

ITEM 4 OF THE OGM AGENDA

Approval of the Budget of revenue and expenditure and the Activity Plan for the year 2017.

ACTIVITY PLAN AND BUDGET FOR 2017

Economic environment

The economic growth Romania attained in 2016 is among the highest in the region, being a favourable component for the development and consolidation of the Romanian capital market, the major companies listed on the Bucharest Stock Exchange recording remarkable results.

The dynamics of Romania's economic development requires a continuous macro-economic connection to the global economies, in order to strengthen trade relations, in the current stage of development the investment risk is slightly higher than in developed countries, characterized by the fiscal, economic and monetary policy stability.

Political, economic, social or other events in Romania and other emerging markets could significantly impact the financial markets and the liquidity indicators of financial instruments. Given that most Company's portfolio exposure is on issuers present on the Romanian capital market, there is a strong interconnection of the investment activity performed by the Company and the development of Romanian economy. Thus, changes in tax policies, economic or domestic legislation may become decisive factors on the financial performance or results of the Company.

We consider that at the moment the course is positive. In 2016 it was reported performant economic growth, with a national budget deficit under control and fiscal stimulus measures were approved. The main economic risks in Romania are still linked to the persistent uncertainties on the political scene. These issues could negatively impact the dynamics of financing costs and investments level.

Developing countries such as Romania require an adjustment of the legislative process so as to ensure a stable and predictable regulatory framework.

Possible future changes to legislation specific to the activity of the Company may have a consistent impact, both positive and negative, requiring prudent management. For financial investment companies (SIFs) new legislative changes are being prepared, the Financial Supervisory Authority (ASF) is working on the draft of the law on alternative investment funds (AIF).

Other legislative changes and forecasts of the European Commission, such as:

- specific regulations related to companies that SIF1 has exposure on
- monetary and fiscal policies, and the increase of minimum wage

- slowdown in GDP growth (+4.4% for 2017, respectively + 3.7% for 2018)
 - exceeding the budget deficit of +3%
 - but, an improvement of unemployment indicators +5.7% in 2017 and +5.6% for 2018
 - and a return of inflation in the positive field¹: 2017 +1,6%, respectively +2,9% in 2018
- require positioning of company's portfolio according to the evolution of the economic climate, to be performed in real time in order to maximize profitability. ECB and FED announced intention to raise rates in the limits of sustainability which may increase investment interest for fixed-income instruments segment, in the future.

In July 2016, Fitch confirmed the rating for Romanian long-term government bonds denominated in foreign currency at "BBB minus" and downgraded the rating for Romanian long-term government bonds denominated in local currency to "BBB minus" from "BBB". "BBB minus" rating is of "investment grade" type (recommended for investments).

The stable outlook reflects Fitch estimating that risks to Romania's rating are currently balanced. The main risk factors that could lead to negative rating decisions are: significantly higher fiscal deficit and the worsening of government debt dynamics, and worsening of external debt dynamics.

SIF Banat-Crișana's objectives for the year 2017

- consolidating the "core" portfolio structure aimed at providing steady, constant and predictable returns to shareholders, while keeping a reasonable risk level;
- active involvement in majority-owned companies to improve their performance;
- restructure the existing portfolio with an aim to reduce exposure in minority-stake companies;
- diversification of the portfolio of fixed income financial instruments;
- increase visibility, transparency and improve corporate governance;
- promote SIF Banat-Crișana in capital market events (either individually or along with BVB, brokers) to increase transparency and attract new investors/shareholders;
- active involvement in attracting new IPOs from privately-owned companies, targeting the development of the local capital market.

¹ Source: Country report Romania – European Commission

Lines of action in 2017

The complexity of the current economic, fiscal, legislative and political situation in which SIF Banat-Crişana operates involves a strategy of a prudent allocation of company's capital destined for investments.

Fixed income financial instruments are investment options providing conservation of value, but currently having returns below expectations, due to low interest rates. Consequently, the mainstay of the portfolio is the exposure mainly on shares that presently provide the best balance between profitability and maintaining risk indicators to an acceptable level, with the possibility of portfolio diversification with other attractive investment opportunities.

Rigorously analysing the factors and elements generating effects on the investment activity and the areas where SIF Banat-Crişana is exposed to, we defined the following areas of action for 2017:

- *Further portfolio repositioning to optimize its structure, decrease of associated risks increase portfolio liquidity.*

Investment efforts will be focused on providing increase in the value of assets managed, apt to generate solid future earnings. The commitment of SIF Banat-Crişana management is to achieve sustainable results and avoid de-capitalization of company by selling assets as primary means of making a profit.

As for the previous year, the budget for 2017 focuses on the performance of assets held and on their revenue generation potential to translate into a real profit.

It is also considered the portfolio repositioning based on criteria of profitability growth and optimizing its structure, so that a few divestment opportunities to be seized during the year.

In this respect, priority will be aimed the decrease of minority holdings that do not bring added value to SIF Banat-Crişana by increases their capitalization value respectively their equity or by dividend distribution. We support the policy of exit also from companies having weak financial conditions, where fair value of the companies is significantly lower than their respective carrying amounts, respectively their market capitalisations. The program to reduce this category of assets will go on, having in view their replacement with investments in securities with higher profitability and liquidity.

Also, we consider the sale of holdings that reached a target price and companies which growth potential has been exhausted, but useful to redirect investments into more profitable projects.

Channelling the resources obtained from the sale transactions will result in easing the risk profile related to these holdings.

- *Focus on the fundamental value of assets and creating long-term value.*

Fundamental analysis of companies through which we can get a true, clear and complete view of patrimonial situation and of their financial performance, is the base of correct forecasts that help identifying the best investment opportunities and their implementation (purchase of shares, participation in capital increases,

acquisitions of bonds etc.). Supporting the companies in which the company holds majority stakes, to increase their performance, is a priority. In 2017 the concentration of financial resources towards areas with growth potential, joined by providing a professional management and a rigorous and permanent control by measuring the efficiency of business, contribute to a real value added on the long term.

- *Further development of a core of stakes with high yield dividend (over 5%), providing the company a constant cash flow.*

Dividend revenues from cash generating companies, with a solid patrimonial structure and sound results, should be maintained at a constant level, ensuring a predictable source to remunerate by dividend SIF Banat-Crişana shareholders.

From this perspective, the most favourable sectors identified are in the energy, utilities and banking. Dividends remain an anchor of stability, along with the positive prospects of companies.

- *Monitoring companies and new investment opportunities (start-ups, IPOs and SPOs)*

Undervalued companies in their early stages of the development cycle, covering an unsaturated market or reporting performances above average, will be monitored and analysed for possible acquisitions.

New listings on the Bucharest Stock Exchange, participation in public tenders for purchase or sale conducted on BVB after the fundamental analysis and the perspectives of the companies will be priorities for the continuous improvement of portfolio quality.

- *Diversification of the portfolio with financial instruments that currently have a lower weight in the current structure (fixed income instruments, fund units, other instruments)*

Fixed income instruments, amidst the expected worldwide growth of interests, may constitute investment opportunities. If these estimates will emerge, both government and corporate bonds could become attractive in terms of investment, having low risk level and, because of increased interest rates, a competitive return.

Furthermore, fund units represent balanced alternative for institutional investment environment, by which could get exposure on previously uncovered industries, with a good risk-return ratio.

We expect the new AIF law to provide greater freedom in terms of possibilities to diversify the financial instruments managed by existing SIFs.

- *Efficient administration of shareholdings.*

For companies where the Company owns majority or control stakes, the direct involvement in their management is essential through active management of the board members appointed by SIF Banat-Crişana. Administrators are meant to ensure effective business of the companies, considering the legislation in force, the principle of prudence and going concern. They also have responsibilities to support and promote performant management teams, to negotiate with them the performance criteria and periodically evaluate the results reported by the company.

In the case of minority interests, Company's portfolio managers and analysts will provide the exercise of shareholder's rights as per law, the articles of association and regulations of the companies, pursuing the shareholder's interest where the majority shareholder or company's management attempts to harm it. They constantly interact with management of the companies, for a better understanding of the amounts reported by the company, of growth vectors and of the market in which it operates, to identify the non-quantifiable aspects as well.

- *The program for the repurchase of own shares*

In 2016, SIF Banat-Crişana carried out a buyback program, approved by the EGM of 25.04.2016, by the public tender approved by ASF completed in August 2016. This program has proven to be a beneficial tool for both the company and for shareholders. On the one hand, the price company's shares upsurged significantly, reducing the discount to market capitalization of the accounting net asset value, on the other hand the shareholders could benefit from consistent profits by selling the shares at high prices. Even if the company did not distribute cash dividends from the profit for the year 2015, the buyback program led to higher total return to shareholders by the increase of SIF1 share price. By the end of 2016, share price has risen over 22%, reaching a historic high of over 3 years (RON 1.848 / share as at 30.12.2016).

In an effort to increase value for the shareholders, considering the success of the buyback program conducted in 2016, the Extraordinary General Meeting of Shareholders of 11.10.2016 approved a second program to repurchase 20,000,000 own shares, to be implemented during the year 2017. The effects announcing this program were reflected in stock prices, SIF1 shares are now being traded on the BVB at prices above RON 1.9 / share.

- *Increasing the visibility, transparency and improving corporate governance*

An important vector of this year's strategy is the intensified promotion of SIF Banat-Crişana in events on the capital market held in Romania or internationally - either individually or together with BVB or intermediaries, in order to increase transparency and visibility for SIF1 and attract to new investors / shareholders.

We believe that improving the presentation of relevant information about SIF Banat-Crişana and increasing communication with investors can contribute to the rise in investors' confidence in the activities of management and increase SIF Banat-Crişana's attractiveness, with effect on reducing the discount to NAV/S that SIF1 shares are being traded.

Budget of revenue and expenditure for the year 2017

To substantiate the Budget of revenue and expenditure for the year 2017, the following hypotheses were considered:

- *realization of revenues, expenses and net result as at December 31, 2016;*
- *inflation rate BNR forecasted for 2017 of 2.5%, with an uncertainty range of $\pm 1\%$;*
- *the average interest rate forecasted for bank deposits denominated in RON, government securities and corporate bonds;*
- *estimated gross income from dividends to be collected from portfolio companies for the year 2016;*
- *volume of interest income, determined based on the estimated level of monetary investments and interest rate forecasted for 2017;*
- *net profit from the sale of shares, having in view the estimate of potential exit opportunities from companies;*
- *expenditure on salaries, allowances, contributions related and similar charges proposed, estimated based on the wage bill for December 2016, a prize/ promotion fund for employees, a prize fund for achieving objectives / profit and the influence of increasing the contribution to social security fund;*
- *financial investments and other acquisitions depending on opportunities and market developments;*
- *endowments - mainly representing computers, office equipment and software licenses.*

BUDGET PROPOSAL FOR THE YEAR 2017

No.	Specifications	Proposals 2017 (RON)
I	Income	
	Dividend income	80,800,000
	Interest income	2,000,000
	Other operating income	155,000
II	Gains on investments	8,500,000
III	Expenses	
	Commissions expenses	2,496,000
	Other operating expenses	21,847,200
IV	Profit before tax	67,111,800
V	Current and deferred tax profit / (tax reversal)	540,000
VI	Tax on gross due dividend	5,100,000
VII	Net profit for the year	61,471,800

Income estimated to be achieved in 2017 mainly include:

- **Dividend income** that represent the gross amount estimated to be collected in 2017, from portfolio companies, for the financial year 2016. Dividend income estimation was based on the information released by listed companies in the portfolio on the profit allocation and estimations based on the preliminary results and the dividend policy of non-listed companies. The decrease in the volume of such revenue is due to a lower volume of dividends from financial and banking companies.
- **Interest income** is related to monetary investments such as bank deposits, government bonds, corporate bonds denominated in RON and euro.
- **Other income** include income from rents and utilities for assets classified as financial investments.

Gains on investments mainly include:

- **Net profit from sale of shares** - estimated based on potential exit opportunities in some companies where Company has minority holdings.

Total expenses estimated for 2017 include:

- **Commission expenses** include commissions (fees) payable to ASF on market net asset (a percentage of 0.0078% of the monthly net asset value), Depozitarul Central for keeping the records of shareholders, depository bank - BRD, to Bucharest Stock Exchange for maintaining on stock exchange, and financial investment services companies, for transactions.
- **Other operating expenses** include:
 - **Expenses with personnel, administrators and executives**, representing salaries, allowances, awards, social contributions, etc. These include expenses that would result from the distribution of the repurchased shares in 2016 to be distributed free of charge to employees and members of management of the Company as per the objective of buyback program approved by the EGM of 25.04.2016.
 - **Additional expenses** comprising costs of services, travel, maintenance costs, utilities, supplies, depreciation, etc.
 - **Other expenses** mainly include expenses for organizing the general meeting of shareholders, investor relations activities, promotional activities and publication of materials, expenses of protocol.

Gross profit estimated for the year 2017 is in the amount of RON 67.1 million.

Tax on profit - amounting to RON 0.5 million, considering the non-taxable income (dividend income) and estimated non-deductible expenses.

Tax on due gross dividend - is estimated in the amount of RON 5.1 million and include tax on income form gross dividends estimated to be achieved in 2017, budgeted, noting that this tax is not a tax due (payment) by the company.

The net result proposed to be achieved in 2017 is in the amount of RON 61.5 million.

The Budget of revenue and expenditure was prepared based on the management's best estimates at the date of drawing. Developments during the year 2017 may induce certain variations.

RESOLUTION SUBMITTED FOR THE APPROVAL OF OGM at item 4 of the agenda
– proposed by the Board of Directors

Approval of the Budget of revenue and expenditure and the Activity Plan for the year 2017 pursuant to the presentation materials.