group management.

Gains or losses resulting after the modification of fair value of real estate investments are recognized in the profit and loss account of the period in which they are performed.

The fair value of real estate investments reflects the market conditions on the date of balance sheet.

- **Transfers**

Transfers to or from real estate investments are made when and only when there is a modification in the use of the respective asset, highlighted by:

- Commencement of use by the Group - transfers from real estate investments to tangible assets used by the Group;
- Start planning process in anticipation of the sale - transfers from real estate investments to inventories accounted for in accordance with IFRS 5;
- Start planning process in anticipation of the sale – for transfers from real estate investments to inventories accounted for in accordance with IFRS 5;
- Commencement of an operating lease with another party - for transfers from inventories to real estate investments.

For the transfer of a real estate investment assessed at fair value in tangible assets, the implicit cost of the asset for the purpose of its further accounting will be its fair value from the modification date of use.

**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**i) Real estate investments** (continued)

• **Derecognition**

The accounting value of a real estate investment is de-recognized upon cession or when the investment is definitely withdrawn from use and future economic benefits are no longer expected from its cession.

Gains or losses resulting from cassation or sale of a real estate investment must be determined as the difference between net cash from cession and the accounting value of the asset and must be recognized in the profit and loss account when it is cassated or sold.

**j) Stocks**

Stocks are assets held in order to be sold in the normal development of activity, assets in course of production, which are to be sold in the normal development of activity, or assets in the form of raw matters, materials and other consumables, which are to be used in the production process or for performance of services.

Inventories are assessed at the smallest value between cost and net accomplishable value. The cost of inventories includes all costs related to acquisition and processing, as well as other costs borne in order to bring inventories in the form and place where they currently are.

The net accomplishable value is the estimated sale price, which could be obtained within the normal development of activity, less estimated costs for finalization of the good and estimated costs in order to make the sale. Cost of inventories that are not normally interchangeable and of goods or services produced and intended for separate commands is determined by specific identification of individual costs. For fungible inventories output cost is determined using the “first in, first out” method (FIFO).

**k) Impairment of assets other than financial**

The accounting value of the Group assets that are not financial in nature, other than deferred tax assets is reviewed at each reporting date to identify the existence of impairment indicators. If such indication exists, it is estimated the recoverable amount of the respective assets.

An impairment loss is recognized when the accounting value of the asset or its cash generating unit exceeds the recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash and which is independent from other assets and other groups of assets. Impairment losses are recognized in the profit or loss account.

The recoverable amount of an asset or cash-generating unit is the maximum of its value in use and its fair value less costs to sell that asset or units. In assessing net value of use, future cash flows are updated using a pre-tax update rate that reflects current market conditions and the specific risks to the respective asset.

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether they decreased or no longer exist. Impairment loss is reversed if a change in the estimates used to determine the recoverable amount occurred. An impairment loss is reversed only if the asset accounting value does not exceed the accounting value that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **l) Share Capital**

Share Capital consists of ordinary shares, indivisible, nominative, of equal value, issued in dematerialized form and grant equal rights to their holders.

Incremental costs directly attributable to an issue of ordinary shares are deducted from equity, net of effects of taxation.

##### **m) Provisions**

Provisions are recognized in profit or loss account when the company has a present (legal or implicit) obligation as a result of past events and when it is probable that for the settlement of obligation to be required an outflow of resources embodying economic benefits and a reliable estimate can be made about the amount of the obligation.

To determine the provision, future cash flows are updated using a pre-tax update rate that reflects the current market conditions and specific risks to the respective liability. The amount recognized as provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions shall be reviewed at the end of the reporting period and adjusted so as to reflect the current best estimate. If it is no longer probable an outflow of resources embodying economic benefits, the provision should be cancelled.

No provision is recognized for costs that are incurred for carrying the activity in the future.

The Group records provisions for onerous contracts in cases where the expected benefits to be obtained from a contract are lower than the inevitable costs associated with fulfilling contractual obligations.

##### **n) Benefits of employees**

- **Short term benefits**

Short term benefits of employees include wages, premiums and contributions to social insurances.

Obligations with short term benefits given to employees are not updated and are recognized in the profit and loss account as the related service is performed.

Short-term employee benefits are recognized as expense when the services are rendered. A provision is recognized for the amounts expected to be paid as cash premiums in short-term or schemes for staff participation in profit as the company has legal or implicit obligation to pay these amounts as a result of past services rendered by employees and if the respective obligation can be reliably estimated.

Besides salaries and other indemnities, according to the company contract (articles of incorporation) and the collective labour agreement, administrators, directors with mandate agreement and employees of the company are entitled to receive incentives from profit participation fund. This obligation is first recognized in the profit or loss account in the financial year in which the profit was realized in the form of provisions for the participation of employees to profit and premiums to be paid and will be distributed after the approval by the general meeting of shareholders of the individual annual financial statements, prepared for the year in which was realized profit from where incentives are granted.

- **Plans of determined contributions**

The Group makes payments on behalf of their employees by the Romanian State pension scheme, health insurance and unemployment benefit in the normal course of conducting business. Also, all Group employees are members and have a legal obligation to contribute (through individual social contributions) to the Romanian State pension scheme. All related contributions are recognized in the profit or loss account in the period when incurred. The Group has no further obligations.

**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**n) Benefits of employees** (continued)

The Group is not engaged in any independent pension scheme and therefore does not have any other obligations in this respect. The Group has no obligation to provide further services to current or former employees.

- ***Long term benefits of the employees***

The Group's net obligation in respect of benefits from long-term services is the amount of future benefit that employees have earned in return for services rendered by them in the current and prior periods. Based on collective labour agreements in force retirees to pension and full seniority benefit on retirement of a compensation equal to the value of two wages at the date of retirement.

**o) Payment dividends**

Dividends are treated as a profit distribution in the period when they were declared and approved by the Ordinary General Assembly of Shareholders. Available profit for assignment is the annual profit registered in financial statements prepared according to IFRS.

**p) Income recognition**

Incomes are measured at the fair value of the consideration received or to be received. Incomes are reduced corresponding to the estimated value of goods returned by customers, rebates and other similar items.

- ***Incomes from the sale of goods and performance of services***

Incomes from sale of goods and performance of services are recorded net of trade discounts, VAT and other taxes related to turnover.

Incomes from sale of goods is recognized in the profit or loss account when the significant risks and rewards of ownership of goods are transferred to the buyer, which happens most often in their delivery.

Incomes from services is recognized in the profit or loss account according to their stage of completion.

- ***Incomes from dividends***

Incomes from dividends are recognized in the profit and loss account at the time it is established the right to receive these incomes.

Dividend income is recorded at gross value including tax on dividends, which is recognized as current expense with profit tax. The actual calculation is done according to the fiscal provisions in force on the calculation date.

In case of dividends received in the form of shares as an alternative to cash payment, incomes from dividends are recognized on cash level that would have been received in correspondence with the increase in participation related. The Group does not record incomes from dividends related to shares received without consideration in money when they are distributed proportionately to all shareholders.

- ***Income and expenses with interests***

Interest income and expenses are recognized in profit or loss account using the effective interest method. The effective interest rate is the rate that exactly discounts the expected cash receipts and payments in future for the expected life of the asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **p) Income recognition** (continued)

- **Income from rents**

Incomes from rents are generated by real estate investments leased by the group in the form of operational leasing agreements and are recognized in the linear profit or loss account throughout the entire period of the agreement.

##### **r) Recognition of expenses**

Expenses are recorded during their performance, and their recognition in profit or loss account is subject to the principle of independence of the year.

**Operating expenses** are recognized in profit or loss account in the period in which they were made.

**Bank commission expenses** are recorded as incurred.

**Expenses from transactions** are recognized at the same time with the incomes from these operations, on the transaction date for securities traded, respectively on the date of receipt of final instalment in case of sale in instalments of the unlisted securities.

On arrival, the cost of securities is represented by the acquisition cost, and at the balance sheet date, the acquisition cost is adjusted with established temporary impairments.

**Expenses with management fees, rates and charges** are recognized when they occur.

**Commission expenses related to transactions** are recognized on trade date.

**Salary costs and related contributions** are recognized when they occur, with the observance of the principle of independence of the year.

##### **s) Gains and losses from exchange rate differences**

Foreign currency transactions are recorded in the functional currency (RON), by converting foreign currency amounts at the official exchange rate communicated by the National Bank of Romania valid at trade date.

At balance sheet date, monetary items expressed in foreign currencies are translated using the exchange rate on the last day of the currency auction of the year.

Exchange differences arising during the settlement of monetary items or conversion of monetary items at different rates from those at which they were translated on initial recognition (during the period) are recognized as loss or gain in the period in which they arise.

##### **t) Corporate tax**

Corporate tax related to the exercise includes current tax and postponed tax. Current Corporate tax includes tax on incomes from dividends recognized at gross value.

Corporate tax is recognized in profit or loss or in other elements of comprehensive income if the tax is related to capital elements.

Current tax is the tax to be paid, related to profit obtained in the current period, determined based on percentages applied on the reporting date and of all adjustments relating to previous periods.

For the financial exercises concluded on 31st December 2016, the rate of Corporate tax was of 16% (2015: 16%). The tax rate relating to incomes from taxable dividends was of 5% and zero (2015: 16% and zero).

Deferred tax is determined by using the balance sheet method for those temporary differences that appear between the tax fiscal calculation basis for assets and debts and their accounting value used for reporting in consolidated financial statements.

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities arising from transactions which are not combinations of enterprises and that affects neither the accounting profit nor tax and differences arising from investments in subsidiaries, provided that they will not reverse in the foreseeable future.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **t) Corporate tax** (continued)

Deferred tax is calculated using tax rates expected to apply to the resumption of temporary differences based on the laws in force at the reporting date.

Deferred tax assets and liabilities are offset only if a legally enforceable right to offset current tax liabilities and claims exists and whether they are related to the tax collected by the same taxation authority on the same entity subject to taxation or different fiscal authority but seeking to settle tax claims and current liabilities using a net basis or related assets and liabilities will be realized simultaneously.

The deferred tax claim is recognized only to the extent that it is probable the realization of future profits that can be used to cover the tax loss. The claim is reviewed at the end of each financial year and is reduced to the extent that the related tax benefit is unlikely to be realized. Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the dividend.

##### **u) Result per share**

The Group presents the result per basic share and diluted for common shares. Basic result per share is calculated by dividing profit or loss attributable to ordinary shareholders of the Group at the weighted average number of ordinary shares relating to the reporting period.

Diluted result per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with dilution effects resulting from potential ordinary shares.

##### **v) Segment reporting**

A segment is a distinct component that delivers certain products or services (segment of activity) or provides products and services in a particular geographical environment (geographic segment) and which is subject to risks and benefits different from those of other segments.

On December 31, 2016, the Company's activity together with its portfolio companies, which owns over 50% of the share capital included in the consolidation perimeter, was segmented into the following main activities:

- financial investments activity
- space rental
- food industry
- retail trade in non-specialized stores, selling predominantly non-food products
- tourism

##### **x) New standards and amendments**

- *Standards and amendments to standards that existed on January 1, 2016*

There are no standards, interpretations or amendments to the existing standards that apply for the first time for the financial year that begins on 1 January 2016 that have a material impact on the Company's financial statements.

- *New standards, amendments and interpretations with effect from 1 January 2016 and not adopted earlier*

There were new standards, amendments and interpretations that apply to annual periods beginning after 1 January 2016 that have not been applied in the preparation of these financial statements. None of the above is expected to have a significant effect in the future on the financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**x) New standards and amendments** (continued)

Standards / interpretations that have been issued and are applicable from or after January 1, 2016.

- **IFRS 14 "Deferred Retirement Accounts for Regulated Activities"** (effective from 1 January 2008) January 2016)

IFRS 14 is an interim standard that exempts those who first adopt IFRSs in respect of accounting for regulated activities.

- **Amendments to IFRS 11 - "Accounting for Acquisitions and Interests in Associates"**

(In force since 1 January 2016)

The amendment clarifies the accounting for the acquisition of a jointly controlled joint venture when it is a business entity. The Standard requires the investor who makes such an acquisition to apply the business combination accounting.

- **Amendments to IAS 16 and IAS 38 - Clarifications on Acceptable Methods**

**Depreciation** (effective from 1 January 2016).

The amendments clarify that an income-based depreciation method is not generally appropriate. The IASB amended IAS 16 to clarify that such depreciation is not appropriate for property, plant and equipment.

IAS 38 "Intangible Assets" now includes the assumption that amortization of intangible assets is not appropriate. This presumption can be eliminated if:

- the intangible asset is expressed as a measure of income (eg when the measure of product revenue is a limiting factor of the value that can be released by the asset), or
- It can be demonstrated that the income and consumption of the economic benefits generated by the asset are very correlated.

- **Amendments to IAS 27 - Equity method in individual financial statements**

(effective from 1 January 2016).

The amendment allows entities to account for investments in subsidiaries, associates and joint ventures by equity method.

IAS 27 currently allows the recording of these investments either at cost or as a financial asset in the financial statements. The amendment introduces the equity method as a third method.

- **Annual updates of the IFRS Cycle 2012 - 2014** (effective from January 1, 2016)

These adjustments change the standards from 2012 to 2014. They include amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Information to Provide", IAS 19 "Employee Benefits", IAS 34 "Interim Financial Reporting".

- **Amendments to IAS 1 - Presentation Initiative** (effective from January 1, 2016)

The amendments to IAS 1 "Presentation of Financial Statements" were made in the context of the IASB's "Presentation Initiative" exploring how the presentation of financial statements can be improved. The amendments clarify a number of issues, including:

- the materiality threshold - an entity should not group or degrade data in a manner that obstructs the disclosure of relevant information. Where the terms are significant, sufficient information must be provided to explain the impact on the financial position or performance.

#### **4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

##### **x) New standards and amendments** (continued)

- Disaggregation's and subtotals - Presentation lines provided by IAS 1 may require disaggregation where it proves relevant to understanding the financial position or performance.

- Notes to financial statements - Confirmation that notes do not need to be presented in a specific order.

- other results from the statement of comprehensive income arising from accrual based accounting - the parent's share should be grouped on the assumption that these items will then be classified in the income statement.

In accordance with the transitional provisions, disclosures in IAS 8 on the adoption of new accounting standards / policies are not required to apply these amendments.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applicability**

##### **Exception to consolidation**

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates" clarify that:

- The exception to the preparation of financial statements is also available to entities that under- consolidate and which are subsidiaries of some investment entities.

- the investment firm must consolidate a subsidiary that is not an investment entity and whose object of business is to provide support services to the investment firm.

- Entities that are not investment entities, but have a stake in an associate that is an investment entity can choose when it comes to applying the equity method of registration. The fair value measurement applied by the associated investment entity can be applied or the consolidation can be done at the associate level, which can then detail the fair value.

##### **Requirements to be applied in the future**

Standards and Interpretations that have been issued and whose applicability is not mandatory for the period ending on December 31, 2016.

- **IFRS 9 "Financial Instruments" (effective from 1 January 2018)**

The full version of IFRS 9 will replace the IAS 39 Application Guide. IFRS 9 retains but simplifies the mixed-valuation model and establishes three categories of primary measures for financial assets: amortized cost, fair value through other comprehensive income and fair value Through the results account. The basis of the classification depends on the entity's business model and the contractual cash flows of the financial asset.

- **IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018)**

This is a convergence standard on revenue recognition. It replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations.

Revenue is recognized when a customer obtains control of a good or service. The customer obtains control when it has the ability to direct the use and obtain benefits from the respective asset or service.

The underlying principle of IFRS 15 is that an entity recognizes revenue as a result of the promised transfer of goods and services to clients in the amount of the amount that reflects the amount the entity expects to receive for those goods and services. An entity recognizes revenue in accordance with this basic principle by applying the following steps:

**4. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**x) New standards and amendments** (continued)

- Step 1: Identify the contract with the customer
- Step 2: Identify the contract obligations
- Step 3: Determine the transaction price
- Step 4: Allocation of the transaction price on each contract obligation
- Step 5: Recognition of income when engines meets its obligations

IFRS 15 also includes a set of disclosure requirements that will result in the disclosure of complete information about the nature, amount, timing and uncertainty of the income and cash flows arising from the entity's customer contracts.

**• IFRS 16 "Leasing" on Acquisition of Interest in a Joint Operation (in force Starting January 1, 2019; Early adoption is only permitted with the simultaneous adoption of IFRS 15)**

IFRS 16 will primarily affect the lessee's accounting and will result in the recording of almost all leased assets in the balance sheet. The standard abolishes the distinction between financial and operational leasing and provides for the recording of an asset and, at the same time, a financial debt for almost all types of leasing.

**• IAS 12 "Taxes" - the recognition of deferred tax assets for losses Unrealized (effective from 1 January 2017)**

The amendments clarify deferred tax accounting when an asset is measured at fair value and that fair value is lower than the tax base of that asset.

**• Amendments to IAS 7 "Statement of Treasury Flows" - Presentation Initiative (in Force from 1 January 2017)**

Entities will need to give explanations about changes in the position of debt arising from financing activities. This includes changes in cash flows and non-cash outflows such as purchases, sales or postponement of interest payments and unrealized exchange rate fluctuations.

Changes in financial assets should be included in this presentation if cash flows are or will be included in cash flows arising from financing activities.

No special presentation format specified.

**• Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2009) January 2018)**

The amendment clarifies the valuation basis for cash, share-based payments or those that convert cash payments into share-based payments.

**• Amendments to IFRS 10 and IAS 28 - Sale or Asset Contribution to Investors And its associate (application date indefinitely)**

The IASB made limited changes to the scope of IFRS 10 and IAS 28.

The amendments clarify the accounting treatment for asset sales between the investor and the associate. It is confirmed that the accounting treatment depends on whether the non-monetary asset that is sold or represents a contribution in an associate is a business.

## **5. FINANCIAL RISKS MANAGEMENT**

The Group, through the complexity of the activity carried on, is subject to various risks. Risk management is an integral part of all decision-making and business processes within the group. The management of the Group continuously evaluates, manages and supervises the risks that may affect the achievement of its objectives and takes the necessary measures regarding any change in the conditions in which it operates in order to come under the risk profile set at the Group level according to the risk appetite.

Group management pays special attention to risks identification. Group exposure to inherent risks in the business, through daily operations and transactions (especially capital market operations) is identified and aggregated by risk management infrastructure implemented: Audit committee, Internal audit, internal control, operational monitoring, hierarchical levels of authorization and validation of transactions.

Risks monitoring is done on each hierarchical level, with supervision and approval procedures for decision-making and trading limits.

The internal reporting of risk exposure is continuously done on business lines, the company management is permanently kept informed of the risks inherent in conducting business.

The main risk factors identified in 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 company has implemented risks assessment policies to which it is exposed, policies approved by the Board of Directors.

### **a) The Risk due to economic environment**

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, 2016 was a good year, the growth registered by GDP being 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 EU economy will be subjected in 2017 especially to the political risks. The politics will influence economy and will generate incertitude. In the Euro area, elections will be organised in the tree of the most important economies: France, Italy and Holland.

The way in which the UK will exit the EU, conditions which will be negotiated, raises new questions over the EU economy evolution in 2017.

So, 2017 will be a difficult year, with high stakes, due to the unpredictable evolution of the economy.

## **5. FINANCIAL RISKS MANAGEMENT** (continued)

### **b) Operational risk**

The operational risk is defined as the risk of making losses or failing to achieve the estimated profits due to inadequate use of systems, processes, human resources, because both internal factors such as inadequate performance of certain internal activities, the existence of inadequate personnel or inappropriate systems and external factors such as changing economic conditions, legislative changes on the capital market, inappropriate provisions or insufficient shaped in the agreements, social-political events.

The main responsibility of developing and implementing controls connected to operational risk accrues to the Group management. The responsibility is supported by the development of the general company standards for managing the operational risk on the following areas:

- suitable establishment of the organizational structure and responsibilities;
- requirements for separation of responsibility;
- alignment with the requirements of the regulatory framework;
- requirements for reporting operational losses and proposals for remediation;
- professional development and training;
- establishment of ethical standards;
- establishment and implementation of the risk management strategy, establishment of the risk appetite and risk profile;
- documentation of controls and procedures;
- establishment and implementation of the procedures of preventing and management of internal conflicts;
- preventing the risk of litigation;
- establishment of the procedures regarding management of the confidential information and procedure regarding market abuse.

Operational risks are inherent to the company's business.

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

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 exposed to the market value risk of financial instruments held fluctuating as a result of the change of the conditions on the capital market. The risk management strategy periodically calls for preparation and submission of reports to the Audit Committee and management structures that analyses the assessment, management, supervision and reporting of the identified risks, compliance within the risk limits set and the measures to be taken for a management as efficient as possible.

The Group is subject to market risk, mainly due to its trading activities. Taking into account the particularities of the Company, the most relevant risks to the current activity are: share price risk, interest rate risk, foreign exchange risk.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

## **5. FINANCIAL RISKS MANAGEMENT (continued)**

### **c) Market risk (continued)**

#### **Price risk**

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

The market value of the portfolio of listed shares (on BVB – settled market, BVB-AERO, SIBEX), on 31.12.2016, represents 62,49% (2015: 63,92%) of the total value of shares portfolio managed.

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

In the managed portfolio a number of 8 issuers can be found, of the 12 that constitute the BET index of Bucharest Stock Exchange.

Market value of the holdings in those 8 issuers, represents on 31.12.2016 - 80,21% (2015: 81,49%) 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 31<sup>st</sup> December 2016 the Group has the following structure of assets subject to price risk:

<i>In RON</i>	<b>No. comp anies</b>	<b>Market value 31.12.2016</b>		<b>No. companies</b>	<b>Market value 31.12.2015</b>
Capital investments					
Companies listed	31	824,634,684		31	899,559,429
Companies not listed	35	494,900,179		39	507,693,540
Fund units	4	2,386,705		4	2,301,191
<b>Total capital investments</b>	<b>70</b>	<b>1,321,921,568</b>		<b>74</b>	<b>1,409,554,160</b>

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 31.12.2016 - 91,80% (2015: 91,84%) of the fair value of investments.

The Group also monitors risk concentration on sectors of activity which is presented as follows:

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)**

Structure of portfolio Economic sectors with weight in the value portfolio of SIF :	Issuers		Total nominal value of the investment		Total market value of the investment	
	SC No.	%	(RON)	%	(RON)	%
<b>December 31<sup>st</sup>, 2016</b>	<b>70</b>	<b>100.00</b>	<b>467,362,958</b>	<b>100.00</b>	<b>1,321,921,568</b>	<b>100.00</b>
finances, banks, insurances	5	7.14	185,411,773	39.67	705,398,670	53.37
oil resources and related services	1	1.43	73,280,152	15.68	191,261,838	14.47
tourism, public food, recreation	4	5.71	46,836,084	10.02	55,240,196	4.18
car manufacture industry,	10	14.29	34,243,453	7.33	26,336,612	1.99
energy and gas transportation	2	2.86	30,047,990	6.43	135,684,024	10.27
electronic, electrotechnical industry	8	11.42	25,417,706	5.44	36,403,022	2.75
metallurgical industry	3	4.29	21,142,891	4.52	21,725,448	1.64
pharmaceutical industry	1	1.43	9,281,403	1.99	48,263,294	3.66
other financial intermediation	8	11.42	8,035,689	1.72	12,477,429	0.94
glass, china, faience industry	1	1.43	4,799,887	1.03	12,624,258	0.96
chemical industry	1	1.43	4,702,595	1.01	12,461,877	0.94
domestic trade	4	5.71	4,019,712	0.86	1,664,423	0.13
financial markets management	1	1.43	3,837,090	0.82	11,127,561	0.84
food industry	3	4.29	2,980,128	0.64	3,215,833	0.24
distribution, supply of electricity and energy services	1	1.43	2,452,380	0.52	3,227,332	0.24
let and sublet of real estate goods	2	2.86	1,729,393	0.37	1,766,221	0.13
methane gas resources	1	1.43	1,608,414	0.34	40,210,350	3.04
constructions	3	4.29	876,226	0.19	0	0.00
other activities	7	10.00	4,159,975	0.89	446,475	0.03
<b>TOTAL CAPITAL SECURITIES</b>	<b>66</b>	<b>94.29</b>	<b>464,862,941</b>	<b>99.47</b>	<b>1,319,534,863</b>	<b>99.82</b>
<b>FUND UNITS</b>	<b>4</b>	<b>5.71</b>	<b>2,500,017</b>	<b>0.53</b>	<b>2,386,705</b>	<b>0.18</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)**

Structure of portfolio Economic sectors with weight in the value portfolio of SIF :	Issuers		Total nominal value of the investment		Total market value of the investment	
	SC No.	%	(RON)	%	(RON)	%
<b>31<sup>st</sup> December 2015</b>	<b>74</b>	<b>100.00</b>	<b>489,540,375</b>	<b>100.00</b>	<b>1,409,554,160</b>	<b>100.00</b>
finances, banks, insurances	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
transport of energy and gas	2	2.70	41,301,620	8.44	165,269,200	11.72
tourism, public food, recreation	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
car manufacture industry, processing	11	14.87	34,240,821	6.99	23,503,981	1.68
wood, cellulose, paper industry	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
financial markets management	2	2.70	3,984,695	0.81	10,453,597	0.74
other financial intermediation	7	9.46	7,461,457	1.52	9,757,336	0.69
glass, china, faience	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
let and sublet of real estate goods	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
<b>TOTAL CAPITAL SECURITIES</b>	<b>70</b>	<b>94.59</b>	<b>487,040,358</b>	<b>99.49</b>	<b>1,407,252,969</b>	<b>99.84</b>
<b>FUND UNITS</b>	<b>4</b>	<b>5.41</b>	<b>2,500,017</b>	<b>0.51</b>	<b>2,301,191</b>	<b>0.16</b>

From the analysis of the above data, on 31.12.2016 the Group mainly held shares operating in the finance, banking, insurance field accounting for 53,37% of the total portfolio, up from 31.12.2015, when the same sector of activity recorded a weight of 52,79%.

*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.

Given that most Group assets are denominated in national currency, and all the transactions with financial instruments are made on the Romanian capital market, the exchange rate fluctuations do not directly affect the Group's operations.

These fluctuations have influence in the case of assessing investments of the type of deposits in foreign currency.

Currency available holdings represent, on 31.12.2016, 0,54% (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:

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)**

<i>In RON</i>	<b>Accounting value</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>31 December 2016</b>				
<b>Financial assets</b>				
Cash and cash equivalents	14,097,652	12,651,258	1,373,958	72,436
Deposits placed in banks	55,766,431	48,907,772	114,010	6,744,649
Financial assets available for sale	1,320,042,260	1,320,042,260	-	-
Financial assets measured at fair value through profit or loss	1,879,308	1,879,308	-	-
Credits and receivables	27,956,237	27,956,237	-	-
Other financial assets	128,854,425	128,854,425	-	-
<b>Total financial assets</b>	<b>1,548,596,313</b>	<b>1,540,291,260</b>	<b>1,487,968</b>	<b>6,817,085</b>
<b>Financial debts</b>				
Payment dividends	57,862,221	57,862,221	-	-
Other financial debts	121,757,366	121,757,366	-	-
<b>Total financial debts</b>	<b>179,619,587</b>	<b>179,619,587</b>	-	-
<i>In RON</i>	<b>Accounting value</b>	<b>RON</b>	<b>EUR</b>	<b>USD</b>
<b>31<sup>st</sup> December 2015</b>				
<b>Financial assets</b>				
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	-	-
<b>Total financial assets</b>	<b>1,648,881,772</b>	<b>1,628,066,154</b>	<b>1,118,710</b>	<b>19,696,908</b>
<b>Financial debts</b>				
Payment dividends	81,787,050	81,787,050	-	-
Other financial debts	115,336,099	115,336,099	-	-
<b>Total financial debts</b>	<b>197,123,149</b>	<b>197,123,149</b>	-	-

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)***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.

The majority of the portfolio assets are not interest-bearing. As a result, the Group is not significantly affected by the interest rate risk. Interest rates applied to cash and cash equivalents are on short-term. At Group level, the weight of the financial resources borrowed in the total financing resources of the companies is insignificant, with the exception of ARGUS SA Constanta and MERCUR SA Craiova.

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.

The following table summarizes the Group's exposure to interest rate risk.

*In RON*

	<b>Accounting value</b>	<b>Below 3 months</b>	<b>Between 3 and 12 months</b>	<b>With no interest</b>
<b>31 December 2016</b>				
Cash and cash equivalents	14,097,652			- 14,097,652
Deposits placed in banks	55,766,431	39,951,885	15,814,546	-
Financial assets available for sale	1,320,042,260	-	-	- 1,320,042,260
Financial assets measured at fair value through profit or loss	1,879,308	-	-	- 1,879,308
Credits and receivables	27,956,237	-	-	- 27,956,237
Other financial assets	128,854,425	-	-	- 128,854,425
<b>Total financial assets</b>	<b>1,548,596,313</b>	<b>39,951,885</b>	<b>15,814,546</b>	<b>- 1,492,829,882</b>
<b>Financial debts</b>				
Payment dividends	57,862,221	-	-	- 57,862,221
Other financial debts	121,757,366	10,299,704	64,588,659	16,056,272 30,812,731
<b>Total financial debts</b>	<b>179,619,587</b>	<b>10,299,704</b>	<b>64,588,659</b>	<b>16,056,272 88,674,952</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)***In RON*

	<b>Accounting value</b>	<b>Below 3 months</b>	<b>Between 3 and 12 months</b>	<b>With no interest</b>
<b>31<sup>st</sup> December 2015</b>				
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
Other financial assets	154,305,070	-	-	154,305,070
<b>Total financial assets</b>	<b>1,648,881,772</b>	<b>43,652,176</b>	<b>18,327,912</b>	<b>1,586,901,684</b>
<b>Financial debts</b>				
Payment dividends	81,787,050	-	-	81,787,050
Other financial debts	115,336,099	-	-	115,336,099
<b>Total financial debts</b>	<b>197,123,149</b>	<b>-</b>	<b>-</b>	<b>197,123,149</b>

**d) Credit Risk**

The credit risk means the Group's risk of incurring losses as a result of the insolvency of its borrowers, meaning the risk of failure to collect any receivables recorded at Group level respectively.

In the case of the Group, the credit risk is reduced as the portfolio is mostly determined by the exposures to asset items of the "shares" type representing 76.41% of the assets under management, assessed in accordance with the legal provisions and that could generate a possible risk of not receiving the dividends annually approved by the GSM.

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 the Group's activity indirectly, in case of the portfolio companies that face financial difficulties in paying their obligations as for dividends. Taking into account the investment diversity and the fact that most of them are in stable and increased market liquidity entities, this risk is far diminished and properly managed by the Group.

The Group may be exposed to credit risk by investing in bonds, current accounts, bank deposits, as well as other receivables. There are not investments in bonds, derivatives at the Group level, that way minimizing the credit risk.

On 31<sup>st</sup> December 2016 the Group did not hold in portfolio bonds, real guarantees as insurance and did not record outstanding financial assets.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****c) Market risk (continued)**

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 2016 is of 96.186.629 lei (2015: 79.921.808 lei) and can be analysed in the following data.

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Deposits and accounts in banks	69,502,053	66,521,786
Other assets	26,684,576	13,400,022
<b>TOTAL</b>	<b>96,186,629</b>	<b>79,921,808</b>

**Exposure on current accounts and deposits placed in banks**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Banca Transilvania	59,500,952	53,016,900
Banca Comerciala Romana	5,166,156	3,764,643
Raiffeisen Bank	3,191,317	5,651,682
Libra Bank	504,927	-
BRD - GSG	400,702	2,580,964
Marfin Bank	391,298	362,350
CEC Bank	197,104	208,474
Trezorerie	116,632	822,906
Garanti Bank	18,745	2,702
Credit Europe Bank	13,694	1,979
Unicredit Tiriac Bank	-	8,631
Alte banci comerciale	526	100,555
<b>Total</b>	<b>69,502,053</b>	<b>66,521,786</b>

**Other assets**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Dividende de incasat	79,696	88,474
Alti debitori diversi si creante comerciale	29,477,513	15,804,555
Ajustări constituite pentru deprecierea altor active financiare (debitori)	(2,872,633)	(2,493,007)
<b>Total</b>	<b>26,684,576</b>	<b>13,400,022</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT** (continued)**e) Liquidity risk**

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

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

The liquidity risk is mainly related to the holdings held in closed-end companies from the managed portfolio. Thus, the sale of such investments - in case of emerging negative aspects in their economical - financial situation or in case that liquidities achieving is pursued - is cumbersome, with the risk of not being possible to obtain a higher price or at least equal to the one with which these investments are valued in the calculation of the net asset in accordance with ASF regulations.

At the same time, the low liquidity of the Romanian capital market often makes difficult the trading of some investments held in the quoted companies.

Looking ahead to 2017, we anticipate maintaining a low level of liquidity for the capital market also as a result of uncertainties in the euro zone, but not having meaningful consequences over the liquidity indicator set at the level of the companies from the consolidation perimeter, carefully supervised and managed by the whole chain of links involved in identification, supervision and management of the risk.

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

<i>In RON</i>	<b>Accounting value</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Without pre-established maturity</b>
<b>December 31<sup>st</sup>, 2016</b>					
<b>Financial assets</b>					
Cash and cash equivalents	14,097,652			-	14,097,652
Deposits placed in banks	55,766,431	39,951,885	15,814,546	-	-
Financial assets available for sale	1,320,042,260	-	-	-	1,320,042,260
Financial assets measured at fair value through profit or loss	1,879,308	-	-	-	1,879,308
Credits and receivables	27,956,237	-	-	-	27,956,237
<b>Total financial assets</b>	<b>1,419,741,888</b>	<b>39,951,885</b>	<b>15,814,546</b>	<b>-</b>	<b>1,363,975,457</b>
<b>Financial debts</b>					
Payment dividends	57,862,221	57,862,221	-	-	-
Other financial debts	121,757,366	41,112,435	64,588,659	16,056,272	-
<b>Total financial debts</b>	<b>179,619,587</b>	<b>98,974,656</b>	<b>64,588,659</b>	<b>16,056,272</b>	<b>-</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***5. FINANCIAL RISKS MANAGEMENT (continued)****e) Liquidity risk (continued)**

<i>In RON</i>	<b>Accounting value</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Without pre-established maturity</b>
<b>December 31<sup>st</sup>, 2015</b>					
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
<b>Total financial assets</b>	<b>1,494,576,702</b>	<b>43,652,176</b>	<b>18,327,912</b>	<b>-</b>	<b>1,432,596,614</b>
Financial debts					
Payment dividends	81,787,050	81,787,050	-	-	-
Other financial debts	115,336,099	21,322,099	94,014,000	-	-
<b>Total financial debts</b>	<b>197,123,149</b>	<b>103,109,149</b>	<b>94,014,000</b>	<b>-</b>	<b>-</b>

**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 year period, in general after their submission.

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

**g) Capitals adequacy**

The group has a policy of maintaining equity in order to develop the company and achieve the proposed goals. The main objective of the company is activity continuity in order to provide profitability for its shareholders.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

#### **5. FINANCIAL RISKS MANAGEMENT (continued)**

##### **g) Capitals adequacy (continued)**

The equity of the Company consists of share capital, reserves created, the current result and retained result. On 31.12.2016 the equity of the Company was of 1,439,826,508 lei (31.12.2015: 1,449,639,098 lei).

The Group is not subject to statutory capital adequacy requirements.

##### **h) Use of estimates and reasoning**

Determining the fair value of financial assets and liabilities for which no observable market price exists, requires the use of valuation techniques which, in the absence of observable market data may result in a fair value less objective and requires levels of reasoning depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other specific risks affecting a financial instrument.

#### **6. FINANCIAL ASSETS AND LIABILITIES**

##### **Accounting classifications and fair values**

The accounting amounts and fair values of financial assets and liabilities are presented on 31.12.2016, as follows:

In RON	Traded	Available for sale	Amortized cost	Net accounting value	Fair value
Cash and cash equivalents	-	-	14,097,652	14,097,652	14,097,652
Deposits placed in banks	-	-	55,766,431	55,766,431	55,766,431
Financial assets available for sale	-	1,320,042,260	-	1,320,042,260	1,320,042,260
Financial assets measured at fair value through profit or loss	1,879,308	-	-	1,879,308	1,879,308
Investments held until maturity	-	-	-	-	-
Other financial assets	-	-	156,810,662	156,810,662	156,810,662
<b>Total financial assets</b>	<b>1,879,308</b>	<b>1,320,042,260</b>	<b>226,674,745</b>	<b>1,548,596,313</b>	<b>1,548,596,313</b>
Payment dividends	-	-	-	-	-
Other financial debts	-	-	57,862,221	57,862,221	57,862,221
Investments held until maturity	-	-	121,757,366	121,757,366	121,757,366
<b>Total financial debts</b>	<b>-</b>	<b>-</b>	<b>179,619,587</b>	<b>179,619,587</b>	<b>179,619,587</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***6. FINANCIAL ASSETS AND LIABILITIES (continued)**

The accounting amounts and fair values of financial assets and liabilities are presented on 31.12.2015, as follows:

In RON	Traded	Available for sale	Amortized cost	Net accounting value	Fair value
Cash and cash equivalents	-	-	4,863,204	4,863,204	4,863,204
Deposits placed in banks	-	-	61,980,088	61,980,088	61,980,088
Financial assets available for sale	-	1,407,501,658	-	1,407,501,658	1,407,501,658
Financial assets measured at fair value through profit or loss	2,052,502	-	-	2,052,502	2,052,502
Investments held until maturity	-	-	-	-	-
Other financial assets	-	-	172,484,320	172,484,320	172,484,320
<b>Total financial assets</b>	<b>2,052,502</b>	<b>1,407,501,658</b>	<b>239,327,612</b>	<b>1,648,881,772</b>	<b>1,648,881,772</b>
Payment dividends					
Other financial debts	-	-	81,787,050	81,787,050	81,787,050
Investments held until maturity	-	-	115,336,099	115,336,099	115,336,099
<b>Total financial debts</b>	<b>-</b>	<b>-</b>	<b>197,123,149</b>	<b>197,123,149</b>	<b>197,123,149</b>

**7. INCOMES FROM DIVIDENDS**

Incomes from dividends are recorded at gross value. Tax rates of dividends for the year ended on 31.12.2016 were of 5% and zero (2015: 16% and zero).

Incomes from dividends, mainly on contributors are as follows:

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***7. INCOMES FROM DIVIDENDS (continued)**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
BANCA TRANSILVANIA S.A. Cluj Napoca	13,705,358	-
C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	9,974,878	11,645,203
BRD - GROUPE SOCIETE GENERALE S.A.	5,706,910	-
S.N.T.G.N. TRANSGAZ S.A. Medias	5,009,719	3,953,574
S.N.G. ROMGAZ S.A. Medias	4,335,033	-
ANTIBIOTICE S.A. Iași	1,899,559	2,099,791
COMCEREAL TULCEA S.A.	1,341,260	-
EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	1,281,822	-
ALIMENT MULFATLAR S.R.L. Constanta	1,107,200	-
TURISM LOTUS FELIX S.A. Baile Felix	538,715	328,280
BURSA DE VALORI Bucharest S.A.	333,328	559,409
IAMU BLAJ S.A.	313,169	263,800
ELECTRICA S.A. Bucharest	210,905	320,398
S.I.F. TRANSILVANIA S.A.	142,471	-
S.I.F. MOLDOVA S.A.	1,350	122,879
OMV PETROM S.A. Bucharest	-	7,970,994
ELECTROMAGNETICA S.A. Bucharest	-	680,585
S.I.F. BANAT-CRISANA S.A.	-	59,803
VOLTINVEST S.A. Craiova	-	20,146
Others	293,782	348,364
<b>TOTAL</b>	<b>46,195,459</b>	<b>28,373,226</b>

**8. INCOMES FROM INTERESTS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Incomes from interests related to bank deposits	167.176	811.388
Incomes from interests of current bank accounts	11,309	10,161
<b>Total</b>	<b>178,485</b>	<b>821,549</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***9. OTHER OPERATIONAL INCOMES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Financial income from adjustments for value losses of financial assets	826,949	14,838,171
Income from provisions for impairment of current assets	795,278	1,283,307
Income from sold production	191,190,006	200,688,984
Income from rents	15,458,062	12,759,006
Income from sales of merchandise	7,623,169	8,908,192
Other operating income	58,318,379	85,821,697
Other financial income	19,983	26,881
<b>Total</b>	<b>274,231,826</b>	<b>324,326,238</b>

During 2016 other exploitation incomes were resumed, in accordance with GMS no. 7/29.04.2016, regarding the dividends unwithdrawn for more than 3 years from their exigibility date, for which the right to a share was extinguished by prescription. In this way, other incomes were resumed, in what regards the dividend within the balance afferent to the years 2010 - 2012 in amount of 42,009,606 lei (2015: 82,666,768 lei, acc. to the decision of GMS no. 6/29.04.2014 and 7a/29.04.2015). Likewise, within this category of incomes from real estate sales the amount of 10,989,404 lei was also recorded together with the incomes resulted from the application of the definitive court orders in amount of 1,682,014 lei.

**10. NET PROFIT FROM DIFFERENCES OF EXCHANGE RATE**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Income from differences of exchange rate	917,871	2,225,935
Expenses from differences of exchange rate	1,673,378	1,452,005
Net profit from differences of exchange rate	<b>(755,507)</b>	<b>773,930</b>

**11. NET PROFIT FROM FINANCIAL ASSETS SALE**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Income from sale of financial assets available for sale	77,005,164	131,610,044
Accounting value of financial assets available for transferred sale	21,505,528	75,263,490
Net profit from the sale of financial assets	<b>55,499,636</b>	<b>56,346,554</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***12. ADMINISTRATION AND SUPERVISION COMMISSIONS AND FEES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Expenses regarding commissions due to SSIF for shares transactions	203,272	353,093
Expenses regarding commissions due for services of shareholders register	157,830	163,712
Expenses regarding commissions with deposit company	276,386	318,957
BVB expenses	27,160	32,644
Expenses regarding fees due to entities from the capital market (ASF)	1,398,228	1,458,867
Expenses regarding audit fee	277,596	250,771
Other expenses regarding commissions, fees and levies	171,611	758,702
<b>Total</b>	<b>2,512,083</b>	<b>3,336,746</b>

**13. OTHER OPERATIONAL EXPENSES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Expenses with raw matters and materials	171,702,342	170,176,762
Expenses with taxes and fees	2,593,110	2,177,074
Expenses with the personnel	27,380,487	25,651,616
Expenses with depreciations and provisions	24,049,649	12,033,074
Expenses with external provisions	30,860,261	38,085,759
Expenses with supplier delay penalties	1,400,000	-
<b>Total</b>	<b>257,985,849</b>	<b>248,124,285</b>

**Salary and related expenses**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Salary expenses	22,303,067	21,506,640
Expenses regarding social protection and insurance	4,540,105	4,144,976
Other salary expenses according to the court orders	537,315	-
<b>Total</b>	<b>27,380,487</b>	<b>25,651,616</b>

	<b>31 December 2016</b>	<b>31 December 2015</b>
Staff with mandate agreement	13	14
Employees with higher education	127	118
Employees with medium education	301	301
Employees with general education	48	43
<b>Total</b>	<b>489</b>	<b>476</b>

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

(all amounts are expressed in RON, unless otherwise stated)

### **13. OTHER OPERATIONAL EXPENSES (continued)**

In other operational expenses are summarized expenses with raw matters and materials, expenses with staff, expenses with other taxes and charges, expenses with amortization and provisions, expenses with external services. The average number of employees for the year ended on 31.12.2016 was of 475 (31.12.2015: 483).

The indemnities given in the fiscal year 2016 to the administration bodies, effective and supervisory management, representing salary rights, as well as incentives from the participation fund to profit, summarize 5,956,070 lei (2015: 6,234,569 lei).

The Group makes payments to the Romanian state institutions in the account of his employees` pensions. All employees are members of the pensions plan of the Romanian state. The Group does not operate any other plan of pensions or benefits after retirement and, so, has no kind of other obligations regarding pensions.

Moreover, the Group is not obliged to offer further benefits to employees after retirement.

The Group did not give advances or credits to the members of the Administration Board, directors during the reporting period, except for advances for travels for work, justified with the legal term, so that at the end of the period no amount of this kind is due.

### **14. CORPORATE TAX**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Current corporate tax	16,088,396	25,244,064
Income tax for microenterprises	3,338	-
Tax on dividends	2,024,055	3,944,285
Tax on delayed profit	-	-
<b>Total corporate tax</b>	<b>18,115,789</b>	<b>29,188,349</b>

Reconciliation of profit before taxation, with expense regarding Corporate tax in profit or loss account:

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Profit before taxation	123,373,208	165,192,954
Taxation according to the statutory taxation rate of 16%	19,762,869	26,833,833

Effect on Corporate tax of:

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Non-taxable incomes	(8,618,538)	(11,819,448)
Taxation rate of dividends	2,024,055	3,944,285
Non-deductible expenses	4,999,658	10,238,679
Amounts representing sponsorship within legal frame	(32,025)	(9,000)
Registrations and resume of temporary differences	(23,568)	-
<b>Corporate tax</b>	<b>18,112,451</b>	<b>29,188,349</b>
Corporate tax for microenterprises	3,338	-
<b>Total corporate tax</b>	<b>18,115,789</b>	<b>29,188,349</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***15. CASH AND CASH EQUIVALENTS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash on hand	174,763	159,346
Current accounts in banks	13,833,050	4,613,666
Cash equivalents	89,839	90,192
<b>Total cash and cash equivalents</b>	<b>14,097,652</b>	<b>4,863,204</b>

**16. DEPOSITS PLACED IN BANKS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Bank deposits at sight	55,669,003	61,908,120
Receivables attached	97,428	71,968
<b>Total deposits placed in banks</b>	<b>55,766,431</b>	<b>61,980,088</b>

**17. FINANCIAL ASSETS**

- *Financial assets available for sale*

On 31 December 2016 the structure of the Group's portfolio according to the market where it was traded was the following:

<i>In RON</i>			
<b>Name</b>	<b>Acquisition value</b>	<b>Fair or market value</b>	<b>Differences +/-</b>
- Securities admitted or traded on a regulated market in Romania;	625,823,491	796,440,412	170,616,921
- Securities admitted or traded on an alternative market in Romania;	26,748,363	26,314,964	(433,399)
- Securities not admitted to trading on a regulated market or in an alternative trading system;	192,844,304	494,900,179	302,055,875
- Securities of AOPC/OPCVM	2,500,017	2,386,705	(113,312)
<b>Total</b>	<b>847,916,175</b>	<b>1,320,042,260</b>	<b>472,126,085</b>

On 31 December 2015 the structure of the Group's portfolio according to the market where it was traded was the following:

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***17. FINANCIAL ASSETS (continued)***In RON*

<b>Name</b>	<b>Acquisition value</b>	<b>Fair or market value</b>	<b>Differences +/-</b>
- Securities admitted or traded on a regulated market in Romania;	635,757,020	877,403,933	241,646,913
- Securities admitted or traded on an alternative market in Romania;	24,543,913	20,102,994	(4,440,919)
- Securities not admitted to trading on a regulated market or in an alternative trading system;	208,118,036	507,693,540	299,575,504
- Securities of AOPC/OPCVM	2,500,017	2,301,191	(198,826)
<b>Total</b>	<b>870,918,986</b>	<b>1,407,501,658</b>	<b>536,582,672</b>

On 31.12.2016 and 31.12.2015 in the category of shares measured at fair value, is mainly included, the value of shares held in the following issuers: OMV PETROM SA Bucharest, BRD – Groupe Societe Generale, CNTEE TRANSELECTRICA SA Bucharest, BANCA TRANSILVANIA SA Cluj Napoca, ANTIBIOTICE SA Iasi, SNTGN TRANSGAZ SA Medias si ELETROMAGNETICA SA Bucharest.

- **Financial assets available for sale**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Shares evaluated at fair value	1,310,934,009	1,388,831,819
Shares evaluated at cost	6,721,546	16,368,648
Fund units at fair value	2,386,705	2,301,191
<b>Total</b>	<b>1,320,042,260</b>	<b>1,407,501,658</b>

The movement of financial assets available for sale in the fiscal years ended on 31.12.2016 and 31.12.2015 is presented in the following table:

<i>In RON</i>	<i>Shares evaluated at fair value</i>	<i>Shares evaluated at cost</i>	<i>Fund units</i>	<i>Total</i>
<b>01 January 2015</b>	<b>1,337,939,835</b>	<b>15,983,920</b>	<b>2,322,684</b>	<b>1,356,246,439</b>
Net variation during the period	2,532,919	(20,960)	(197,556)	2,314,403
Losses from impairment	-	-	-	-
Modification of fair value	(101,917,894)	405,688	176,063	(101,336,143)
Transfers between categories	-	-	-	-
Reclassifications 2014	150,276,959	-	-	150,276,959

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***17. FINANCIAL ASSETS (continued)**

<b>31 December 2015</b>	<b>1,388,831,819</b>	<b>16,368,648</b>	<b>2,301,191</b>	<b>1,407,501,658</b>
Net variation during the period	(9,154,143)	(19,810)	-	(9,173,953)
Losses from impairment	(11,124,580)	-	(247,407)	(11,371,987)
Modification of fair value	(67,246,379)	-	332,921	(66,913,458)
Transfers between categories	-	-	-	-
Reclassifications 2016	9,627,292	(9,627,292)	-	-
<b>31 December 2016</b>	<b>1,310,934,009</b>	<b>6,721,546</b>	<b>2,386,705</b>	<b>1,320,042,260</b>

- **Financial assets at fair value through profit or loss account**

Financial assets at fair value through profit or loss account at the end of 2016 appear as follows:

**In RON**

<b>Name</b>	<b>Acquisition value</b>	<b>Fair or market value</b>	<b>Differences</b>
- Securities admitted or traded on a regulated market in Romania	2,643,108	1,879,308	(763,800)

Financial assets at fair value through profit or loss account at the end of 2015 appear as follows:

**In RON**

<b>Name</b>	<b>Acquisition value</b>	<b>Fair or market value</b>	<b>Differences</b>
- Securities admitted or traded on a regulated market in Romania	2,870,583	2,052,502	(818,081)

- **Hierarchy of fair values**

For the calculation of fair value, the 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 (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques based largely on unobservable 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 may have a significant effect on the assessment instrument. This category includes instruments that are valued based on quoted prices for similar instruments but requiring adjustments based largely on unobservable data or estimates to reflect the difference between the two instruments.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***17. FINANCIAL ASSETS (continued)**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Level 1	800,706,424	876,611,574
Level 2	15,157,836	21,674,340
Level 3	506,057,308	511,268,246
<b>Total</b>	<b>1,321,921,568</b>	<b>1,409,554,160</b>

Fair value measurement of holdings on 31.12.2016 was carried out as follows:

- For securities quoted and traded in 2016, the market value was determined by taking into account the quotation of the last trading day; (closing quotation on the main market of capital for level 1, and for level 2 the quotations for shares traded in the 30 trading days were taken into consideration);
- For quoted securities which have not been traded in the last 30 trading days of the year 2016, and for unlisted securities, the market value was determined based on issuers equity on 31.12.2015;
- For related securities of companies in insolvency proceedings or reorganization, valuation is zero;
- For units in OPCVM taken into account was the last net asset value calculated and published.

**18. CREDITS AND RECEIVABLES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Commercial receivables	15,377,027	13,875,588
Debtors	14,180,182	2,017,441
Receivables related to state budget and social insurances budget	1,220,617	4,748,933
Other receivables	51,044	30,295
Adjustments of receivables impairment (debtors)	(2,872,633)	(2,493,007)
<b>TOTAL</b>	<b>27,956,237</b>	<b>18,179,250</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***19. TANGIBLE ASSETS***In RON*

	<b>Lands and buildings</b>	<b>Technical installations and machines</b>	<b>Other installations equipment and furniture</b>	<b>Advances and tangible assets in progress</b>	<b>Total</b>
<b>31 December 2014</b>	<b>76,364,310</b>	<b>64,027,316</b>	<b>1,972,068</b>	<b>2,754,695</b>	<b>145,118,389</b>
Increases	4,457,337	1,094,495	266,888	1,199,814	7,018,534
Reductions	(2,593,776)	(2,368,104)	(629,382)	(1,112,498)	(6,703,760)
<b>31 December 2015</b>	<b>78,227,871</b>	<b>62,753,707</b>	<b>1,609,574</b>	<b>2,842,011</b>	<b>145,433,163</b>
Increases	20,795,294	3,319,884	918,623	1,268,337	26,302,138
Reductions	(1,818,980)	(612,029)	(10,252)	(404,569)	(2,845,830)
<b>31 December 2016</b>	<b>97,204,185</b>	<b>65,461,562</b>	<b>2,517,945</b>	<b>3,705,779</b>	<b>168,889,471</b>
<b>Accumulated depreciation</b>					
<b>31 December 2014</b>	<b>17,601,957</b>	<b>53,683,931</b>	<b>1,326,386</b>	<b>1,289,400</b>	<b>73,901,674</b>
Depreciation registered during the year	2,665,555	1,975,024	188,978	-	4,829,557
Reductions or retaking	(1,909,319)	(2,260,657)	(581,120)	(15,422)	(4,766,518)
<b>31 December 2015</b>	<b>18,358,193</b>	<b>53,398,298</b>	<b>934,244</b>	<b>1,273,978</b>	<b>73,964,713</b>
Depreciation registered during the year	2,475,084	3,687,036	200,414	395	6,362,929
Reductions or retaking	(156,340)	(610,699)	(7,609)	-	(774,648)
<b>31 December 2016</b>	<b>20,676,937</b>	<b>56,474,635</b>	<b>1,127,049</b>	<b>1,274,373</b>	<b>79,552,994</b>
<b>Net accounting value on 31<sup>st</sup> December 2014</b>	<b>58,762,353</b>	<b>10,343,385</b>	<b>645,682</b>	<b>1,465,295</b>	<b>71,216,715</b>
<b>Net accounting value on 31<sup>st</sup> December 2015</b>	<b>59,869,678</b>	<b>9,355,409</b>	<b>675,330</b>	<b>1,568,033</b>	<b>71,468,450</b>
<b>Net accounting value on 31<sup>st</sup> December 2016</b>	<b>76,527,248</b>	<b>8,986,927</b>	<b>1,390,896</b>	<b>2,431,406</b>	<b>89,336,477</b>

**20. REAL ESTATE INVESTMENTS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Balance on 01<sup>st</sup> January</b>	<b>44,802,318</b>	<b>40,228,829</b>
Modifications of fair value	3,309,565	4,963,241
Reclassifications from the category of tangible assets	1,832,505	710,990
Reclassifications in the category of tangible assets	-	(504,469)
Sales real estate investments	47,343,289	-
<b>Balance on 01<sup>st</sup> January</b>	<b>(5,234,515)</b>	<b>(596,273)</b>
<b>Balance on 31<sup>st</sup> December</b>	<b>92,053,162</b>	<b>44,802,318</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***21. OTHER ASSETS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Intangible assets	45,998,962	45,770,335
Other fixed receivables	21,172,515	17,652,252
Inventories	57,872,054	90,467,656
Expenditures in advance	3,810,894	414,827
<b>TOTAL</b>	<b>128,854,425</b>	<b>154,305,070</b>

**22. PAYMENT DIVIDENDS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Payment dividends related to the year 2015	19,322,859	
Payment dividends related to the year 2014	16,055,010	16,830,067
Payment dividends related to the year 2013	22,010,921	22,220,621
Payment dividends related to the year 2012	102,735	16,459,824
Payment dividends related to the year 2011	79,794	16,264,986
Payment dividends related to the year 2010	62,676	9,781,811
Payment dividends related to previous years	228,226	229,741
<b>Total payment dividends</b>	<b>57,862,221</b>	<b>81,787,050</b>

**23. TAXES AND DUTIES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Debts related to Social Insurance Budget	766,713	658,212
Debts related to State Budget	6,086,369	2,865,931
Other taxes and duties	345,538	164,527
<b>Total</b>	<b>7,198,620</b>	<b>3,688,670</b>

**24. LIABILITIES REGARDING DEFERRED CORPORATE TAX**

Liabilities regarding deferred Corporate tax are determined by the following elements:

<i>In RON</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Tax</b>
<b>31 December 2016</b>				
Evaluation at fair value of financial assets available for sale	481,224,152	-	481,224,152	76,995,866
Financial assets available for sale received for free	103,618,857	27,541	103,591,316	16,574,611
Revaluation of tangible assets	13,246,409	635,527	12,610,882	2,017,741
Result retained representing reserves from revaluation of tangible assets	27,774,287	923	27,773,364	4,443,741
Fixed assets adjustments	456,551	877,952	(421,401)	(67,424)
Provisions for litigations and other provisions	140,115	342,136	(202,021)	(32,325)
Other reserves – fiscally facilitated	21,306,417	-	21,306,417	3,409,027
<b>TOTAL</b>	<b>647,766,788</b>	<b>1,884,079</b>	<b>645,882,709</b>	<b>103,341,237</b>

The value of delayed taxation is directly recognised by the diminishment of equity and does not affect the incomes and expenses.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***24. LIABILITIES REGARDING DEFERRED CORPORATE TAX (continued)**

<i>In RON</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Tax</b>
<b>31 December 2015</b>				
Evaluation at fair value of financial assets available for sale	551,422,151	-	551,422,151	88,227,544
Financial assets available for sale received for free	107,283,313	27,541	107,255,772	17,160,924
Revaluation of tangible assets	9,720,105	-	9,720,105	1,555,216
Result retained representing reserves from revaluation of tangible assets	24,029,883	923	24,028,960	3,844,633
Fixed assets adjustments	4,274,175	826,902	3,447,273	551,563
Provisions for litigations and other provisions	92,994	301,421	(208,427)	(33,349)
Other reserves – fiscally facilitated	21,306,417	87,092	21,219,325	3,395,092
<b>TOTAL</b>	<b>718,129,038</b>	<b>1,243,879</b>	<b>716,885,159</b>	<b>114,701,623</b>

**25. OTHER DEBTS**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Debts with the personnel	1,724,189	2,071,803
Commercial debts	6,742,677	7,938,531
Bank credits and other assimilated debts (leasing)	91,027,598	94,023,237
Guarantees received	1,996,229	1,026,800
Various creditors	470,855	1,160,345
Incomes in advance	13,491,206	231,561
Provisions for risks and expenses	6,304,612	8,883,822
<b>Total other debts</b>	<b>121,757,366</b>	<b>115,336,099</b>

On 31.12.2016, the loans of the Group are traced mainly on banking units as follows:

<i>In RON</i>	<b>Company</b>	<b>Bank</b>	<b>Currency</b>	<b>Interest rate</b>	<b>Final due term</b>	<b>Balance at 31 December 2016</b>
	ARGUS S.A. Constanta	Banca Transilvania	LEI	Robor 3M + marja bancii	19.07.2017	59,588,659
	Mercur S.A.	Raiffeisen Bank SA	LEI	Robor 1M +1,35%	31.01.2017	10,299,704
	Mercur S.A.	Raiffeisen Bank SA	LEI	Robor 1M +1,5%	31.01.2021	16,041,220
	<b>Total</b>					<b>85,929,583</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***25. OTHER DEBTS (continued)**

On 31.12.2015, the loans of the Group are traced mainly on banking units as follows:

*In RON*

Company	Bank	Currency	Interest rate	Final due term	Balance at 31 December 2015
S.C ARGUS S.A. Constanta	Banca Transilvania	LEI	variable	30.06.2016	94,000,000
<b>Total</b>					<b>94,000,000</b>

**26. CAPITAL AND RESERVES****Share Capital**

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. Shares are ordinary, indivisible, nominative, of equal value, issued in dematerialized form and give equal rights to their holders. On 31.12.2016 the number of the Company's shareholders was of 5.754.739 (2015: 5.761.728).

Company's shares are listed on the Bucharest Stock Exchange, the Premium category, with the indicative SIF 5 from 01.11.1999.

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

The structure of the Company share capital is presented below.

	Number of shareholders	Number of shares	Amount (RON)	(%)
<b>31 December 2016</b>				
Resident individuals	5,752,643	250,564,376	25,056,437	43.19
Non-resident individuals	1,797	2,511,680	251,168	0.43
Total individuals	5,754,440	253,076,056	25,307,605	43.62
Resident legal entities	247	217,404,868	21,740,487	37.47
Non-resident legal entities	52	109,684,790	10,968,479	18.91
Total legal entities	299	327,089,658	32,708,966	56.38
<b>Total 2016</b>	<b>5,754,739</b>	<b>580,165,714</b>	<b>58,016,571</b>	<b>100.00</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***26. CAPITAL AND RESERVES (continued)**

	Number of shareholders	Number of shares	Amount (RON)	(%)
<b>31 December 2015</b>				
Resident individuals	5,759,633	244,987,869	24,498,787	42.23
Non-resident individuals	1,756	3,358,142	335,814	0.58
Total individuals	5,761,389	248,346,011	24,834,601	42.81
Resident legal entities	279	215,771,544	21,577,154	37.19
Non-resident legal entities	60	116,048,159	11,604,816	20.00
Total legal entities	339	331,819,703	33,181,970	57.19
<b>Total 2015</b>	<b>5,761,728</b>	<b>580,165,714</b>	<b>58,016,571</b>	<b>100.00</b>

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Share Capital	58,016,571	58,016,571
The effect of applying IAS 29 on the share capital	735,271,572	792,552,339
<b>Retreated share capital</b>	<b>793,612,219</b>	<b>850,568,910</b>

**Legal reserves**

Legal reserves are established in accordance with legal requirements in the amount of 5% of profit obtained, until the amount representing 20% of the value of share capital. Legal reserves cannot be distributed to shareholders.

**Dividends**

During 2016 the Group declared payment dividends amounting to 76,747,670 lei (2015: 84,644,591 lei).

**Reserves from reevaluation of the financial assets available for sale**

This reserve comprises the cumulative net changes in the fair values of available financial assets for sale from the date of their classification in this category to the date when they are derecognized or impaired.

Reserves from the revaluation of available-for-sale financial assets are recorded at net cost of deferred tax. The amount of deferred tax is recognized directly by the decrease in equity.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***27. OTHER RESERVES**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Reserves representing excess obtained from revaluation reserves	-	6,065,675
The effect of IAS 29 application on other reserves	1,806,072,898	1,806,072,898
Own financing sources	488,705,469	458,844,661
Other reserves	166,547,289	174,814,700
<b>Total</b>	<b>2,461,325,656</b>	<b>2,445,797,934</b>

**28. MINORITY INTEREST**

Minority interest in equity of the companies included in consolidation appears as follows:

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Profit or loss of the financial year related to non-controlling interests	1,439,316	284,753
Other equity	30,578,410	28,392,567
<b>Total</b>	<b>32,017,726</b>	<b>28,677,320</b>

**29. RESULT PER SHARE**

<i>In RON</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Profit attributable to ordinary shareholders	103,818,103	135,719,852
Weighted average number of ordinary shares	580,165,714	580,165,714
<b>Result per basic share</b>	<b>0.179</b>	<b>0.234</b>

Diluted result per share equals the result per basic share because the group did not record potential ordinary shares.

**30. GUARANTIES GIVEN**

Besides the guarantees given to obtain bank loans, the Group has no type of guarantees given.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

### **31. ENVIRONMENTAL CONTINGENTS**

The Group has not recorded any provision for future environmental costs. The management of the Group does not consider the costs associated with these items to be significant.

### **32. TRANSFER PRICE**

The Romanian legal framework contains rules on transfer prices between affiliates since 2000.

Tax legislation in Romania includes the principle of market value, according to which the transactions between the affiliated parties must be carried out at market value, observing the principles of the transfer prices. Local taxpayers conducting transactions with affiliated parties must prepare and make available to the tax authorities, at their written request, the transfer pricing documentation file within the time limit set by the authorities (the major taxpayers conducting transactions with affiliated persons over the ceilings established by The legislation has the obligation to prepare the annual transfer pricing file starting with the transactions of the year 2016).

Failure to submit the transfer pricing documentation or submitting an incomplete file may result in penalties for non-compliance.

However, regardless of the existence of the file, in addition to the contents of the transfer pricing documentation file, tax authorities may interpret transactions and circumstances different from management's interpretation, and as a result, may impose additional tax liabilities resulting from the adjustment of transfer prices (materialized in increases Income, deductible expense deductions, thus increasing the taxable income tax base).

As a result, tax authorities are expected to initiate thorough transfer pricing checks to ensure that the tax result and / or the customs value of the imported goods are not distorted by the effect of the prices charged in relation to affiliated persons. The company can not quantify the outcome of such verification.

### **33. EXPOSURE CONCENTRATION**

#### **Financial assets**

On 31 December 2016 the Group held an investment portfolio in companies and investment funds at market value of 1,321,921,568 lei. Companies with a weight in the total available for sale securities in which the Group held interests are as follows:

<b>Item no.</b>	<b>Company</b>	<b>Percentage from total - % -</b>	<b>Market value on 31 December 2016 - lei -</b>
1	BANCA COMERCIALA ROMANA S.A.	29,42	388,952,975
2	OMV PETROM S.A. Bucharest	14,47	191,261,838
3	B.R.D. - GROUPE SOCIETE GENERALE S.A.	13,70	181,127,351
4	BANCA TRANSILVANIA S.A. Cluj	7,47	98,810,029
5	C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	6,24	82,453,266
6	S.N.T.G.N. TRANSGAZ S.A. Medias	4,03	53,230,758
7	ANTIBIOTICE S.A. Iasi	3,65	48,263,294
8	S.N.G.N. ROMGAZ S.A. Medias	3,04	40,210,350
9	EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	2,76	36,508,314
10	TURISM LOTUS FELIX S.A. Baile Felix	2,57	33,979,044
	<b>Total</b>	<b>87.35</b>	<b>1,154,797,219</b>

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***33. EXPOSURE CONCENTRATION (continued)**

On 31 December 2015, the Group held an investment portfolio in companies and investment funds at market value of RON 1,409,554,160. Companies with a weight in the total available for sale securities in which the Group held interests are as follows:

<b>Item no.</b>	<b>Company</b>	<b>Percentage from total - % -</b>	<b>Market value on 31 December 2015 - lei -</b>
1	BANCA COMERCIALA ROMANA S.A.	28.03	395,046,018
2	B.R.D.- GROUPE SOCIETE GENERALE S.A.	16.23	228,803,631
3	OMV PETROM S.A. Bucharest	14.63	206,279,009
4	C.N.T.E.E. TRANSELECTRICA S.A. Bucharest	8.17	115,116,411
5	BANCA TRANSILVANIA S.A. Cluj	5.93	83,573,639
6	S.N.T.G.N. TRANSGAZ S.A. Medias	3.56	50,152,789
7	ANTIBIOTICE S.A. Iasi	3.44	48,523,203
8	EXIMBANK - BANCA DE EXPORT IMPORT A ROMANIEI S.A.	2.60	36,640,511
9	ELECTROMAGNETICA S.A. Bucharest	2.42	34,138,174
10	S.N.G.N. ROMGAZ S.A. Medias	2.37	33,340,672
	<b>Total</b>	<b>87.38</b>	<b>1,231,614,057</b>

**34. TRANSACTION AND BALANCES WITH SPECIAL RELATIONS PARTS****Company branches**

According to the current legislation, the company holds a control in a number of 11 issuers on 31.12.2016 (2015: 12 issuers). All the company branches on 31.12.2016 and 31.12.2015 have the headquarters in Romania. For these the holding percentage of the company is not different from the percentage of the number of held votes.

<b>Company name</b>	<b>Percentage held by SIF on 31.12.2016</b>	<b>Percentage held by SIF on 31.12.2015</b>
	<b>- % -</b>	<b>- % -</b>
ALIMENTARA S.A. Slatina	52.24	52.24
TURISM PUCIOASA S.A. Dambovita	69.22	69.22
PROVITAS S.A Bucharest	70.28	70.28
UNIVERS S.A. Rm. Valcea	73.75	73.75
CONSTRUCTII FERROVIARE S.A. Craiova	77.50	77.50
FLAROS S.A. Bucharest	81.04	81.04
ARGUS S.A. Constanta	86.21	86.20
GEMINA TOUR S.A. Rm. Valcea	88.29	88.29
MERCUR S.A. Craiova	93.37	93.37
CONSTRUCTII MONTAJ 1 S.A. Craiova	-	96.56
COMPLEX HOTELIER DAMBOVITA S.A. Targoviste	99.94	99.94
VOLTALIM S.A. Craiova	99.19	99.99

The disappearance during 2016 of the participation held at Constructii Montaj 1 SA Craiova is determined by its fusion through absorption by Voltalim SA Craiova.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

#### **34. TRANSACTION AND BALANCES WITH SPECIAL RELATIONS PARTS (continued)**

##### **Associated entities of the company**

On December 31, 2016, the Company held holdings of over 20% but not more than 50% of the share capital in a number of 8 issuers (2015: 10 issuers). All the associated entities of the Company are based in Romania. For them, the percentage of ownership by the company is not different from the percentage of the votes held.

<b>Company name</b>	<b>Percentage held by SIF on 31.12.2016 - % -</b>	<b>Percentage held by SIF on 31.12.2015 - % -</b>
SANTIERUL NAVAL ORSOVA S.A.	21.21	21.13
MIRFO TRADING S.A. Tg. Jiu	-	22.01
ELECTROMAGNETICA S.A. Bucharest	25.40	25.25
MAT S.A. Craiova	25.71	25.71
TURISM LOTUS FELIX S.A. Baile Felix	27.46	25.76
PRODPLAST S.A. Bucharest	27.55	27.53
ELECTRO TOTAL S.A. Botosani	29.86	29.86
SINTEROM S.A. Cluj Napoca	31.63	31.63
LEMCOR S.A. Craiova	-	34.69
LACTATE NATURA S.A. Targoviste	39.70	39.70

The disappearance in 2016 of the share held in Lemcor SA Craiova is determined by the merger by its absorption by Voltalim SA Craiova. The company Mirfo Trading SA Tg. Jiu was dropped from the portfolio as a result of its sale through a sale-purchase agreement, a closed-end company.

Following the analysis of the quantitative and qualitative criteria presented in IAS 27, "Individual Financial Statements" and IFRS 10 "Consolidated Financial Statements," the Group concluded that it does not have investments in associates on 31 December 2016 and 2015.

Intercompany settlements and transactions, as well as unrealized profits arising from transactions within the Group, are eliminated in their entirety from the consolidated financial statements.

#### **35. MANAGING STAFF**

*31 December 2016*

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

*31 December 2015*

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

##### **Senior Management:**

*31 December 2016*

*Tudor Ciurezu - General Manager, Anina Radu - Deputy General Manager.*

*31 December 2015*

*Tudor Ciurezu - General Manager, Anina Radu - Deputy General Manager.*

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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### **35. MANAGING STAFF (continued)**

#### **Departments Management:**

*31 December 2016*

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

*31 December 2015*

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

### **36. SEGMENT REPORTING**

Segment reporting is the segmentation by activity that takes into account the branch of activity that is the core business of the companies in the consolidation perimeter. The company together with the companies in the portfolio holding more than 50%, included in the consolidation perimeter, performs its activity on the following main business segments:

- financial investment activity
- Rental of spaces
- food industry
- retail in non-specialized stores, with predominantly non-food products
- tourism

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.****Notes to consolidated financial statements****for financial year ended on 31.12.2016***(all amounts are expressed in RON, unless otherwise stated)***36. SEGMENT REPORTING (continued)**

Hereunder we present the reference indicators with the purpose of an eventual analysis:

Indicators	Trade		Renting		Food industry		Tourism		Financial activity		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Fixed assets	-	160,599	130,707,103	68,012,102	62,272,344	56,643,966	14,075,461	13,772,279	1,361,199,497	1,399,194,550	1,568,254,405	1,537,783,496
Current assts	-	61,999	22,909,013	41,597,308	91,444,494	126,270,428	2,145,065	2,001,472	41,421,568	57,011,622	157,920,140	226,942,829
Downpayments	-	-	3,654,026	261,586	54,620	50,798	24,253	26,706	81,276	87,125	3,814,175	426,215
Liabilities	-	75,517	42,078,883	9,950,078	65,878,438	100,331,737	736,034	598,497	161,662,356	195,472,080	270,355,711	306,427,909
Advanced incomes	-	-	860,360	93,216	3,843	4,011	20,260	18,644	12,617,426	-	13,501,889	115,871
Provisions	-	-	489,363	322,696	682,170	409,729	85,079	38,408	5,048,000	8,198,829	6,304,612	8,969,662
Minority interests	-	-	-	-	-	-	-	-	32,017,726	28,677,320	32,017,726	28,677,320
Equity	-	147,081	113,841,536	99,505,006	87,207,007	82,219,715	15,403,406	15,144,908	1,191,356,833	1,223,945,068	1,407,808,782	1,420,961,778

Total incomes	-	999,919	33,194,066	18,423,332	196,749,944	207,078,821	5,402,909	4,290,071	149,279,728	185,861,842	384,626,647	416,653,985
Total expenses	-	1,376,719	24,907,670	15,402,585	199,189,002	208,658,814	4,989,123	4,103,026	32,167,644	21,919,887	261,253,439	251,461,031
Gross result	-	(376,800)	8,286,396	3,020,747	(2,439,058)	(1,579,993)	413,786	187,045	117,112,084	163,941,955	123,373,208	165,192,954
Net result	-	(376,800)	6,979,010	2,397,083	(2,439,058)	(1,579,993)	339,094	138,345	100,378,373	135,425,970	105,257,419	136,004,605

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

Within the Group's fixed assets held on December 31, 2016, 86.80% of the Group's assets are held by the financial investment activity represented by the financial asset portfolio, namely 90.98% at 31.12.2015.

The high level of debts is mainly due to the deferred tax liability for the fair value reserve at 31.12.2016, with a weight of 38.22% (31.12.2015: 37.43%) in total debts.

Also, the net result as at 31.12.2016 realized by the financial investment activity has a share of 95.36%, well above the result obtained by the companies included in the consolidation, respectively of 99.57% at 31.12.2015.

## ***SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.***

### ***Notes to consolidated financial statements***

#### ***for financial year ended on 31.12.2016***

*(all amounts are expressed in RON, unless otherwise stated)*

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## **37. COMMITMENTS AND CONTINGENT LIABILITIES**

### **Court actions**

The group has a number of actions in court resulting from the normal course of activity. The management of the Group believes that these actions will not have a significant impact on the financial statements.

On December 31, 2016, 134 cases were registered, out of which:

- in 70 cases he has the status of plaintiff;
- in 28 cases it is the defendant;
- in 1 case it has the quality of intervener;
- 35 cases in insolvency proceedings.

According to their object, the causes are structured as follows:

- 43 commercial cases;
- 11 cases - annulment of the decision of the GMS, in which he has the status of plaintiff;
- 35 cases in insolvency proceedings: in 34 cases it has the status of a creditor and one in the cause of the creditor.
- 45 - other causes.

The total of 134 cases is structured as follows:

- 101 cases are found in the companies included in the consolidation perimeter, as follows:
  - 48 cases as applicant for the amount of 8,015,436 lei;
  - 23 cases as defendant for the amount of 1,797,933 lei;
  - 30 cases in insolvency proceedings for the amount of 9,074,971 lei.
- 33 causes belong to the Company and consist mainly of:
  - 22 cases - the applicant;
  - 5 cases - defendant;
  - 1 case - intervener;
  - 5 cases - in insolvency proceedings.
- According to their subject, the causes are structured as follows:
  - 5 cases - companies in insolvency proceedings, as follows:
    - in 4 cases, the company has the status of a chirographic creditor;
    - in one case it has the capacity of creditor to contribute.
  - 11 cases - annulment of the decision of the GMS / cancellation of operations with shares, in which the Company has the capacity of plaintiff;
  - 17 - other causes.

As regards the actions in which the Company has the status of plaintiff, having as object the annulment of GMS decisions, they concern mainly: amendments to the articles of incorporation, formation of new companies with contributions in kind, active acquisition, shares, merger, decisions taken in breach of the limits of jurisdiction, among the defendant societies Corealis S.A. Craiova, Prodplast S.A Bucharest, Contactoare S.A. Buzau, Cerealcom S.A. Alexandria, Banca Comercială Română S.A.

In the case of "Other Causes", in which the Company has the status of plaintiff, there are registered files with a diversified object: criminal complaints, forced execution, claims-damages, appeals against forced execution by attachment to the due dividends, of which we exemplify:

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

### **37. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

- forced execution for the recovery of the amount of 603,516 lei, representing civil damages granted by the Criminal Court Decision in the file no. 11108/2/2007 - Theft of actions by Goga Dan Octavian, Panaitescu Miron Victor, Negrutiu Claudiu Marius, forced to pay jointly. Up to now, the amount of 35,987 lei has been recovered. Enforced execution has ceased due to lack of goods.

- forced execution against the debtor A.V.A.S. (Currently A.A.A.S.) for the recovery of the amount of 633,567 lei, according to the Civil Sentence no.1581 / 21.10.2010, file no. 19477/3/2010, representing the amount owed by A.A.A.S. To Retizoh S.A., respectively 70% of the value of a real estate returned to former owners. This company executed this amount also from the Company's account, using the provisions applicable to joint and several liability. Up to now, the amount of 7,875 lei has been collected and the Company has distributed 35,565 lei of the sale price of the shares held by A.A.A.S. At Biofarm S.A. Bucharest (in forced execution by other creditors), the amount not collected until the reporting date - 31.12.2016. Execution continues. A.A.A.S. Has challenged the sale of shares to Biofarm S.A. Bucharest, appealed in first instance, the appeal being appealed.

- actions for damages for non-fulfilment of the obligation to carry out the mandatory public offering of shares in application of the provisions of art. 203 of Law 297/2004 (regarding the shares of Mobila Rădăuți S.A., Lacta S.A. Giurgiu). The shares file of Mobila S.A. Rădăuți is in forced execution of claims from the enforceable titles. In the case file on Lacta SA Giurgiu, after the favorable settlement reached at first instance, the Bucharest Court of Appeal accepted the defendants' appeals and ordered payment to the caller Geochis S.A. Of the amount of 8,676 lei representing court costs. Against the settlement a re-appeal will be made.

- In the claims filed under Art. 210 of Law 297/2004, in contradiction with the majority shareholders of the issuers Sinterom S.A. and Contactoare S.A., the cases are on the dockets, without them being irrevocably settled.

In file no. 4395/114/2012, for damages to Contactors of S.A. As the majority shareholder of Sinterom SA, after the High Court of Cassation and Justice admitted the recourse promoted by the Company, the case was re-judged by the Ploiesti Court of Appeal and was settled by Decision 641 / 12.10.2016, for the purposes of admitting the action And the obligation of Sinterom SA To pay the amount of 368,804 lei, representing damages and 32,144 lei, court costs. The solution has been appealed by Contactoare S.A. Buzau, trial period at ICCJ - 08.03.2017.

In file no. 5756/279/2012, having as its object the indemnification of the Serviciile Comerciale Române S.A. Piatra Neamt, as a major shareholder of S.A. Buzau, the petition was also rejected in the first instance and in the appeal, the Company contesting the appeals, the time of the trial at the Bacău Court of Appeal - 17.02.2017.

The company also promoted, during 2016, a pecuniary claim for Cerealcon S.A. Alexandria to pay the amount of 1,660,826 lei, representing the equivalent of the share package due to the withdrawal from the company, according to the provisions of art. 134 of the Law no. 31/1990 R, as amended and

The files in which the Company is the defendant, representing actions having as object financial claims arising from the position of Director and / or administrators of the Company, promoted by Buzatu Florian Teodor and Popescu Carmen Ioana who at the reporting date - 31.12.2016, present the following situation:

- File no. 6584/63/2014, the plaintiff Buzatu Florian Teodor, having as object money claims in amount of 1,758,550 lei and moral damages amounting to 40,000 lei, motivated by the fact that he was revoked from the position of administrator in the GMS on 29.04. 2011. Dolj Tribunal, through Sentence no.128 / March 31, 2015, dismissed the petition for legal action. The applicant filed an appeal, admitted by decision 667 / 01.10.2015 by the Craiova Court of Appeal, for the court to annul the court's decision and to refer the case back to the same court. The company filed an appeal, which was dismissed by the High Court of Cassation and Justice. The case is in retrial at Dolj Tribunal, with trial date 23.02.2017.

## **SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

### **Notes to consolidated financial statements**

#### **for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

### **37. COMMITMENTS AND CONTINGENT LIABILITIES (continued)**

- File no. 12919/215/2015, the plaintiff Popescu Carmen Ioana, having as object the obligation to "do", respectively the obligation of the Company to restitution of the material guarantee constituted according to the Articles of Incorporation of the Company for the exercise of the position of a member of the Board of Directors following the revocation thereof Function by the General Meeting of Shareholders on 29.04.2011. By sentence no. 337 / 15.01.2016, the Craiova Court rejected the application, a final solution by rejecting the appeal declared by the applicant, according to Decision no. 767 / 08.11.2016.

- File no. 22552/215/2015, the plaintiff Popescu Carmen Ioana, having as object financial claims in the amount of 48,000 lei, representing profit participation for the period 01.01.2011-29.04.2011 (when she was revoked by the OGMS as Administrator) . Through sentence no. 14446 / 20.11.2015, the Craiova Court partially upheld the application, forcing the Company to pay the sum of 17,969 lei. In this case, both the Society - 19.01.2016 and Popescu Carmen Ioana - appealed on 04.02.2016. The court admitted both appeals and detained the case for re-trial, 02.03.2017.

In bankruptcy files, the most important amount is recorded at the creditor mass of Aro S.A. - 217,921 lei, representing dividends 1995, 1996, interest and court costs. The other three companies to which the Company is a chirographic creditor are Electrototal S.A. Botoșani, CCCF S.A. București, Roprint S.A. Craiova.

During the year 2016, there were no actions for annulment of the resolutions adopted by the General Meeting of Shareholders of S.I.F. Oltenia S.A.

### **38. EVENTS AFTER THE BALANCE SHEET DATE**

#### **THE FINANCIAL INVESTMENT COMPANY OLTENIA S.A.**

**I.** The Ordinary General Assembly of Shareholders, in statutory meeting on 04.04.2017, at the first convocation, approved the following:

- the Separate Financial Statements of 2016, prepared under IFRS requirements, as presented, based on the Report of the Board of Directors and the Report of the Financial Auditor
- the coverage of the loss in the update with the hyperinflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" in the amount of RON 2,438,631,884.98, reflected in the Financial Statements of 2015 and 2016, according to the provisions of art. 91 and 92 of ASF Norm no. 39/2015, from other equity items.
- the reject of both proposals for the distribution of the net profit, both in Version I, respectively by Dividend Distribution, and in Version II, respectively Redemption of Shares Program, where the net profit in the amount of RON 101,271,376.81 remains unpaid.
- the discharge of administrators for the work carried out in the 2016 financial year.
- the Income and Expense Budget for the year 2017 and the 2017 Strategy as presented.
- the performance in the 2017 financial year of the accounting record for "income" of dividends not claimed for more than three years from the date of their exigibility, for which the right of share is extinguished by prescription, respectively the dividends related to the 2013 financial year, as evidenced by SIF Oltenia S.A. as unpaid as at 01.10.2017.
- the election of the Board of Directors of SIF Oltenia S.A. for a four-year term, starting with 21.04.2017, consisting of 7 members, in the following composition: Tudor Ciurezu, Cristian Bușu, Anina Radu, Radu Hanga, Ana Barbara Bobircă, Nicolae Stoian, Carmen Popa.

## ***SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.***

### ***Notes to consolidated financial statements***

#### ***for financial year ended on 31.12.2016***

*(all amounts are expressed in RON, unless otherwise stated)*

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#### **38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

- during the 4-year term of office, the rights to the members of the Board of Directors for the exercise of the SIF Oltenia S.A. director commission and the rights due to the senior management (General Manager and Deputy General Manager) at the level established by the Decision of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A. no. 5/20.04.2013, published in the Official Gazette of Romania Part IV no. 2562/15.05.2013.

- the date of 10.07.2017 as registration date (ex-date 07.07.2017), according to the provisions of art. 238 para. 1 of the Law no. 297/2004, the CNVM Regulation no. 6/2009, respectively the ASF Regulation no. 13/2014.

**II.** The Board of Directors of the Company, as a result of the decision of the Ordinary General Assembly of Shareholders, meeting in its first session on 04.04.2017, decided:

- the election of Mr. Tudor Ciurezu as Chairman of the Board of Directors of SIF Oltenia S.A.

According to the Articles of Incorporation of the Company, Mr. Tudor Ciurezu will also perform the position of General Manager, member of the Superior Leadership according to the provisions of the capital market regulations and the Internal Regulations of SIF Oltenia S.A.;

- the election of Mr. Cristian Busu as Vice-Chairman of the Board of Directors of SIF Oltenia S.A.

According to the provisions of the Articles of Incorporation of the Company, Mr. Cristian Busu will also perform the position of Deputy General Manager, member of the Superior Leadership according to the provisions of the capital market regulations and Internal Regulations of SIF Oltenia S.A.

The persons elected as members of the Board of Directors have expressly accepted the mandate of director of SIF Oltenia S.A., the exercise of duties corresponding to the position being possible after the approval by the ASF, the registration with Dolj County Trade Register Office, the conclusion of the insurance policy and the constitution of the material guarantee provided by the articles of incorporation.

The members of the Superior Leadership (General Manager and Deputy General Manager) elected through the decision of the Board of Directors of the Company, shall also exercise the duties corresponding to the position after the approval of the ASF, the conclusion of the mandate contract, the registration with Dolj Trade Register Office and the conclusion of the insurance policy.

All the formalities required by the provisions of the ASF Regulation no.14/2015 regarding the evaluation and approval of the members of the management structure have been fulfilled, namely, the documentation required for the approval of the members of the Board of Directors and the Superior Leadership has been submitted.

Also, in order to fulfil all the formalities required by the ASF regulations for the evaluation of the members of the Board of Directors and the Superior Leadership, they came and appeared at the interview organized by ASF, during the period 23 -26.06.2017.

**III.** On 30.05.2017, SIF Oltenia S.A. received the application from a group of shareholders, namely BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COÖPERATIEF U.A., ROMANIAN EQUITY PARTNERS COOPERATIEF U.A. and BROADHURST INVESTMENTS LIMITED, together holding shares representing more than 5% of the share capital of SIF Oltenia S.A., requesting the convening of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A., with the following agenda:

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

"1. Approval of the breakdown by destination of the net profit achieved by the Company for the financial year ended 31.12.2016, in the amount of RON 101,271,376.81, as follows:

a) the approval of the distribution of dividends in gross amount of 0.1571 RON/share, representing 90% of the net profit achieved by the Company for the financial year ended 31.12.2016, namely RON 91,144,239.13;

b) the approval of the creation as own sources of development of the amount of RON 10,127,137.68, representing 10% of the net profit achieved by the Company in the financial year ended 31.12.2016.

2. The establishment of the date of 01.09.2017 as the date of payment of the dividends.

3. The establishment of the registration date and the ex-date.

4. The empowerment of the Chairman of the Board of Directors of the Company, with the right of substitution, to perform, in the name and on behalf of the Company and its shareholders, all the necessary formalities to carry out the resolutions adopted by shareholders through this Ordinary General Assembly of Shareholders of the Company, including but without limitation to the fulfilment of the formalities of advertising, opposition and registration of the decisions with the Trade Register Office, ASF, BSE, as well as with any other competent authorities and natural and legal persons."

Since at company's level on the date of receiving of the request for convening of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A. by the before mentioned shareholders group the company's management was not authorised by the ASF (board of administration, general manager, deputy general manager), the general assembly could not be called under legal conditions (art. 119 of Law no. 31/1990, republished).

**ALIMENTARA S.A. Slatina**

**I.** As per January 1<sup>st</sup>, 2017, the mandate contract of the General Manager was successively prolonged, until 31.08.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 10.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the profit achieved to remain unallocated
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the election of the Board of Directors consisting of 3 persons, for a two-year term
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor
- the registration in 2017 for "income" of non-claimed dividends for the 2004-2010 financial years
- preparation of the annual financial statements for the year 2016, according to IFRS.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

**ARGUS S.A. Constanța**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 31.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the loss carried forward by the Company as at December 31<sup>st</sup>, 2016 and its coverage from future profits
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the investment program for the year 2017
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017

**II.** On 22.06.2017:

- the employment relationship between ARGUS S.A. and the Commercial Manager ceased
- Mrs. Anina RADU resigns from the position of Chairman of the Board of Directors and Mr. Cristian BUSU is elected as Chairman of the Board of Directors.

**HOTEL COMPLEX DÂMBOVIȚA S.A. Târgoviște**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 31.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the profit achieved on the legal reserves and the partial coverage of the losses of the previous years.
- the discharge of directors for the year 2016
- The Income and Expense Budget for the year 2017
- the investment program for the year 2017
- the revocation of the Board of Directors
- the election of the Board of Directors consisting of 3 persons, for a two-year term
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

**CONSTRUCȚII FERROVIARE CRAIOVA S.A.**

**I.** As per 01.02.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 08.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the election of the Board of Directors consisting of 3 persons, for a two-year term
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor
- does not approve of the commencement of the action for liability against the Chairman of the Board of Directors

**III.** The Extraordinary General Assembly of Shareholders, held in statutory meeting on 08.04.2017, approved the following:

- the decrease of the share capital from RON 8,791,365 to RON 5,415,480.84, with the losses from previous years, registered as at 31.12.2016 and not covered by the profit of the year 2016, amounting to 3,375,884.16, by the reduction in the nominal value of the share from RON 2.5 to RON 1.54.
- the update of the articles of incorporation as a result of the diminishing of the share capital

**FLAROS S.A. Bucharest**

The Ordinary General Assembly of Shareholders, held in statutory meeting on 30.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the registration in 2017 for "income" of non-claimed dividends for more than 3 years from the date of exigibility
- the results of the revaluation of buildings (real estate investments) as at 31.12.2016
- the election of the Board of Directors consisting of 3 persons, for a two-year term
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

**GEMINA S.A. Rm. Vâlcea**

**I.** As per 01.02.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 06.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit
- the discharge of directors for the year 2016
- The Income and Expense Budget for the year 2017
- the investment program for the year 2017
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor

**MERCUR S.A. Craiova**

**I.** In February 2017, the share capital increase was registered at MERCUR S.A. Craiova from the amount of RON 2,958,210.00 to the value of RON 18,150,650.00, with the amount of RON 15,192,440.00, with non-cash contribution, by the issue of 6,076,976 new shares with the nominal value of 2, 5 RON/share, according to the Decision of the Extraordinary General Assembly of Shareholders no. 60/11.01.2016, published in the Official Gazette Part IV, no. 260/18.01.2016, the Decisions of the Board of Directors of MERCUR S.A. no. 5/09.02.2016 published in the Official Gazette Part IV no. 749/22.02.2016 and no. 38/18.10.2016 published in the Official Gazette Part IV no. 3814/26.10.2016.

S.I.F. Oltenia S.A. has subscribed and paid up on 09.01.2017, a number of 6,000,000 new shares worth RON 15,000,000, by exercising the right of preference.

The financial resources resulted from the share capital increase were used for the modernization of MERCUR CENTER store in the patrimony of the Company.

**II.** The commission term of the General Manager changed until 01.07.2018.

**III.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the working program for the year 2017
- the appointment of a new director until 01.07.2018 as a result of the resignation as per 01.02.2017 of a new director.
- the level of directors' remuneration for the year 2017

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor

**IV.** The Extraordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approves: the amendment of the articles of incorporation in compliance with the laws in force.

**PROVITAS S.A. Bucharest**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 30.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the coverage of the accounting loss achieved in 2015 from reserves set up at the level of the Company from the profit of previous years
- the distribution of the achieved profit in 2016
- the discharge of the sole director for the period 18.01.2016 - 31.12.2016
- the Income and Expense Budget for the year 2017
- the level of the sole administrator's remuneration for 2017
- the appointment of the financial auditor

**II.** As per 30.05.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2019.

**TURISM PUCIOASA S.A.**

The Ordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit
- the discharge of directors for the year 2016
- the Income and Expense Budget for the year 2017
- the investment program for the year 2017
- the election of the Board of Directors consisting of 3 persons, for a two-year term, starting with 08.05.2017
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor
- the registration in 2017 for "income" of non-claimed dividends for more than 3 years from the date of exigibility.

**SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.**

**Notes to consolidated financial statements**

**for financial year ended on 31.12.2016**

*(all amounts are expressed in RON, unless otherwise stated)*

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**38. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

**UNIVERS SA Rm. Vâlcea**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 07.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the net profit achieved in the year 2016
- the discharge of the directors, for the activity carried out in the financial year 2016.
- The Income and Expense Budget for the year 2017
- the level of directors' remuneration for the financial year 2017
- the value of the insurance policy for the professional liability of the directors in 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the external financial auditor
- the registration in 2017 for "income" of non-claimed dividends for the 2008-2012 financial years

**II.** As per 01.05.2017 the mandate contract of the General Manager was successively prolonged, until 01.05.2019.

**VOLTALIM SA Craiova**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 05.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016
- the distribution of the achieved profit to cover the loss of previous years
- the discharge of directors for the year 2016
- The Income and Expense Budget for the year 2017
- the investment program for the year 2017
- the level of directors' remuneration for the year 2017
- the preparation of the annual financial statements for the year 2016, according to IFRS
- the appointment of the financial auditor

**II.** As per 01.06.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

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

***SOCIETATEA DE INVESTIȚII FINANCIARE OLTENIA S.A.***

***Notes to consolidated financial statements***

***for financial year ended on 31.12.2016***

*(all amounts are expressed in RON, unless otherwise stated)*

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

According to CNVM Decision no. 1176 / September 15, 2010, financial investment companies are obliged to prepare and submit to CNVM (ASF) consolidated annual financial statements, in accordance with the International Financial Reporting Standards adopted by the European Union within 8 months after the end of the financial year.

These financial statements are intended solely for use by the Group, its shareholders and the ASF and do not result in changes of the dividend shareholders' rights.

**Administrator**

Univ. Conf. PhD. Ec. Ciurezu Tudor

**Chief Financial Officer**

Ec. Sichigea Elena

## DECLARATION

This declaration is given in compliance with the provisions of art. 31 of the Accounting Law no. 82/1991 republished and art. 112<sup>1</sup>, par. (1), letter c) of the RNSC Regulation no. 1/2006 regarding issuers and securities operations, as further amended and supplemented, concerning the consolidated financial statements of SIF Oltenia SA, prepared as of 31 December 2016, on the extent to which they correctly depict in very significant respect, the financial position of SIF Oltenia SA and the subsidiaries included in the consolidation taken as a whole as of 31 December 2016 and the result of its operations ended on this date, in compliance with the requirements of the Romanian accounting rules, namely:

- Accounting Law no. 82/1991, republished
- ASF Rule no. 39/2015 for approval of the Accounting Regulations complying with the International Financial Reporting Standards applicable to the authorized entities, regulated and supervised by the Financial Supervisory Authority from the Instruments and Financial Investments Sector

and

- RNSC Decision no.1176/15.09.2010 regarding the obligation of the financial investment companies to prepare and submit to RNSC/ASF consolidated annual financial statements in compliance with the International Financial Reporting Standards adopted by the European Union, within 8 months from the end of the financial year.

We assume the responsibility for the faithful presentation of the consolidated financial statements as of 31 December 2016 in compliance with the aforementioned legal regulations. We also confirm that:

a) accounting policies used for the preparation of the consolidated annual financial statements are complying with the Accounting Regulations approved by the ASF Rule no. 39/2015;

b) consolidated annual financial statements provide an accurate picture of the financial position, financial performance and other information concerning the Group's activity.



**ANNUAL REPORT  
of the Board of Directors  
of S.I.F. Oltenia S.A.  
on Consolidated Financial Statements  
concluded on 31.12.2016**

Societatea de Investiții Financiare OLTENIA S.A. (the „Company”) - Romanian legal person – incorporated as a commercial company on shares on 01.11.1996 according to Law no. 133/1996, is a collective investment institution operating under Law no. 31/1990 on commercial companies and Law no. 297/2004 regarding the capital market, with subsequent amendments and completions.

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

- administration and management of shares in commercial companies for which own shares were issued, according to Property Certificates and Privatization Nominative Coupons subscribed by citizens, according to the provisions of art. 4 paragraph 6 of the Law no. 55/1995;
- management of own securities portfolio and making investments in securities in accordance with the regulations in force;
- other similar and adjacent activities, according to the regulations in force, as well as of administration of own assets.

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

On 31.12.2016 the number of Company's shareholders was 5,754,739 (2015: 5,761,728).

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

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

- Law no. 31/1990 R, as subsequently amended and supplemented;
  - Law no. 297/2004, as subsequently amended and supplemented;
  - R.N.S.C. (F.S.A.) Regulations no. 15/2004;
  - R.N.S.C. (F.S.A.) Regulations no. 1/2006;
  - F.S.A. Regulations no. 9/2014;
  - F.S.A. Regulations no. 2/2016;
  - Code of Bucharest Stock Exchange;
  - Code of Corporate Governance of Bucharest Stock Exchange;
  - the other normative acts concerning the matter;
- and

Articles of Incorporation (Statute and Company Contract).

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

The evidence of S.I.F. OLTENIA S.A. shareholders is kept by S.C. DEPOZITARUL CENTRAL S.A. Bucharest.

## **I. GENERAL INFORMATION**

The consolidated financial statements as at 31.12.2016 were prepared in accordance with the Norms no. 39/2015 for the approval of accounting regulations in line with international financial reporting standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector.

In accordance with the provisions of Regulation no. No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 and of R.N.S.C. Decision no. 1176 / 15.09.2010, financial investment companies have the obligation to prepare and submit to R.N.S.C. (ASF) consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union ("IFSR") within 8 months of as the close of the financial year.

The Company's consolidated financial statements comprise the Company and its subsidiaries (hereafter referred to as the Group). The core activities of the Group are represented by the Company's financial investment activity as well as the activities of its subsidiaries, which belong to different sectors of activity such as food, commerce, tourism, space renting, etc.

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

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

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

- grouping more elements into more comprehensive categories;
- fair value adjustments and impairment of financial stocks in accordance with IAS 39 "*Recognition and Measurement Financial Instruments*";
- asset and equity adjustments in accordance with IAS 29 "*Financial reporting in hyperinflationary economies*" as the Romanian economy was a hyperinflationary economy by 31 December 2003;
- adjustments to the income statement to record dividend income at the time of the statement and gross amount;

- real estate investment adjustments for valuation at fair value in accordance with IAS 40 "*Investment Property*";
- 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 disclosure of income and expense was made by reference to its nature in the consolidated statement of profit or loss and other items of comprehensive income, Disclosure provides information which is credible and relevant than other methods permitted by IAS 1 "*Presentation of Financial Statements*".

The principle of business continuity has been used, which implies that the Company and its trading companies will be able, in the foreseeable future, to have sufficient assets to continue the business and honor its obligations in the course of its business activity.

Consolidated financial statements are prepared on a fair value convention for: derivative financial instruments, financial stocks and financial liabilities at fair value through profit or loss and available-for-sale financial stocks, except for those for which fair value can not be determined in a credible.

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

For fair value calculation, the group uses the following hierarchy of methods:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (eg, prices) or indirect (eg derived from prices).
- Level 3: Evaluation techniques based largely on unobservable elements. This category includes all instruments for which the rating technique includes elements that are not based on observable data and for which unobservable input parameters can have a significant effect on instrument evaluation. This category

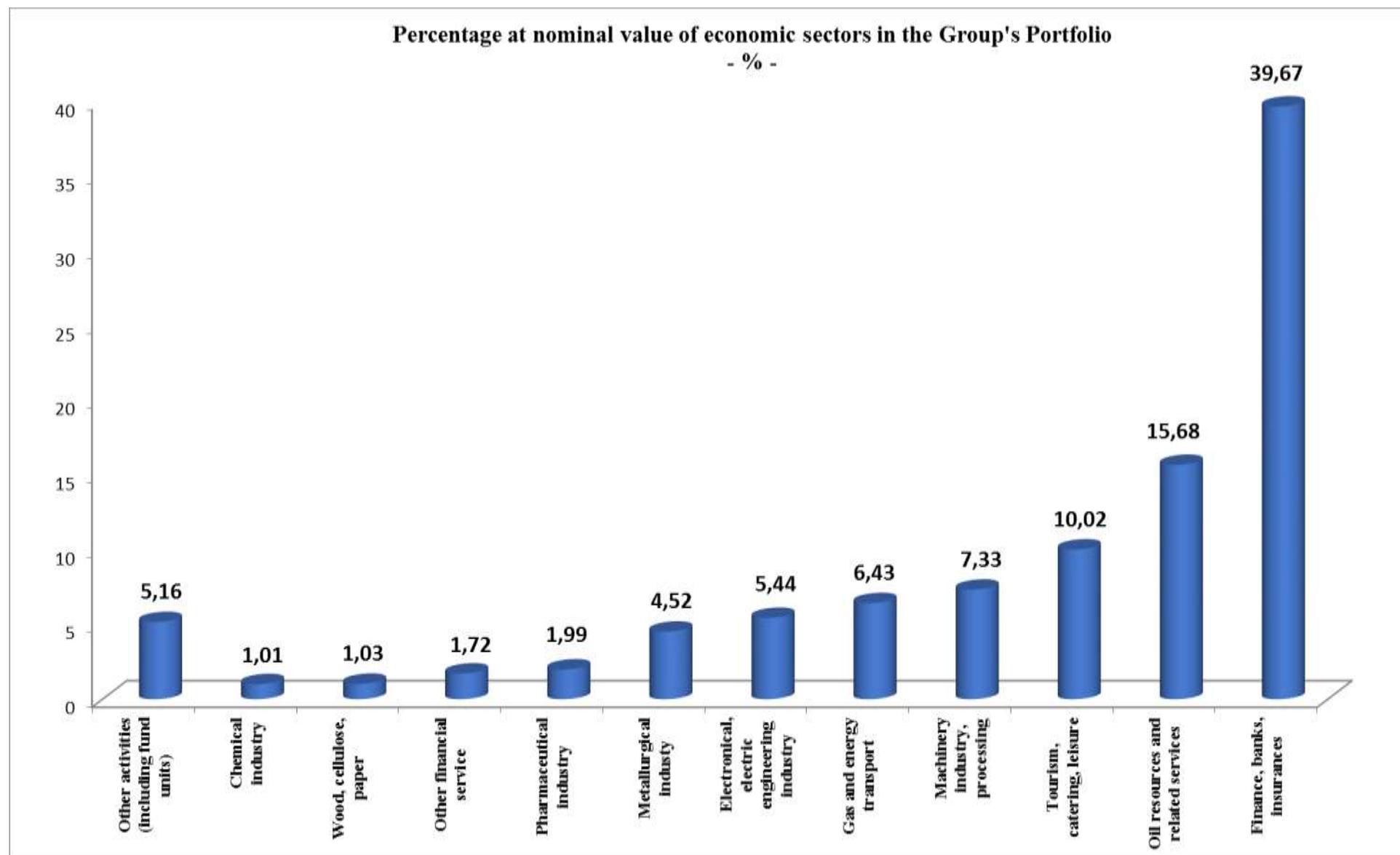
includes instruments that are rated based on quoted prices for similar instruments but for which adjustments are largely based on unobservable data or estimates to reflect the difference between the two instruments.

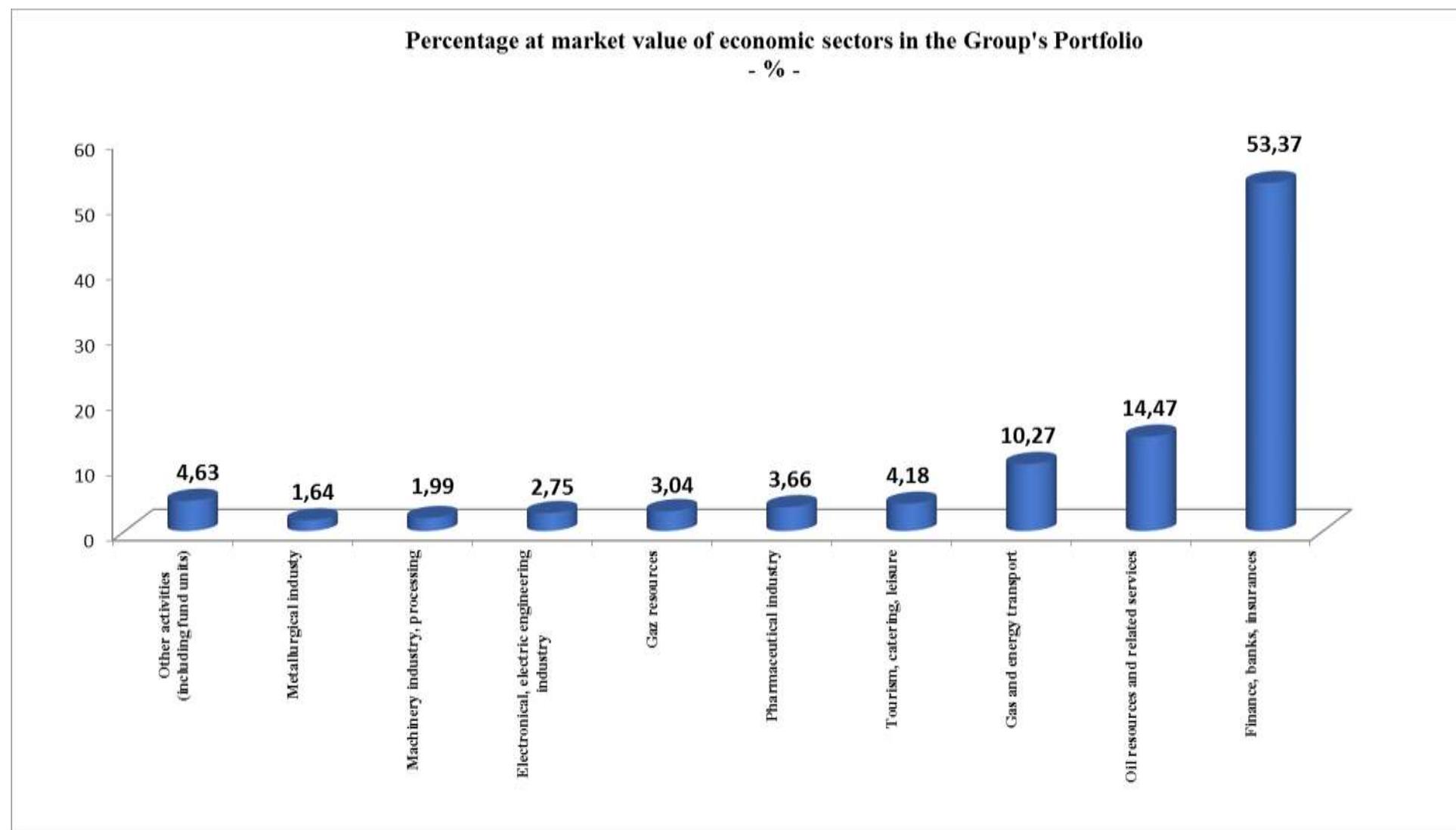
The fair value measurement of the holdings held on 31.12.2016 was as follows:

- for securities quoted and traded in 2016, the market value was determined by taking into account the quotation from the last trading day (the closing price quote on the primary capital market for level 1 and for level 2 were taken into account quotations for the shares traded during the last 30 trading days);
- for quoted securities that did not have transactions during the last 30 trading days of 2016, as well as for unlisted securities, the market value was determined according to the issuers' own capital on 31.12.2015;
- for securities related to companies under insolvency or reorganization, the valuation is made at zero;
- for titles of participations at OPCVM, the value taken into account was the last unit value of the net asset, calculated and published.

**Synthetic portfolio structure**  
**Held by the Group on 31.12.2016 - IFRS**  
**- consolidated situation -**

Economic sectors weighting in SIF portfolio value	Issuers		Total package nominal value		Total market value of the package	
	Nr. SC	%	(lei)	%	(lei)	%
Finance, banking, insurance	5	7.14	185,411,773	39.67	705,398,670	53.37
Oil resources and ancillary services	1	1.43	73,280,152	15.68	191,261,838	14.47
Tourism, public food, entertainment	4	5.71	46,836,084	10.02	55,240,196	4.18
Machines constructing and processing industry	10	14.29	34,243,453	7.33	26,336,612	1.99
Energy and gas transport	2	2.86	30,047,990	6.43	135,684,024	10.27
Electronic industry, electrotechnics	8	11.42	25,417,706	5.44	36,403,022	2.75
Metallurgical industry	3	4.29	21,142,891	4.52	21,725,448	1.64
Pharmaceutical industry	1	1.43	9,281,403	1.99	48,263,294	3.66
Other financial intermediation	8	11.42	8,035,689	1.72	12,477,429	0.94
Glass, porcelain, earthenware industry	1	1.43	4,799,887	1.03	12,624,258	0.96
Chemical industry	1	1.43	4,702,595	1.01	12,461,877	0.94
Interior trade	4	5.71	4,019,712	0.86	1,664,423	0.13
Managing financial markets	1	1.43	3,837,090	0.82	11,127,561	0.84
Food industry	3	4.29	2,980,128	0.64	3,215,833	0.24
Distribution, supply of electricity and energy services	1	1.43	2,452,380	0.52	3,227,332	0.24
Real estate renting and sub-letting	2	2.86	1,729,393	0.37	1,766,221	0.13
Methane gas resources	1	1.43	1,608,414	0.34	40,210,350	3.04
Construction	3	4.29	876,226	0.19	0	0.00
Other activities	7	10.00	4,159,975	0.89	446,475	0.03
<b>TOTAL CAPITAL SHARES</b>	<b>66</b>	<b>94.29</b>	<b>464,862,941</b>	<b>99.47</b>	<b>1,319,534,863</b>	<b>99.82</b>
<b>FUND UNITS</b>	<b>4</b>	<b>5.71</b>	<b>2,500,017</b>	<b>0.53</b>	<b>2,386,705</b>	<b>0.18</b>
<b>TOTAL</b>	<b>70</b>	<b>100.00</b>	<b>467,362,958</b>	<b>100.00</b>	<b>1,321,921,568</b>	<b>100.00</b>





The total value of the portfolio managed by the Group is **1,321,921,568 lei**, with 4 funds being invested in securities amounting to **2,386,705 lei (0.18%** of the market value of the managed portfolio).

On 31.12.2016 the Group held shares in companies active in finance, banking, insurance with a share of **53.37%** of the total market value of the portfolio, increasing as compared to 31.12.2015, when the same sector of activity record a percentage of **52.79%**.

On 31 December 2016 the Group has the following structure of financial stocks:

<i>In lei</i>	<b>No. comp.</b>	<b>Market value 31.12.2016</b>	<b>No. comp.</b>	<b>Market value 31.12.2015</b>
<b>Capital investments</b>				
Listed companies	31	824,634,684	31	899,559,429
Unlisted companies	35	494,900,179	39	507,693,540
Fund units	4	2,386,705	4	2,301,191
<b>Total financial stocks</b>	<b>70</b>	<b>1,321,921,568</b>	<b>74</b>	<b>1,409,554,160</b>

Investments held in companies whose securities are listed and traded on the Romanian stock market, plus the placement held with the Romanian Commercial Bank on 31.12.2016, represent **91.80%** of the fair value of the investments.

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

The 11 trading companies account for **13.22%** of the total assets of the Company and **13.89%** of the net assets respectively.

Inter Group settlements and transactions, as well as unrealized profits arising from transactions within the Group, are eliminated in their entirety from the consolidated financial statements.

Within the consolidation area were the following 11 companies:

Net active 1,494,899,450 lei  
Total active 1,570,989,901 lei

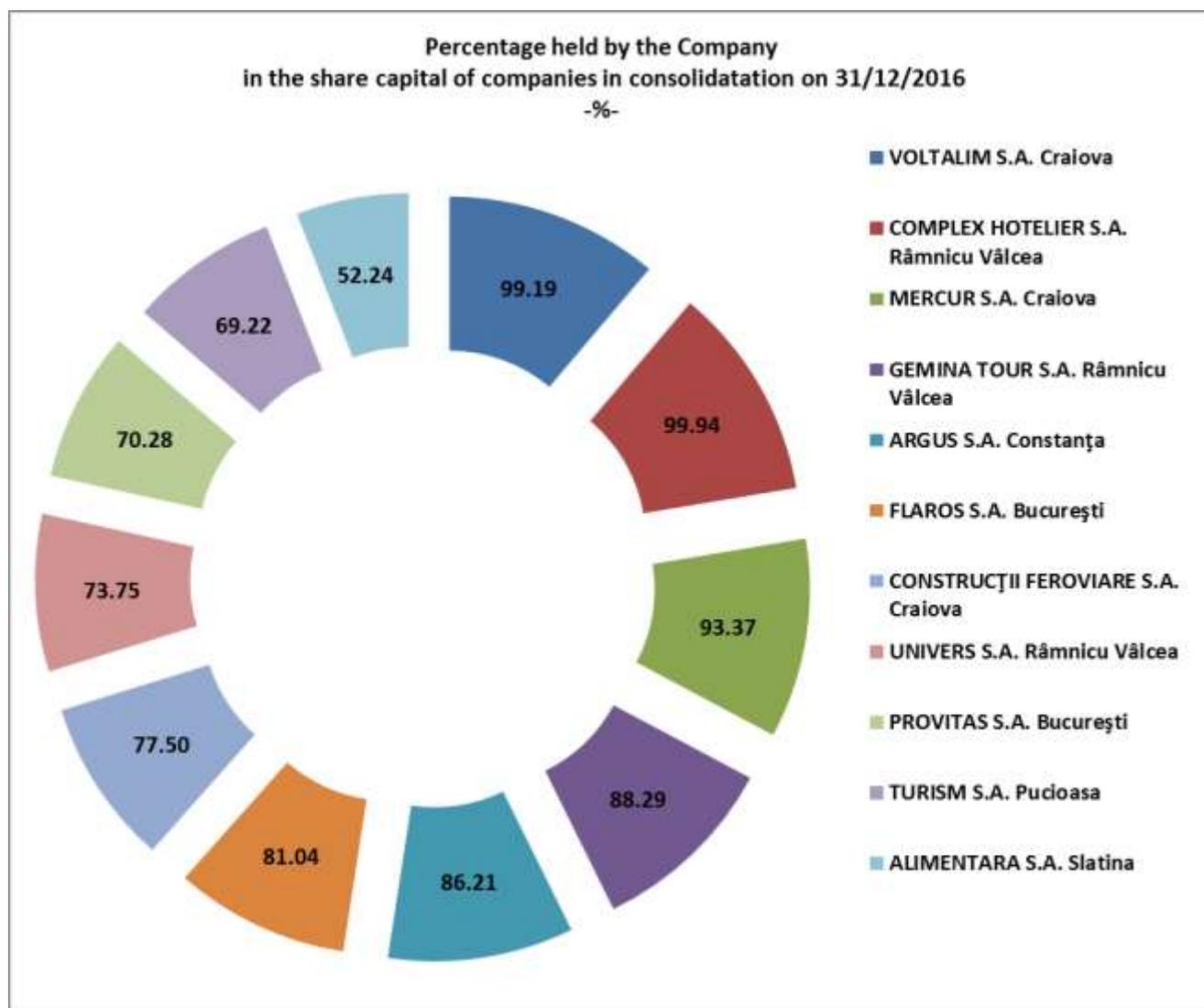
Item No.	Issuer	Symbol	Weighing in the share capital of the issuer on 31.12.2016	Weighing in the share capital of the issuer on 31.12.2015	Traded market
1	ALIMENTARA S.A. SLATINA	ALRV	52.24	52.24	BVB/ATS AeRO Standard
2	TURISM S.A. PUCIOASA		69.22	69.22	unlisted
3	PROVITAS S.A. BUCUREȘTI		70.28	70.28	unlisted
4	UNIVERS S.A. RM.VÂLCEA	UNVR	73.75	73.75	BVB/ATS AeRO Standard
5	CONSTRUCȚII FERROVIARE S.A. CRAIOVA	CFED	77.50	77.50	BVB/ATS AeRO Standard
6	FLAROS S.A. BUCUREȘTI	FLAO	81.04	81.04	BVB/ATS AeRO Standard
7	ARGUS S.A. CONSTANȚA	UARG	86.21	86.20	BVB/ATS AeRO Premium
8	GEMINA TOUR S.A. RM. VÂLCEA		88.29	88.29	unlisted
9	MERCUR S.A. CRAIOVA	MRDO	93.37	93.37	BVB/ATS AeRO Standard
10	COMPLEX HOTELIER S.A. DÂMBOVITA		99.94	99.94	unlisted
11	VOLTALIM S.A. CRAIOVA		99.19	99.99	unlisted
12	CONSTRUCȚII MONTAJ 1 S.A. CRAIOVA		-	96.56	unlisted

CONSTRUCȚII MONTAJ 1 S.A. CRAIOVA exited the portfolio in 2016 due to its fusion by absorption by VOLTALIM SA Craiova.

Company management classified all portfolio activity titles in the available-for-sale financial stocks category.

In 2015 there were 12 trading companies in the consolidation perimeter.

As of December 31, 2016, 11 companies were included in the consolidation perimeter due to the fact that during 2016, CONSTRUCTION MONTAJ 1 S.A. Craiova merged by absorption with VOLTALIM S.A. Craiova.



## **II. ECONOMIC DATA**

### **II. 1. CONSOLIDATED SITUATION OF THE OVERALL RESULT**

<i>In lei</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Revenues</b>		
Revenues from dividends	46,195,459	28,373,226
Revenues from interests	178,485	821,549
Other operating revenues	274,231,826	324,326,238
Net gain from exchange rate differences	(755,507)	773,930
Net gain from sale of financial stocks	55,499,636	56,346,554
<b>Expenses</b>		
Fees and charges for administration and supervision	(2,512,083)	(3,336,746)
Revenues from the resumption of risk and expense provisions	8,521,241	6,012,488
Other operating expenses	(257,985,849)	(248,124,285)
<b>Profit before tax</b>	<b>123,373,208</b>	<b>165,192,954</b>
Income tax	(18,115,789)	(29,188,349)
Net profit for the financial year	<b>105,257,419</b>	<b>136,004,605</b>
Other elements of the overall result		
Change in the revaluation reserve of property, plant and equipment, net of deferred tax	25,940	47,908
Net change in the fair value reserve for the available financial stocks for sale	(4,981,909)	(85,021,347)
Reserve related to the difference in the change in the fair value of available financial stocks for sale transferred to profit or loss, net of tax	(46,406,865)	(29,136,469)
<b>Total overall income for the period</b>	<b>53,894,585</b>	<b>21,894,697</b>
<b>Net profit related</b>		
Company Shareholders	103,818,103	135,719,852
Minority interest	1,439,316	284,753
	<b>105,257,419</b>	<b>136,004,605</b>
<b>Overall result</b>		
Company Shareholders	52,449,509	21,615,393
Minority interest	1,445,076	279,304
	<b>53,894,585</b>	<b>21,894,697</b>
<b>Result per action</b>		
Basic	0.179	0.234
Diluted	0.179	0.234

The financial exercise net profit of RON **105,257,419** is down with **22.61%** compared to 31.12.2015.

## Reporting on segments

Indicators	Trade		Leasing		Food industry		Tourism		Financial activity		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Fixed assets	-	160,599	130,707,103	68,012,102	62,272,344	56,643,966	14,075,461	13,772,279	1,361,199,497	1,399,194,550	1,568,254,405	1,537,783,496
Current assets	-	61,999	22,909,013	41,597,308	91,444,494	126,270,428	2,145,065	2,001,472	41,421,568	57,011,622	157,920,140	226,942,829
Prepayments	-	-	3,654,026	261,586	54,620	50,798	24,253	26,706	81,276	87,125	3,814,175	426,215
Liability	-	75,517	42,078,883	9,950,078	65,878,438	100,331,737	736,034	598,497	161,662,356	195,472,080	270,355,711	306,427,909
Revenues in advance	-	-	860,360	93,216	3,843	4,011	20,260	18,644	12,617,426	-	13,501,889	115,871
Provisions	-	-	489,363	322,696	682,170	409,729	85,079	38,408	5,048,000	8,198,829	6,304,612	8,969,662
Minority interests	-	-	-	-	-	-	-	-	32,017,726	28,677,320	32,017,726	28,677,320
Equity	-	147,081	113,841,536	99,505,006	87,207,007	82,219,715	15,403,406	15,144,908	1,191,356,833	1,223,945,068	1,407,808,782	1,420,961,778

Total income	-	999,919	33,194,066	18,423,332	196,749,944	207,078,821	5,402,909	4,290,071	149,279,728	185,861,842	384,626,647	416,653,985
Total expenses	-	1,376,719	24,907,670	15,402,585	199,189,002	208,658,814	4,989,123	4,103,026	32,167,644	21,919,887	261,253,439	251,461,031
Gross result	-	(376,800)	8,286,396	3,020,747	(2,439,058)	(1,579,993)	413,786	187,045	117,112,084	163,941,955	123,373,208	165,192,954
Net result	-	(376,800)	6,979,010	2,397,083	(2,439,058)	(1,579,993)	339,094	138,345	100,378,373	135,425,970	105,257,419	136,004,605

## Reporting on segments

Segment reporting is segmentation by activity that takes into account the branch of activity that is the core business of the companies in the consolidation perimeter.

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

- financial investment activity
- leasing of spaces
- food industry
- retail in non-specialized stores, with predominantly non-food products
- tourism

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

Within the Group's fixed assets held on December 31, 2016, **86.80%** of the Group's assets are held by the financial investment activity represented by the financial asset portfolio, namely **90.98%** on 31.12.2015.

The high level of liability is mainly due to the deferred tax liability for the fair value reserve on 31.12.2016, with a weight of **38.22%** (31.12.2015: **37.43%**) in total liability.

Also, the net result as at 31.12.2016 realized by the financial investment activity has a share of **95.36%**, well above the result obtained by the companies included in the consolidation, respectively of **99.57%** on 31.12.2015.

## **II.2. CONSOLIDATED SITUATION OF THE FINANCIAL POSITION**

<i>In lei</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Assets</b>		
Cash and cash equivalents	14,097,652	4,863,204
Deposits placed with banks	55,766,431	61,980,088
Financial assets available for sale	1,320,042,260	1,407,501,658
Financial assets at fair value through profit or loss	1,879,308	2,052,502
Credits and receivables	27,956,237	18,179,250
Tangible assets	89,336,477	71,468,450
Real estate investments	92,053,162	44,802,318
Other assets	128,854,425	154,305,070
<b>Total assets</b>	<b>1,729,985,952</b>	<b>1,765,152,540</b>
<b>Liability</b>		
Payable Dividends	57,862,221	81,787,050
Taxation and taxes	7,198,620	3,688,670
Liability with deferred tax	103,341,237	114,701,623
Other liabilities	121,757,366	115,336,099
<b>Total liabilities</b>	<b>290,159,444</b>	<b>315,513,442</b>
<b>Equity</b>		
Social capital	58,016,571	58,016,571
Adjustments to the share capital	735,595,648	792,552,339
Other equity items	494,271,572	547,912,683
Reserves from revaluation of tangible assets	40,580,683	33,189,781
Legal and statutory reserves	27,767,864	27,743,775
Other reservations	2,461,325,656	2,445,797,934
The retained earnings represents the undistributed profit or the uncovered loss	(14,861,962)	(26,482,796)
Retained earnings as a result of applying IAS 29 to equity and reserves	(2,596,780,323)	(2,656,645,975)
Retained earnings as a result of IAS without IAS 29	98,074,970	63,157,614
Current profit	103,818,103	135,719,852
<b>Total equity attributable to holding company</b>	<b>1,407,808,782</b>	<b>1,420,961,778</b>
<b>Minority interest</b>		
of which:	<b>32,017,726</b>	<b>28,677,320</b>
Profit or loss of the financial year for non-controlling interests	1,439,316	284,753
Other equity	30,578,410	28,392,567
<b>Total equity</b>	<b>1,439,826,508</b>	<b>1,449,639,098</b>
<b>Total liability and equity</b>	<b>1,729,985,952</b>	<b>1,765,152,540</b>

As of 31.12.2016 the Group holds a portfolio of **1,321,921,568 lei** representing **76.41%** of the total assets, registering a decrease of **6.22%** compared to 31.12.2015.

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

<b>Item No.</b>	<b>Company</b>	<b>Percent in total - % -</b>	<b>Market value on 31 December 2016 - lei -</b>
<b>1</b>	BANCA COMERCIALĂ ROMÂNĂ S.A.	29.42	388,952,975
<b>2</b>	OMV PETROM S.A. București	14.47	191,261,838
<b>3</b>	B.R.D - GROUPE SOCIETE GENERALE S.A.	13.70	181,127,351
<b>4</b>	BANCA TRANSILVANIA S.A. Cluj	7.47	98,810,029
<b>5</b>	C.N.T.E.E. TRANSELECTRICA S.A. București	6.24	82,453,266
<b>6</b>	S.N.T.G.N. TRANSGAZ S.A . Mediaș	4.03	53,230,758
<b>7</b>	ANTIBIOTICE S.A. Iași	3.65	48,263,294
<b>8</b>	S.N.G.N. ROMGAZ S.A. Mediaș	3.04	40,210,350
<b>9</b>	EXIMBANK - BANCA DE EXPORT IMPORT A ROMÂNIEI S.A.	2.76	36,508,314
<b>10</b>	TURISM LOTUS FELIX S.A. Băile Felix	2.57	33,979,044
	<b>TOTAL</b>	<b>87.35</b>	<b>1,154,797,219</b>

Deposits with banks amounted to **55,766,431 lei**, down with **10.03%** as of 31.12.2015.

Total liabilities amounted to **290,159,444 lei**, decreasing by **8.04%** as compared to 31.12.2015.

Deferred tax liabilities represent **35.62%** of total liabilities.

### **III. COMPANY ACTIVITY**

#### **RISK MANAGEMENT EVALUATION**

By the complexity of its work, the Group is subject to various risks.

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

The management of the Group continuously evaluates, manages and supervises the risks that may affect the achievement of its objectives and takes the necessary measures regarding any change in the conditions in which it operates in order to come under the risk profile set at the Group level according to the risk appetite.

The management of the Group pays particular attention to the identification of risks. Exposure to business-related risks through day-to-day operations and transactions (in particular capital market operations) is identified and aggregated through the risk management infrastructure implemented: audit committee, internal auditor, internal control, operational monitoring, hierarchical authorization levels and validation of transactions.

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

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

The main risk elements identified at the Group level are:

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

The Group has implemented risk assessment policies to which it is exposed, policies approved by the Board of Directors.

#### **a) The Risk due to the economic environment**

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

The Romanian economy continues to show the characteristics 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 other economies, especially of the EU countries, which are the main business partners for our country.

The EU economy will be subject to political risks in 2017. Policy will influence the economy and generate uncertainty. The Eurozone will hold elections in three of the most important economies: France, Italy and the Netherlands.

The way UK will leave the EU, the conditions to be negotiated, raises new questions about the evolution of the EU economy in 2017.

The year 2017 will therefore be a difficult year, with high risks due to the unpredictable development of the economy.

## **b) Operational risk**

The operational risk is defined as the risk of making losses or failing to achieve the estimated profits due to inadequate use of systems, processes, human resources, because both internal factors such as inadequate performance of certain internal activities, the existence of inadequate personnel or inappropriate systems and external factors such as changing economic conditions, legislative changes on the capital market, inappropriate provisions or insufficient shaped in the agreements, social-political events.

The primary responsibility for the development and implementation of controls related to operational risk lies with the management of the company. Responsibility is supported by the development of general business risk management standards in the following areas:

- suitable establishment of the organizational structure and responsibilities;
- requirements for separation of responsibility;
- alignment with the requirements of the regulatory framework;

- requirements for reporting operational losses and proposals for remediation;
- professional development and training;
- establishment of ethical standards;
- establishment and implementation of the risk management strategy, establishment of the risk appetite and risk profile;
- documentation of controls and procedures;
- establishment and implementation of the procedures of preventing and management of internal conflicts;
- preventing the risk of litigation;
- establishment of the procedures regarding management of the confidential information and procedure regarding market abuse.

Operational risks are inherent to the company's business.

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

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

### **c) Market risk**

Market risk is the current or future risk of negative profits, driven by market fluctuations in equity prices - in terms of trading shares business activities - of the interest rate as well as fluctuations in the exchange rate for the Group's entire business.

Effective market risk management is done through the use of fundamental analysis that gives indications of the solidity of an investment, as well as the estimation of the potential of some companies, and taking into account forecasts of the evolution of the economic branches and financial markets.

The main issues pursued in the market risk analysis are: valuation of the portfolio of shares in terms of profitability and growth potential, strategic allocation of long-term investments, identification of short-term investments to capitalize on price fluctuations on the capital market, setting limits on the concentration of assets in a particular economic sector.

The Group is exposed to the market value risk of financial instruments held fluctuating as a result of the change of the conditions on the capital market. The risk management strategy periodically calls for preparation and submission of reports to the Audit Committee and management structures that analyses the assessment, management, supervision and reporting of the identified risks, compliance within the risk limits set and the measures to be taken for a management as efficient as possible.

### **Price risk**

The market value of the listed stock portfolio (on BVB - the regulated market, BVB-AERO, SIBEX) as of 31.12.2016 represents 62.49% (2015: 63.92%) of the total value of the managed stock portfolio.

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

Within the managed portfolio there are 8 issuers, out of the 12 that are the BET index of the Bucharest Stock Exchange.

The market value of the share packages held by the 8 issuers represents 80.21% (2015: 81.49%) of the market value of the shares held in the listed companies as of 31.12.2016.

Group management monitors market risk and confers competence on limits on trading on the capital market for effective management of the company.

On December 31, 2016, the Group has the following asset pricing structure:

	No. soc.	Market value 31.12.2016 - lei -	Nr. soc.	Market value 31.12.2015 - lei -
Capital investments				
Listed companies	31	824,634,684	31	899,559,429
Unlisted companies	35	494,900,179	39	507,693,540
Fund units	4	2,386,705	4	2,301,191
<b>Total capital investments</b>	<b>70</b>	<b>1,321,921,568</b>	<b>74</b>	<b>1,409,554,160</b>

Investments held in companies whose securities are listed and traded on the Romanian stock market, plus the placement held with the Romanian Commercial Bank, represent on 31.12.2016 - **91.80%** (2015: **91.84%**) of the fair value of the investments.

As of December 31, 2016, the Group held mainly shares in the banking, insurance, banking and insurance sectors with a share of **53.37%** of the total portfolio, slightly increasing as compared to 31.12.2015, when in the same sector of activity there was a weight of **52.79%**.

### **Currency risk**

Foreign currency risk is the risk that the value of a portfolio is adversely affected by currency fluctuations.

Given that most Group assets are denominated in national currency, and all the transactions with financial instruments are made on the Romanian capital market, the exchange rate fluctuations do not directly affect the Group's operations.

These fluctuations have an influence on the valuation of foreign currency deposits.

On 31.12.2016 foreign currency denominated assets represent **0.54%** of the total financial stocks, so the currency risk is insignificant.

Due to the low weight of foreign currency assets, the Group does not have a formalized foreign exchange hedging policy.

Investments in foreign currency deposits are continuously monitored and investment, disinvestment, taking into account the forecasted evolution of the exchange rate.

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

	Net asset value - lei -	Lei	EUR	USD
<b>31 December 2016</b>				
<b>Financial stocks</b>				
Cash and cash equivalents	14,097,652	12,651,258	1,373,958	72,436
Deposits placed with banks	55,766,431	48,907,772	114,010	6,744,649
Financial stocks available for sale	1,320,042,260	1,320,042,260	-	-
Financial stocks at fair value through profit or loss	1,879,308	1,879,308	-	-
Credits and receivables	27,956,237	27,956,237	-	-
Other financial stocks	128,854,425	128,854,425	-	-
<b>Total financial stocks</b>	<b>1,548,596,313</b>	<b>1,540,291,260</b>	<b>1,487,968</b>	<b>6,817,085</b>

<b>Financial liabilities</b>			-	-
Payment Dividends	57,862,221	57,862,221	-	-
Other financial liabilities	121,757,366	121,757,366	-	-
<b>Total financial liabilities</b>	<b>179,619,587</b>	<b>179,619,587</b>	<b>-</b>	<b>-</b>

### Interest rate risk

The interest rate risk is that the value of a portfolio varies 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 consistent with a range of markets, currencies and maturities for which the Group holds positions.

The interest rate directly influences the income and expense of assets and financial liabilities with variable interest rates.

The majority of the portfolio assets are not interest-bearing. As a result, the Group is not significantly affected by the interest rate risk. Interest rates applied to cash and cash equivalents are on short-term. At Group level, the weight of the financial

resources borrowed in the total financing resources of the companies is insignificant, with the exception of ARGUS SA Constanta and MERCUR SA Craiova.

To capitalize on the volatility of interest rates, for greater flexibility in the cash allocation policy, it will be pursued that the placement of money resources in monetary instruments is to be done especially in the short term, 1-3 months.

#### **d) Credit risk**

The credit risk means the Group's risk of incurring losses as a result of the insolvency of its borrowers, meaning the risk of failure to collect any receivables recorded at Group level respectively.

In the case of the Group, the credit risk is reduced as the portfolio is mostly determined by the exposures to asset items of the "shares" type representing **76.41%** of the assets under management, assessed in accordance with the legal provisions and that could generate a possible risk of not receiving the dividends annually approved by the GSM.

The credit risk assessment is done in two stages, both prior to the investment operations and after the actual approval and realization of the operations, in order to develop the assets in order to take appropriate measures in the event of the emergence of elements that may lead to the deterioration of the economic activity of the companies and, in extreme cases, to insolvency.

In accordance with the legal provisions, the Group has not granted any third party credits or guarantees.

The credit risk may affect the Group's activity indirectly, in case of the portfolio companies that face financial difficulties in paying their obligations as for dividends. Taking into account the investment diversity and the fact that most of them are in stable and increased market liquidity entities, this risk is far diminished and properly managed by the Group.

The Group may be exposed to credit risk by investing in bonds, current accounts, bank deposits, as well as other receivables. There are not investments in bonds, derivatives at the Group level, that way minimizing the credit risk.

As of 31 December 2016, the Group did not hold bonds, real collateral as insurance and did not hold outstanding financial assets in the portfolio.

Transactions of the Company for the sale and purchase of shares are made through the depository bank, with which there is a custody and deposit contract,

according to the legal provisions, so that the risk of default of the settlement obligations is minimal.

Maximum exposure to credit risk as on 31 December 2016 is 96,186,629 lei.

Exposure to credit risk:

<i>In lei</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Deposits and accounts with banks	69,502,053	66,521,786
Other assets	26,684,576	13,400,022
<b>TOTAL</b>	<b>96,186,629</b>	<b>79,921,808</b>

#### **e) Liquidity risk**

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

Liquidity risk is the current or potential risk that the Group's profits could incur as a result of its inability to meet its payment obligations at maturity.

Liquidity risk may arise from:

- the inability to manage unplanned volume reductions or significant changes in the structure of funding resources;
- inability of the Group to recognize changes in market conditions that may affect its ability to liquidate certain assets in a very short time and with minimal loss of value.

The Group seeks to maintain a liquidity level appropriate to its underlying obligations based on an assessment of the relative liquidity of the market, taking into account the time required for liquidation and the price or the value at which the assets can be liquidated and their sensitivity market risks or other external factors.

The Group must have liquid assets the total value of which covers the difference between liquidity outflows and liquidity inflows in crisis situations so as to ensure that the Group maintains liquidity buffer levels that are adequate to enable it Possible imbalances between liquidity inflows and outflows in crisis situations.

The liquidity risk is mainly related to the holdings held in closed-end companies from the managed portfolio. Thus, the sale of such investments - in case of emerging negative aspects in their economical - financial situation or in case that

liquidity achieving is pursued - is cumbersome, with the risk of not being possible to obtain a higher price or at least equal to the one with which these investments are valued in the calculation of the net asset in accordance with ASF regulations.

At the same time, the low liquidity of the Romanian capital market often makes difficult the trading of some investments held in the quoted companies.

Looking ahead to 2017, we anticipate maintaining a low level of liquidity for the capital market also as a result of uncertainties in the euro zone, but not having meaningful consequences over the liquidity indicator set at the level of the companies from the consolidation perimeter, carefully supervised and managed by the whole chain of links involved in identification, supervision and management of the risk.

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

<i>In lei</i>	<b>Net asset value</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>No predetermined maturity</b>
<b>31 December 2016</b>					
<b>Financial stocks</b>					
Cash and cash equivalents	14,097,652			-	14,097,652
Deposits placed with banks	55,766,431	39,951,885	15,814,546	-	-
Financial stocks available for sale	1,320,042,260	-	-	-	1,320,042,260
Financial stocks at fair value through profit or loss	1,879,308	-	-	-	1,879,308
Credits and receivables	27,956,237	-	-	-	27,956,237
<b>Total financial stocks</b>	<b>1,419,741,888</b>	<b>39,951,885</b>	<b>15,814,546</b>	<b>-</b>	<b>1,363,975,457</b>
<b>Financial liabilities</b>					
Payment Dividends	57,862,221	57,862,221	-	-	-
Other financial liabilities	121,757,366	41,112,435	64,588,659	16,056,272	-
<b>Total financial liabilities</b>	<b>179,619,587</b>	<b>98,974,656</b>	<b>64,588,659</b>	<b>16,056,272</b>	<b>-</b>

#### **f) Risk associated with taxation**

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

The management of the Group believes that it has correctly interpreted the legal provisions and recorded fair values for taxes, duties and other debts to the state but, in these circumstances, there is some attached risk.

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

Statements of taxation and taxes may be subject to control and review for a period of five years, generally after the date of their submission.

Romanian Government holds a large number of agencies authorized to control the companies operating on the territory of Romania. These controls are similar to tax audits in other countries and can cover not only tax issues but also other legal and regulatory issues of interest to these agencies. The Group may be subject to tax controls as new tax regulations are issued.

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

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

The Board of Directors of the Company consists of 7 members elected by the General Assembly for a period of 4 years, with the possibility to be re-elected. Most members of the Board of Directors - 5 members - are non-executive.

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

The structure of management is as follows:

### 31 December 2016

**Members of the Board of Directors:** Tudor Ciurezu - President, Anina Radu - Vicepresident, Cristian Buşu, Victor Căpitanu, Nicolae Stoian, Carmen Popa, Paul-George Prodan.

**Effective management:** Tudor Ciurezu (CEO), Anina Radu (Deputy CEO).

**Executive management:** Elena Sichigea - Chief Financial Department, Elena Caliţoiu - Chief of Placements and Risk Management, Dan Voiculescu - Directorate Portfolio Monitoring Division, Vasilica Bucur – Chief of Law Division, Ion Patrichi – Chief of Human Resources - Logistics.

### 31 December 2015

**Members of the Board of Directors:** Tudor Ciurezu - President, Anina Radu - Vicepresident, Cristian Buşu, Victor Căpitanu, Nicolae Stoian, Carmen Popa, Paul-George Prodan.

**Effective management:** Tudor Ciurezu (CEO), Anina Radu (Deputy CEO).

**Executive management:** Elena Sichigea - Chief Financial Department, Elena Caliţoiu - Chief of Placements and Risk Management, Dan Voiculescu - Directorate Portfolio Monitoring Division, Vasilica Bucur - Chief of Law Division, Ion Patrichi – Chief of Human Resources - Logistics.

## **V. EVENTS AFTER THE BALANCE SHEET DATE**

## **THE FINANCIAL INVESTMENT COMPANY OLTENIA S.A.**

**I.** The Ordinary General Assembly of Shareholders, in statutory meeting on 04.04.2017, at the first convocation, approved the following:

- the Separate Financial Statements of 2016, prepared under IFRS requirements, as presented, based on the Report of the Board of Directors and the Report of the Financial Auditor ;

- the coverage of the loss in the update with the hyperinflation in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" in the amount of RON 2,438,631,884.98, reflected in the Financial Statements of 2015 and 2016, according to the provisions of art. 91 and 92 of ASF Norm no. 39/2015, from other equity items;

- the reject of both proposals for the distribution of the net profit, both in Version I, respectively by Dividend Distribution, and in Version II, respectively Redemption of Shares Program, where the net profit in the amount of RON 101,271,376.81 remains unpaid;

- the discharge of administrators for the work carried out in the 2016 financial year;

- the Income and Expense Budget for the year 2017 and the 2017 Strategy as presented;

- the performance in the 2017 financial year of the accounting record for "income" of dividends not claimed for more than three years from the date of their exigibility, for which the right of share is extinguished by prescription, respectively the dividends related to the 2013 financial year, as evidenced by SIF Oltenia S.A. as unpaid as at 01.10.2017;

- the election of the Board of Directors of SIF Oltenia S.A. for a four-year term, starting with 21.04.2017, consisting of 7 members, in the following composition: Tudor Ciurezu, Cristian Buşu, Anina Radu, Radu Hanga, Ana Barbara Bobircă, Nicolae Stoian, Carmen Popa;

- during the 4-year term of office, the rights to the members of the Board of Directors for the exercise of the SIF Oltenia S.A. director commission and the rights due to the senior management (General Manager and Deputy General Manager) at the level established by the Decision of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A. no. 5/20.04.2013, published in the Official Gazette of Romania Part IV no. 2562/15.05.2013;

- the date of 10.07.2017 as registration date (ex-date 07.07.2017), according to the provisions of art. 238 para. 1 of the Law no. 297/2004, the CNVM Regulation no. 6/2009, respectively the ASF Regulation no. 13/2014.

**II.** The Board of Directors of the Company, as a result of the decision of the Ordinary General Assembly of Shareholders, meeting in its first session on 04.04.2017, decided:

- the election of Mr. Tudor Ciurezu as Chairman of the Board of Directors of SIF Oltenia S.A.;

According to the Articles of Incorporation of the Company, Mr. Tudor Ciurezu will also perform the position of General Manager, member of the Superior Leadership according to the provisions of the capital market regulations and the Internal Regulations of SIF Oltenia S.A.;

- the election of Mr. Cristian Busu as Vice-Chairman of the Board of Directors of SIF Oltenia S.A.;

According to the provisions of the Articles of Incorporation of the Company, Mr. Cristian Busu will also perform the position of Deputy General Manager, member of the Superior Leadership according to the provisions of the capital market regulations and Internal Regulations of SIF Oltenia S.A.

The persons elected as members of the Board of Directors have expressly accepted the mandate of director of SIF Oltenia S.A., the exercise of duties corresponding to the position being possible after the approval by the ASF, the registration with Dolj County Trade Register Office, the conclusion of the insurance policy and the constitution of the material guarantee provided by the articles of incorporation.

The members of the Superior Leadership (General Manager and Deputy General Manager) elected through the decision of the Board of Directors of the Company, shall also exercise the duties corresponding to the position after the approval of the ASF, the conclusion of the mandate contract, the registration with Dolj Trade Register Office and the conclusion of the insurance policy.

All the formalities required by the provisions of the ASF Regulation no.14/2015 regarding the evaluation and approval of the members of the management structure have been fulfilled, namely, the documentation required for the approval of the members of the Board of Directors and the Superior Leadership has been submitted.

Also, in order to fulfil all the formalities required by the ASF regulations for the evaluation of the members of the Board of Directors and the Superior Leadership, they came and appeared at the interview organized by ASF, during the period 23 - 26.06.2017.

**III.** On 30.05.2017, SIF Oltenia S.A. received the application from a group of shareholders, namely BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COÖPERATIEF U.A., ROMANIAN EQUITY PARTNERS COOPERATIEF U.A. and BROADHURST INVESTMENTS LIMITED, together holding shares representing more than 5% of the share capital of SIF Oltenia S.A., requesting the convening of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A., with the following agenda:

"1. Approval of the breakdown by destination of the net profit achieved by the Company for the financial year ended 31.12.2016, in the amount of RON 101,271,376.81, as follows:

a) the approval of the distribution of dividends in gross amount of 0.1571 RON/share, representing 90% of the net profit achieved by the Company for the financial year ended 31.12.2016, namely RON 91,144,239.13;

b) the approval of the creation as own sources of development of the amount of RON 10,127,137.68, representing 10% of the net profit achieved by the Company in the financial year ended 31.12.2016.

2. The establishment of the date of 01.09.2017 as the date of payment of the dividends.

3. The establishment of the registration date and the ex-date.

4. The empowerment of the Chairman of the Board of Directors of the Company, with the right of substitution, to perform, in the name and on behalf of the Company and its shareholders, all the necessary formalities to carry out the resolutions adopted by shareholders through this Ordinary General Assembly of Shareholders of the Company, including but without limitation to the fulfilment of the formalities of advertising, opposition and registration of the decisions with the Trade Register Office, ASF, BSE, as well as with any other competent authorities and natural and legal persons."

Since at company's level on the date of receiving of the request for convening of the Ordinary General Assembly of Shareholders of SIF Oltenia S.A. by the before mentioned shareholders group the company's management was not authorised by the ASF (board of administration, general manager, deputy general manager), the general assembly could not be called under legal conditions (art. 119 of Law no. 31/1990, republished).

### **ALIMENTARA S.A. Slatina**

**I.** As per January 1<sup>st</sup>, 2017, the mandate contract of the General Manager was successively prolonged, until 31.08.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 10.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the profit achieved to remain unallocated;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the election of the Board of Directors consisting of 3 persons, for a two-year term;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor ;
- the registration in 2017 for "income" of non-claimed dividends for the 2004-2010 financial years;
- preparation of the annual financial statements for the year 2016, according to IFRS.

### **ARGUS S.A. Constanța**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 31.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the loss carried forward by the Company as at December 31<sup>st</sup>, 2016 and its coverage from future profits;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the investment program for the year 2017 ;
- the level of directors' remuneration for the year 2017;

- the value of the insurance policy for the professional liability of the directors in 2017.

**II. On 22.06.2017:**

- the employment relationship between ARGUS S.A. and the Commercial Manager ceased ;
- Mrs. Anina RADU resigns from the position of Chairman of the Board of Directors and Mr. Cristian BUSU is elected as Chairman of the Board of Directors.

**HOTEL COMPLEX DÂMBOVIȚA S.A. Târgoviște**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 31.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the profit achieved on the legal reserves and the partial coverage of the losses of the previous years;
- the discharge of directors for the year 2016;
- The Income and Expense Budget for the year 2017;
- the investment program for the year 2017;
- the revocation of the Board of Directors;
- the election of the Board of Directors consisting of 3 persons, for a two-year term;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor .

**CONSTRUCȚII FERROVIARE CRAIOVA S.A.**

**I.** As per 01.02.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on

08.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit ;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the election of the Board of Directors consisting of 3 persons, for a two-year term;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor ;
- does not approve of the commencement of the action for liability against the Chairman of the Board of Directors.

**III.** The Extraordinary General Assembly of Shareholders, held in statutory meeting on 08.04.2017, approved the following:

- the decrease of the share capital from RON 8,791,365 to RON 5,415,480.84, with the losses from previous years, registered as at 31.12.2016 and not covered by the profit of the year 2016, amounting to 3,375,884.16, by the reduction in the nominal value of the share from RON 2.5 to RON 1.54;
- the update of the articles of incorporation as a result of the diminishing of the share capital.

### **FLAROS S.A. Bucharest**

The Ordinary General Assembly of Shareholders, held in statutory meeting on 30.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit ;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the registration in 2017 for "income" of non-claimed dividends for more than 3 years from the date of exigibility ;

- the results of the revaluation of buildings (real estate investments) as at 31.12.2016;
- the election of the Board of Directors consisting of 3 persons, for a two-year term;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor.

#### **GEMINA S.A. Rm. Vâlcea**

**I.** As per 01.02.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

**II.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 06.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit ;
- the discharge of directors for the year 2016;
- The Income and Expense Budget for the year 2017;
- the investment program for the year 2017 ;
- the level of directors' remuneration for the year 2017
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor .

#### **MERCUR S.A. Craiova**

**I.** In February 2017, the share capital increase was registered at MERCUR S.A. Craiova from the amount of RON 2,958,210.00 to the value of RON

18,150,650.00, with the amount of RON 15,192,440.00, with non-cash contribution, by the issue of 6,076,976 new shares with the nominal value of 2,5 RON/share, according to the Decision of the Extraordinary General Assembly of Shareholders no. 60/11.01.2016, published in the Official Gazette Part IV, no. 260/18.01.2016, the Decisions of the Board of Directors of MERCUR S.A. no. 5/09.02.2016 published in the Official Gazette Part IV no. 749/22.02.2016 and no. 38/18.10.2016 published in the Official Gazette Part IV no. 3814/26.10.2016.

S.I.F. Oltenia S.A. has subscribed and paid up on 09.01.2017, a number of 6,000,000 new shares worth RON 15,000,000, by exercising the right of preference.

The financial resources resulted from the share capital increase were used for the modernization of MERCUR CENTER store in the patrimony of the Company.

**II.** The commission term of the General Manager changed until 01.07.2018.

**III.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit ;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the working program for the year 2017 ;
- the appointment of a new director until 01.07.2018 as a result of the resignation as per 01.02.2017 of a new director;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor .

**IV.** The Extraordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approves: the amendment of the articles of incorporation in compliance with the laws in force.

### **PROVITAS S.A. Bucharest**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 30.03.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the coverage of the accounting loss achieved in 2015 from reserves set up at the level of the Company from the profit of previous years ;
- the distribution of the achieved profit in 2016 ;
- the discharge of the sole director for the period 18.01.2016 - 31.12.2016;
- the Income and Expense Budget for the year 2017;
- the level of the sole administrator's remuneration for 2017;
- the appointment of the financial auditor.

**II.** As per 30.05.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2019.

### **TURISM PUCIOASA S.A.**

The Ordinary General Assembly of Shareholders, held in statutory meeting on 03.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit ;
- the discharge of directors for the year 2016;
- the Income and Expense Budget for the year 2017;
- the investment program for the year 2017 ;
- the election of the Board of Directors consisting of 3 persons, for a two-year term, starting with 08.05.2017;
- the level of directors' remuneration for the year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor;

- the registration in 2017 for "income" of non-claimed dividends for more than 3 years from the date of exigibility.

### **UNIVERS SA Rm. Vâlcea**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 07.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the net profit achieved in the year 2016 ;
- the discharge of the directors, for the activity carried out in the financial year 2016;
- The Income and Expense Budget for the year 2017;
- the level of directors' remuneration for the financial year 2017;
- the value of the insurance policy for the professional liability of the directors in 2017;
- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the external financial auditor;
- the registration in 2017 for "income" of non-claimed dividends for the 2008-2012 financial years .

**II.** As per 01.05.2017 the mandate contract of the General Manager was successively prolonged, until 01.05.2019.

### **VOLTALIM SA Craiova**

**I.** The Ordinary General Assembly of Shareholders, held in statutory meeting on 05.04.2017, approved the following:

- the financial statements as at December 31<sup>st</sup>, 2016;
- the distribution of the achieved profit to cover the loss of previous years;
- the discharge of directors for the year 2016;
- The Income and Expense Budget for the year 2017;
- the investment program for the year 2017 ;
- the level of directors' remuneration for the year 2017;

- the preparation of the annual financial statements for the year 2016, according to IFRS;
- the appointment of the financial auditor .

**II.** As per 01.06.2017 the mandate contract of the General Manager was successively prolonged, until 31.12.2017.

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

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

According to R.N.S.C. Decision no. 1176/15.09.2010, financial investment companies are required to prepare and submit to R.N.S.C. (A.S.F.) consolidated annual financial statements in accordance with the International Financial Reporting Standards adopted by the European Union within 8 months of the end of the financial year.

**These financial statements are intended solely for use by the Group, its shareholders and the ASF and do not result in changes in dividend shareholders' rights.**

**Administrator**

PhD Associate Prof. Ciurezu Tudor

**Chief Financial Officer**

ec. Sichigea Elena

**Societatea de Investiții Financiare Oltenia S.A.**

Str. Tufănele, nr. 1

Craiova

**INDEPENDENT AUDITOR'S REPORT**

*To the Shareholders of SIF Oltenia S.A.*

**Report on the Audit of the Consolidated Financial Statements**

**Opinion on the Consolidated Financial Statements**

We have audited the consolidated financial statements of the Societatea de Investitii Financiare Oltenia S.A. (SIF Oltenia S.A. or the "Group"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with the A.S.F. Rule No. 39/2015 approving the Accounting Regulations compliant with International Financial Reporting Standards (IFRS), applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group within the meaning of the Ethics Code for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole and in forming an opinion on the consolidated financial statements and we do not express an opinion on these individual matters.

The main aspects that were considered were as follows:

Valuation of unlisted financial assets available for sale

*Note 5, to the consolidated financial statements*

### *Key matters*

37,44% % (2015 – 36,02%) of the Group’s portfolio (494.900 th Lei respectively) is held in investments with no quoted market price. Unlisted investments are measured at values which are established based a measure of the equity of the unlisted investment. This has been one of the audit areas that our audit focused on.

### *Our response*

Our procedures included but were not limited to:

- enquiry of the documentation of the valuation and measurement of the unlisted investments
- discussions with the investment managers on key judgments applied for the measurement of the unlisted investments
- we obtained the latest available reported net assets for the unlisted investments held and we performed sampled checks concerning the correct decrease in value disclosure
- procedures regarding the changes in the fair value of unlisted financial investments and their disclosure

## **Report on the Compliance of the Board of Directors’ Report with the Consolidated Financial Statements**

The directors are responsible for the preparation and presentation of the directors’ report in accordance with the CNVM/ASF Regulation no. 1/2006 and Rule No. 39/2015 approving the Accounting Regulations compliant with International Financial Reporting Standards (IFRS), applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector, as such as this report is free from material misstatements and for such internal control as management determines is necessary to enable the preparation of the directors’ report that is free from material misstatement, whether due to fraud or error.

The directors’ report is not part of the consolidated financial statements. Our opinion on the consolidated financial statements do not cover the director’s report.

As part of our audit on the consolidated financial statements, we have read the director's report, which is annex to the financial statements and we report that:

- a) Nothing was identified by us that makes us believe that the information presented in the director's report, in all material respects, is not in accordance with the consolidated financial statements
- b) The director's report mentioned above includes, in all material respects, the information requested by the A.S.F. Norm no. 39/2015 for the approval of the accounting regulations in accordance with the International Accounting Reporting Standards, applicable for the entities authorized, regulated and supervised by the Financial Supervisory Authority ("A.S.F.") for the Financial Instruments and Investments Sector.
- c) Based on our understanding and knowledge obtained during our audit on the S.I.F. Oltenia S.A. consolidated financial statements prepared for the year ended December 31, 2016 and on its environment, no information that is included in the directors' report came to our attention that would make us believe that it is misstated.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure

about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

August 1<sup>st</sup>, 2017

Florin Toma  
*C.A.F.R. 1747*

In the name of:

**JPA Audit și Consultanța S.R.L.**  
*Registered Auditor C.A.F.R. nr. 319*