



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

---

## CONSOLIDATED REPORT

---

## OF THE BOARD OF DIRECTORS

---

— FOR THE YEAR ENDED DECEMBER 31, 2018 —

---

prepared pursuant to Law no. 24/2017 and ASF Rule no. 39/2015

*this report is provided as a free translation from Romanian, which is the official and binding version*

# CONTENTS

<b>1. GENERAL INFORMATION ON SIF BANAT-CRIȘANA GROUP</b>	<b>3</b>
1.1 Presentation of the Group	3
1.2 Entities included in the consolidation	3
<b>2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP</b>	<b>5</b>
2.1 Information on the activity of SIF Banat-Crișana	5
2.2 Information on the entities included in the consolidation	9
2.3 Perspective on the activity	11
<b>3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 31.12.2018</b>	<b>12</b>
3.1 Bases of presentation of consolidated statements	12
3.2 Consolidated profit and loss and other comprehensive income	13
3.3 Consolidated statement of financial position	14
3.4 Presentation on segment	15
<b>4. DESCRIPTION OF MAIN RISKS FOR THE GROUP</b>	<b>17</b>
<b>5. THE MARKET OF SECURITIES ISSUED BY THE GROUP</b>	<b>22</b>
<b>6. CORPORATE GOVERNANCE</b>	<b>24</b>
<b>7. OTHER INFORMATION</b>	<b>31</b>
Information on the purchases of own shares by the SIF Banat-Crișana Group	31
Events after the date of the balance sheet	31
<b>ANNEXES</b>	
<b>ANNEX 1</b>	The consolidated financial statements for the year ended December 31, 2018, prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) – Financial Instruments and Investments Sector – audited

## 1. GENERAL INFORMATION ON SIF BANAT-CRIȘANA GROUP

### 1.1 PRESENTATION OF THE GROUP

This report presents SIF Banat-Crișana's consolidated financial results for the year ended December 31, 2018, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and ASF Rule no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF from the Financial Instruments and Investments Sector.

The Company's consolidated financial statements prepared for the year ended on December 31, 2018 include the Company and its subsidiaries (hereinafter referred to as "Group"). For the financial year 2018, the Group comprises SIF Banat-Crișana (parent company), SAI Muntenia and Administrare Imobiliare.

### 1.2 ENTITIES INCLUDED IN THE CONSOLIDATION

#### Subsidiaries

Subsidiaries are entities controlled by the Company. The control exists when the Company is exposed or has rights to the variable return based on its participation in the investee entity and could influence those revenues through its authority over the entity in which it invested. When assessing control, potential voting rights that are exercisable or convertible at that time are considered.

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

The list of investments in subsidiaries as at December 31, 2018 and December 31, 2017 is as follows:

No.	Company name	Percentage held (%)	
		December 31, 2017	December 31, 2018
1	(SIF Imobiliare PLC Nicosia)	99.99	99.99
2	(SIF SPV Two București)	0	99.99
3	SAI Muntenia Invest SA București	99.98	99.98
4	(Napomar SA Cluj Napoca)	99.43	99.43
5	(SIF Hoteluri SA Oradea)	99.00	99.00
6	(Azuga Turism SA București)	98.94	98.94
7	Administrare Imobiliare SA București	-	97.40
8	(Silvana SA Cehu Silvaniei)	96.28	96.28
9	(Iamu SA Blaj)	76.69	76.69
10	(Vrancart SA Adjud)	75.06	75.06
11	(Somplast SA Bistrița)	70.75	70.75
12	(Central SA Cluj)	63.51	63.51
13	(Uniteh SA Timișoara)	0	33.81
14	(Ario SA Bistrița)	93.64	93.64

The subsidiaries shown in brackets in the table above were excluded from the consolidation starting January 1, 2018.

The company Ario SA Bistrița is in bankruptcy, so the voting rights held by SIF Banat-Crișana do not give authority over the investee entity and is therefore excluded from the consolidation.

For the purposes of IFRS 10, the date of initial application is the beginning of the annual reporting period to which this IFRS is applied for the first time.

Given that the period for which the Company applies the amendments in the *Investment Entities* document is subsequent to the date in which it applies IFRS 10 for the first time, the Company interprets that "the date of initial application" is "the beginning of the annual reporting period for which the amendments to the *Investment Entities* document (Amendments to IFRS 10) are applied for the first time." Thus, when establishing the consolidated values, the Company took into account the value of the deconsolidated subsidiaries as at 31 December 2017.

In order to remove the subsidiary from consolidation, the Company proceeded to: (i) derecognise the assets (including any goodwill) and the debts of the consolidated subsidiaries and the carrying amount of non-controlling interests in these subsidiaries, (ii) reclassification to profit or loss or (c) recognition of any difference resulting in profit or loss in the profit or loss attributable to the Company.

The impact on the consolidated financial statements as of December 31, 2018 as a result of the elimination from the consolidation of the subsidiaries is presented in *Note 3 to the consolidated financial statements*.

#### Associated entities

Associated companies are those companies in which the Company can exercise significant influence, but not the control on the financial and operating policies.

The number of entities in which the Company holds stakes between 20% and 50% as at December 31, 2018 is of 26 (December 31, 2017: 27), of which:

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exerts a significant influence, removed from the consolidation beginning January 1, 2018, following the classification of the Company as an investment entity;
- b. One entity (Uniteh SA), in which in which the Company indirectly holds the majority stake, through another subsidiary (SIF Imobiliare PLC);
- c. 9 entities (December 31, 2017: 10) that do not qualify as associates because the Company does not exercise significant influence in those companies;
- d. 14 entities in insolvency / liquidation / bankruptcy.

The effect of the removal from the consolidation of associates is presented in *Note 3 of the consolidated financial statements*.

## 2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP

### 2.1 INFORMATION OF THE ACTIVITY OF SIF BANAT-CRIȘANA

COMPANY NAME	<b>Societatea de Investiții Financiare Banat-Crișana S.A.</b> (hereinafter referred to as "SIF Banat-Crișana" or "the Company")
COMPANY TYPE	<ul style="list-style-type: none"><li>▪ closed-end investment company self-managed, with a diversified investment policy investment policy, endorsed by the Financial Supervisory Authority by Endorsement no. 258 / 14.12.2005 and as AIFM with Authorization no. 78/09.03.2018, equivalent to closed-ended AIF</li><li>▪ set-up as a joint stock company in November 1996 pursuant to the provisions of Law no. 133/1996 for the conversion of the Private Property Funds (FPP) into Financial Investment Companies (SIF)</li><li>▪ Romanian legal entity with private capital</li></ul>
SHARE CAPITAL	<ul style="list-style-type: none"><li>▪ RON 51,746,072.40 – subscribed and paid-in capital</li><li>▪ 517,460,724 shares issued; 517,371,068 outstanding shares</li><li>▪ RON 0.10 per share nominal value</li></ul>
REGISTRATIONS	<ul style="list-style-type: none"><li>▪ Number in Trade Register J02/1898/1992</li><li>▪ Tax Identification Code RO 2761040</li><li>▪ Number in ASF Register PJR09SIIR/020002/2006</li><li>▪ Legal Entity Identifier (LEI) 254900GAQ2XT8DPA7274</li></ul>
MAIN ACTIVITY	<p>Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funding (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499):</p> <ul style="list-style-type: none"><li>▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force</li><li>▪ management of investment portfolio and exercising all of the rights related to the instruments in which investments are made</li><li>▪ risk management</li><li>▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force</li></ul>
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB or BSE) - Premium category - market symbol <b>SIF1</b>
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit S.R.L.
DEPOSITARY BANK	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	<b>Arad</b> , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
BRANCH	<b>Bucharest</b> 175 Calea Floreasca, 7th floor, room A1, sector 1, 014459, Bucharest

**CONTACT Investor relations: email** [investitori@sif1.ro](mailto:investitori@sif1.ro) **tel** +40257 304 446

## KEY FINANCIAL AND OPERATIONAL INFORMATION

<b>FINANCIAL POSITION</b> [RON mn]			
	2016	2017	2018
Total assets, of which	2,110.19	2,488.15	2,452.94
Total financial assets	2,071.89	2,462.83	2,427.11
Equity	1,954.25	2,291.24	2,321.42
Total liabilities	155.94	196.91	131.52
<b>FINANCIAL PERFORMANCE (IFRS)</b> [RON mn]			
	2016	2017	2018
Income	107.16	84.93	114.88
Gain on investment	2.26	3.31	(16.05)
Expenses	25.12	15.75	17.93
Gross profit	84.30	72.49	80.89
Net profit for the year	81.36	69.55	77.19
<b>FINANCIAL INDICATORS</b> [%]			
	2016	2017	2018
ROE (net profit / equity)	4.16	3.04	3.32
ROA (net profit / total assets)	3.86	2.80	3.15
Gross profit margin (gross profit / total income)	36.91	35.55	37.49
<b>SHARES AND NET ASSET PERFORMANCE</b>			
	2016	2017	2018
Share price (year end, in RON)	1.848	2,770	2.0400
Net asset value* / share (RON)	3.7075	5.0111	4.3067
PER**	12.2	20.7	13.7
Dividend / share (RON)	-	-	***
Accounting net asset / share (RON)	3.7727	4.4062	4.4863
Nominal value of share (RON)	0.1	0.1	0.1
Number of issued shares	548,849,268	520,000,000	517,460,724
Number of outstanding shares	518,000,000	517,460,724	517,371,068
* calculated acc. to ASF regulations			
** calculated using EPS for the average number of shares in the respective year			
*** as per GMS decision			
<b>OPERATIONAL DATA</b>			
	2016	2017	2018
Number of employees, year end	38	37	34
Number of branch offices	1	1	1
<b>SHAREHOLDING STRUCTURE</b> as at December 31, 2018			
	number of shareholders	stake	
Romanian individuals	5,752,456	40.54%	
Non-resident individuals	2,028	0.34%	
Romanian legal entities	158	37.52%	
SIF Banat-Crişana (treasury stock) *		0.02%	
Non-resident legal entities	27	21.58%	
<b>TOTAL</b>	<b>5,754,670</b>	<b>100%</b>	
* own shares held by the Company following the buy-back program from October 2018			

## MILESTONES OF SIF BANAT-CRIȘANA'S ACTIVITY IN 2018

### Portfolio management

SIF Banat-Crișana's investment strategy targets the maximizing of portfolio performance, thus increasing the value of the managed assets and the investment income.

SIF Banat-Crișana's objective is the efficient management of a diversified portfolio comprised of high-quality assets, capable of providing a steady flow of revenues, preservation and medium-term capital growth, in order to increase the value for shareholders and obtain as high yields for the capital invested.

The strategic allocations by asset classes and within each class are based on assessments of the individual attractiveness of investment opportunities, under the existing conditions on the macroeconomic and market environment.

Investments are performed over a specified period, complying to the regulated prudential terms, under appropriate risk monitoring and control, to ensure a steady balance of risk and expected return. The investment decision-making process is formalized through internal procedures and the levels of competence approved by the company's Board of Directors.

SIF Banat-Crișana has under management a complex portfolio, consisting of the following main categories of financial instruments: shares, bonds fund units. The company applies an exit strategy tailored to the specificity of each investment, defined based on the applied strategy, investment objectives and the conditions (that trigger) of the exit transaction.

The differentiated approach addressed by the Company for each of its shareholding aims at capitalizing on an aggregate return, generated by dividend gain and capital gain.

The execution of the various exit strategies is adapted and correlated with a series of internal and external factors, such as: general economic prospects, bull or bear evolution of the Bucharest Stock Exchange, the liquidity of the listed securities and the daily trading volumes, the regionality of small businesses, access (interest) barriers, depending on the ownership structure, SIF Banat-Crișana's need of liquidity.

Lines of action in portfolio management:

- creating a varied portfolio comprised of assets capable of achieving the targeted returns at the level of risk assumed;
- increasing the quality of the portfolio, as a basis for its value growth and its capacity of constant income generation;
- management and development of the portfolio to adapt to the overall risk profile;
- developing the specific areas of expertise that form the basis of our operations;
- improving corporate governance practices.

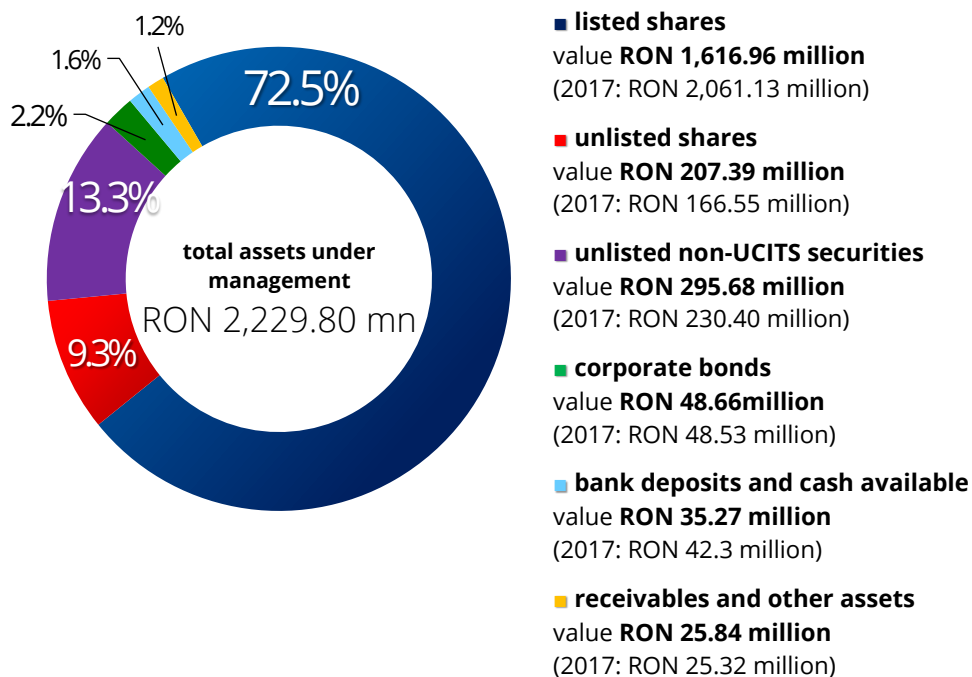
SIF Banat-Crișana's net asset value (NAV), key performance indicator for the activity of the Company, was of **RON 2,228.2 million** at December 31, 2018, 8% down as compared to 2017-year end. Net asset value per share (NAV/S) was of **RON 4.3067** as at December 31, 2018, as compared to RON 5.0111, the value recorded for 2017-year end.

The monthly net asset values were calculated by SIF Banat-Crișana during 2018 pursuant to the regulations issued by the Financial Supervisory Authority (ASF). The calculated values for NAV were certified by BRD - Groupe Société Générale, the depositary bank of Company's assets. The monthly reports for the calculation of NAV were submitted to the Bucharest Stock Exchange and ASF - Securities and Financial Investment Sector and were published on SIF Banat-Crișana's website - [www.sif1.ro](http://www.sif1.ro) - no later than 15 calendar days from the end of the reporting month.

The prudential limits applicable to investments performed by the Company are set by Law no. 297/2004 regarding the capital market, amended and supplemented by GEO no. 32/2012 and CNVM Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories.

ASSETS UNDER MANAGEMENT as at December 31, 2018

breakdown on classes (weight on total assets)



Note: values calculated ass. to ASF Regulations no. 9/2014, no. 10/2015 and no. 2/2018

Throughout 2018, SIF Banat-Crişana's portfolio of assets fell within the holding limits set by the ASF regulations.

As at December 31, 2018, SIF Banat-Crişana's stock portfolio had the dominant weight, of 81.88% of the total assets under management.

As at 2018-year end, SIF Banat-Crişana was *majority stakeholder* (with a stake above 50%) in 13 companies, (2017:11) with an aggregate value of RON 524.96 million (2017: RON 784.95 million), standing for 23.6% of NAV.

The companies in which SIF Banat-Crişana holds majority stakes are subject to careful analysis and monitoring from company's analysts, the managerial involvement from SIF Banat-Crişana focusing on: providing support in structuring the development programs; monthly assessment and analyse of results and supporting the implementation of some measures to increase efficiency of the activity; introducing good corporate governance practices, modern management techniques, and promotion of highly managerial teams; negotiating competitive performance objectives with the management teams; regular visits to companies and analyses, together with the management teams, of the results, prospects, opportunities and potential risks.

The most important holdings as per their weight in SIF Banat-Crişana's NAV are stakes in companies listed on regulated markets. An efficient portfolio management requires the



adjustment of portfolios' structure and exposure to the current economic realities in order to achieve performant returns in relation to the assumed investment risks.

For an efficient portfolio management, the Company continuously analyses the dynamics of the Romanian economy and the domestic capital market, as well as the progress of macroeconomic and geopolitical factors, and foreign capital markets evolution that generate major effects on the development of the domestic capital market, to identify the risk factors that may devalue Company's portfolio.

Detailed information on SIF Banat-Crişana's activity in 2018 is presented in the Annual Report 2018 and the Separate Financial Statements as of 31.12.2018 prepared under IFRS, available on the Company's website at [www.sif1.ro](http://www.sif1.ro).

## 2.2 INFORMATION ON THE ENTITIES INCLUDED IN THE CONSOLIDATION

### **SAI MUNTENIA INVEST SA Bucharest**

*SIF Banat-Crişana stake as at 31.12.2018: 99.98%*

IFRS indicators

(RON)	<b>2018</b>	<b>2017</b>
<b>Total assets</b>	20,838,038	22,472,165
<b>Equity</b>	18,705,172	19,770,346
<b>Total revenues</b>	18,079,074	18,942,803
<b>Net Profit / Loss</b>	6,684,826	7,753,452

Societatea de Administrare a Investițiilor (Investment Management Company) Muntenia Invest SA ("SAI Muntenia Invest SA") was established in 1997, as a joint stock company, and entered in SIF Banat-Crişana's portfolio in 2013.

The main activity of the Company is the management of undertakings for collective investment in transferable securities (Romanian acronym: OPCMV) established in Romania or in another member state and the activity of managing alternative investment funds (Romanian acronym: FIA) in compliance with the provisions of the relevant legislation.

SAI Muntenia's activity is regulated and supervised by the Financial Supervisory Authority (ASF), holding the authorization to operate as an investment management company (SAI). Since December 2017, it has been registered in the ASF Register as a registered AIFM. SAI Muntenia has no subsidiaries, branches or places of business.

The current activity of SAI Muntenia Invest SA carried out during 2018 was the management of SIF Muntenia and FDI Plus Invest.

The administration, the management of the portfolio of financial assets and performing financial investments for SIF Muntenia S.A. were executed in compliance with the legal provisions, with the provisions of the management contract concluded between the Company and SIF Muntenia S.A., of SIF Muntenia S.A. articles of association, as well as the provisions of the Management Program approved by the General Meeting of SIF Muntenia S.A. Shareholders.

The open investment fund PLUS Invest operates under the authorization issued by ASF in 2014 and it is registered in the ASF Register. FDI Plus Invest has as its primary objective the long-term growth of the capital invested, using an integrated asset allocation and an optimization of the investment structure. Inflationary protection and low yield volatility are also objectives of the fund.

Changes in the legislative framework related to the sector of activity of SAI Muntenia Invest, mainly the requirements to comply with AIFM legislation, have conducted over the past two years to complete/revise internal regulations and working procedures, which include, among others,

operational requirements for risk and liquidity management, organizational requirements, including asset valuation in the AIF portfolio, storage requirements, requirements on the possibility of delegating the functions of the AIFM, transparency requirements.

According to data provided by the Association of Fund Managers (AAF) as at 31.12.2018, SAI Muntenia Invest's market share was of 3.13% of the total assets managed by AAF members.

Auditor of the company is KPMG Audit S.R.L.

### **Administrare Imobiliare SA Bucharest**

*SIF Banat-Crişana stake as at 31.12.2018: 97.398%*

IFRS indicators\*

(RON)	2018	2017
<b>Total assets</b>	43,884,297	1,334,849
<b>Equity</b>	40,045,462	(190,547)
<b>Total revenues</b>	2,497,444	2,009,318
<b>Net Profit / Loss</b>	123,596	86,412

\* restated data under IFRS for consolidation purposes

The company was established in 2007 under the name of "Dacia Meridian Expres" having a portfolio of assets with which SIF Banat-Crişana withdrew its contribution from various trading companies from the counties of Arad and Bihor, namely: Aris SA Arad (in 2007), Amet SA Arad (in 2012) and Argus SA Salonta (in 2010).

In 2013, the company changed its name to Administrare Imobiliare SA and its headquarters is moved to Bucharest. In the same year, the company is incorporated into the holding SIF Imobiliare Plc., with a shareholding of 98.9% of its share capital.

To capitalize the company in order to support some investment projects, in December 2018 an increase of the share capital (cash contribution) bringing SIF Banat-Crişana as shareholder of the company. The cash contribution SIF Banat-Crişana brought amounted to RON 40,12 million. Following this increase, SIF Banat-Crişana becomes a shareholder of the company with a stake of 97.398% of the share capital, and the stake of SIF Imobiliare Plc shrinks to 2.5734%.

The main activity of AISA is the business and management consulting activity, providing investment management services to all SIFI group companies (investment management, investment opportunities consultancy, management consultancy services and administrative).

From this perspective, AISA provides all the activities of a manager (administrator), including strategic decisions regarding the investment / divestment activity of the managed entities. The main revenues earned by AISA are payments for administration and revenues from the rental of the locations in Romania from its own portfolio.

AISA holds, as at December 31, 2018, financial investments in shares in affiliated entities of RON 48,285 (100% provisioned) and other investments in shares valued at RON 400. All these investments are valued at cost.

AISA, as a manager in SIFI group companies, provides investment-related services but is not an investment entity.

The auditor of the company is JPA Audit și Consultanță S.R.L.

## 2.3 PERSPECTIVE ON THE ACTIVITY

SIF Banat-Crișana's investment strategy is to efficiently manage a diversified portfolio comprised of high-quality assets, capable of providing a steady flow of revenues, preservation and medium-term capital growth, in order to increase the value for shareholders and obtain as high yields for the capital invested.

An important element in the conduct of the activity will be the entering into force of the **Law on the regulation of alternative investment funds and on the modification and completion of some normative acts**, published by the Ministry of Public Finance in the second half of December 2018. The draft normative intends to regulate the alternative investment funds (AIFs) regarding the organization, functioning and transparency obligations of these types of entities.

The entry into force of this law is extremely important for SIF Banat-Crișana which, in accordance with the provisions of the AIFM Law, is assimilable to a closed-end retail AIF.

Analysing the factors and elements that influence the investment activity and on the domains that SIF Banat-Crișana has exposures to, the main objectives in 2019 address the following:

- Improving the quality of the portfolio by investment projects in areas of economy with good perspectives, in conditions of optimizing the risk – return balance;
- Further restructuring the existing portfolio with an aim to reduce exposure in minority-stake companies that do not fit in the Company's investment strategy;
- Active involvement in majority-owned companies to improve their business and performance, while meeting all the regulatory requirements;
- Adapting to the major economic challenges generated by an unpredictable political climate;
- Maintaining the transparency good corporate governance;

### 3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 31.12.2018

The consolidated financial statements were prepared ASF Rule no. 39/2015 for the approval of Accounting Regulations applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) in the Sector of Financial and Investment Instruments.

#### 3.1 BASES OF PRESENTATION OF CONSOLIDATED STATEMENTS

The Group adopted a presentation based on liquidity in the consolidated statement of financial position and a presentation of revenues and expenses by their nature in the consolidated statement of comprehensive income, considering that these presentation methods provide information which is credible and relevant those that would have been presented under other methods permitted by IAS 1 "Presentation of Financial Statements".

The consolidated financial statements are prepared using the fair value convention for financial assets and liabilities at fair value through profit or loss and financial assets available for sale, tangible assets such as land and buildings, investment property, except for those for which the fair value cannot be reliably established.

The consolidated financial statements have been prepared using the going concern principle, which implies that SIF Banat-Crişana and the companies in the portfolio will be able to dispose of their assets and meet their obligations in the course of business.

During Q1 2018, based on the information available as at December 31, 2017, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met. As per IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries providing investment-related services, that will further be consolidated.

Thus, the Company applied the Amendments to IFRS 10 on Investment Entities from the financial year 2018 when, following the review of the criteria presented by the Amendments, the Company's management concluded that the Company qualifies as an investment entity. Thus, the Company amended the accounting policy for its investments in subsidiaries and associates, measured at fair value through profit or loss. Changes in accounting policies are applied prospectively from the date of the change in accordance with IFRS 10.30.

In order to remove the subsidiaries from consolidation, the Company proceeded to: (i) derecognise the assets (including any goodwill) and the debts of deconsolidated subsidiaries and the book value of non-controlling interests in these subsidiaries, (ii) reclassification to profit or loss or retained earnings of recognized values in other comprehensive income for the deconsolidated subsidiaries and (iii) recognition of any difference resulting in profit or loss in the profit or loss attributable to the Company.

3.2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
(extract from the accompanying consolidated financial statements)

[in RON]	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Revenues</b>		
Operating revenues	127,161,455	631,140,323
Operating expenses	(30,275,651)	(535,380,966)
Gain / Loss) on investment property, net	166,163	14,746,764
Gain / Loss) on financial assets, net	(7,717,221)	2,983,552
Other gain / Loss), net	311,547	(1,166,846)
<b>Operating profit</b>	<b>89,646,294</b>	<b>112,322,827</b>
Financial revenues	496,396	5,284,378
Financial expenses	(426,118)	(12,126,546)
Net result	70,279	(6,842,168)
Profit / (Loss) for the period for associates	-	10,252,117
<b>Profit before tax</b>	<b>89,716,572</b>	<b>115,732,776</b>
Tax on profit	(4,954,904)	(4,140,711)
<b>Net profit for the financial year</b>	<b>84,761,668</b>	<b>111,592,065</b>
<b>Profit is attributed to:</b>		
Parent company	84,757,115	104,730,239
Non-controlling interests	4,553	6,861,826
<b>Other comprehensive income</b>	<b>(86,845,117)</b>	<b>263,564,717</b>
<b>Total other comprehensive income for the period</b>	<b>(2,083,449)</b>	<b>375,156,782</b>
<b>Result per share</b>		
Basic	0.16	0.22
Diluted	0.16	0.22

Significant changes of revenues, expenses and other items of comprehensive income over the previous year are mainly attributable to the application of IFRS 10 on the exemption from consolidation of those subsidiaries of an investment entity that does not provide services related to the parent's principal activity.

Structurally, Group's revenues in 2018 are the result of the dividends collected from the parent company's holdings (87% of the total operating revenues) and the income earned by subsidiaries from the investment management activity (administration fee).

Operating expenses comprise the total operating expenses (remuneration, fees and commissions etc.) incurred by the Group's investment management activity. Their structure and details are presented in the notes to the consolidated financial statements accompanying this report.

Other comprehensive income includes both gains on transactions recognized directly in equity (retained earnings) and the effect of fair value measurement of the Group's securities portfolio. Both the gain from transactions and the change in the fair value of financial assets are mostly attributable to the parent. The unfavourable evolution of this component over the previous year is the effect of the accelerated depreciation of the fair value of portfolio of financial assets at fair value through other comprehensive income listed on stock exchange (stakes in banks and energy companies), during in December 2018.

### 3.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (extract from the accompanying consolidated financial statements)

[in RON]	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Cash and cash equivalents, bank deposits	93,522,356	89,755,732
Financial assets at fair value through profit and loss	1,105,989,676	338
Trade receivables	6,994,465	101,767,377
Inventories	2,668	80,808,539
Financial assets available for sale	-	1,642,602,587
Financial assets at fair value through other comprehensive income	1,190,434,235	-
Investments in associates	-	68,700,510
Investments held till maturity	-	6,499,763
Financial assets at amortized cost	6,505,683	-
Investment property	21,122,392	289,152,520
Tangible and intangible assets	3,568,295	580,483,105
Other long-term financial assets, other current assets, goodwill	390,152	10,763,882
<b>Total assets</b>	<b>2,428,529,921</b>	<b>2,870,534,353</b>
<b>Liabilities</b>		
Trade liabilities	2,739,935	133,367,836
Dividends to be paid	5,495	15,586,380
Deferred tax liabilities	129,776,548	207,270,420
Borrowings	3,428,853	129,370,582
Investment grants	-	38,478,444
Provisions for other liabilities and charges, other liabilities, deferred income	1,318,782	4,808,688
<b>Total liabilities</b>	<b>137,269,613</b>	<b>528,882,350</b>
<b>Equity</b>		
Statutory share capital	51,746,072	52,000,000
IAS 29 on share capital	645,164,114	648,330,055
Treasury shares (including repurchase cost)	(224,045)	(4,872,849)
Benefits granted in equity instruments	2,380,000	-
Reserves under Law 133/1996	2,105,675,691	2,105,675,691
The effect of applying IAS 29 to equity elements on retained earnings	(2,605,353,717)	(2,608,519,657)
Accumulated profit	1,457,871,933	1,186,668,064
Other reserves, reserves from revaluation of tangible assets, legal reserves	10,710,787	67,696,492
Differences from change of fair value for financial assets through other comprehensive income	622,243,796	-
Reserves from revaluation of financial assets available for sale	-	808,753,426
<b>Total</b>	<b>2,290,214,632</b>	<b>2,255,731,222</b>
Non-controlling interests	1,045,677	85,920,781
<b>Total equity</b>	<b>2,291,260,308</b>	<b>2,341,652,003</b>
<b>Total equity and liabilities</b>	<b>2,428,529,921</b>	<b>2,870,534,353</b>

Significant changes in patrimonial items over the previous year are due to:

- the application of IFRS 10 provisions on the exemption from consolidation of those subsidiaries of an investment entity that do not provide services related to the parent's main activity, primarily affecting those balance sheet items that are not intrinsically linked to the core business of the parent-company: inventories, tangible assets, goodwill, investment properties, trade debts, subsidies;
- the structural changes in the parent company's assets, as a result of:
  - Reclassification of subsidiaries removed from the consolidation as a result of the application of the provisions of IFRS 10 relating to investment entities from the financial year 2018 from

the Financial assets available for sale category (until 31 Dec 2017 – as per IAS 39) in the Financial assets at fair value through profit and loss (as of January 1, 2018 – as per IFRS 9);

- Mandatory Reclassification of investments in fund units from Financial assets available for sale category (until 31 Dec 2017 – as per IAS 39) in the Financial assets at fair value through profit and loss (from 1 January 2018 – as per IFRS 9)
- Investment activity in 2018, by disinvestment from certain investments recorded under the category of Financial assets at fair value through other comprehensive income and investing in financial instruments recognized as Financial assets at fair value through profit or loss.

### 3.4 PRESENTATION ON SEGMENTS

In 2018, the Group operated on a single segment, namely the financial activity. In 2017, the Group's activity was segmented into four main activities, namely:

- financial;
- industry;
- agriculture;
- commerce, restaurants and hotel business.

The Group does not report revenue from external customers, either on aggregate or breakdown on countries, because the information is not available and the cost of obtaining it is excessive.

The activity of three companies (2017: 3) was included in the financial activity.

Industry activity included 5 companies in 2017, having as object the manufacture of machine tools and machine tools for metal processing. the manufacture of plastic plates and profiles, the manufacture of corrugated paper and cardboard and the knitting fabrication of garments.

The farming activity included 1 company in 2017.

The business, restaurants and hotel business included 3 companies in 2017.

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Industry	-	543,383,028
Commerce, restaurants and hotel business	-	189,268,976
Financial activity	2,517,665,587	2,376,116,255
Agriculture	-	136,801,190
Consolidation adjustments	(89,135,666)	(375,035,096)
<b>Total assets as per the Consolidated statement of financial position</b>	<b>2,428,529,921</b>	<b>2,870,534,353</b>
<b>Liabilities</b>	<b>2018</b>	<b>2017</b>
Industry	-	222,358,946
Commerce, restaurants and hotel business	-	22,095,355
Financial activity	137,494,341	239,192,097
Agriculture	-	45,235,951
Consolidation adjustments	(224,728)	-
<b>Total liabilities as per the Consolidated statement of financial position</b>	<b>137,269,613</b>	<b>528,882,350</b>

<b>Equity</b>	<b>2018</b>	<b>2017</b>
Industry	-	321,024,081
Commerce, restaurants and hotel business	-	167,173,621
Financial activity	2,380,171,247	2,181,690,472
Agriculture	-	46,798,925
Consolidation adjustments	(88,910,939)	(375,035,096)
<b>Total equity as per the Consolidated statement of financial position</b>	<b>2,291,260,308</b>	<b>2,341,652,003</b>

<b>Net profit</b>	<b>2018</b>	<b>2017</b>
Industry	-	25,663,685
Commerce, restaurants and hotel business	-	11,914,974
Financial activity	84,761,668	68,696,531
Agriculture	-	5,316,876
<b>Total net profit as per the Consolidate comprehensive income</b>	<b>84,761,668</b>	<b>111,592,065</b>



## 4. DESCRIPTION OF MAIN RISKS FOR THE GROUP

The most significant financial risks the Group is exposed to are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and the price risk of equity instruments.

The Group uses a variety of policies and procedures for managing and assessing the types of risk to which it is exposed, both at the parent company and subsidiary levels. These policies and procedures are detailed in the sub-chapters dedicated to each type of risk under *Note 5* of the attached Consolidated Financial Statements 2018.

### 4.1 Financial risks

#### Market risk

Market risk is the risk that changes in market prices, such as price of shares, interest rates and exchange rates to have impact on Group's revenues or the value of financial instruments held. Market risk of equity instruments represent the risk that the value of such instrument to vary following the changes of prices on the market, either due to factors specific to the issuer's activity or factors affecting all instruments traded on the market.

The market risk of equity instruments is mainly the result of shares available for sale. Entities in which the Group holds shares operate in various industries. The objective of market risk management is to control and manage market risk exposures in acceptable parameters, to optimize returns. The Group's strategy for market risk management is driven by its investment objective, and market risk is managed in accordance with its policies and procedures.

The Group is exposed to the following market risk categories:

**Price risk** is the risk of losses both on balance sheet and off-balance sheet positions due to asset price developments.

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

The board of directors monitors the execution of market risk management, and the internal procedures provide that when price risks are not consistent with the investment policy and the Group's principles, the portfolio should be rebalanced.

In recent years, as a result of the global financial crisis, Romania has been affected by price risk through the decline of stock quotes.

A positive 10% change in the price of financial assets at fair value through profit or loss (Level 1) would lead to a profit increase after tax, by RON 20,873,853 (December 31, 2017: RON 28), a negative variation of 10% having an equal net impact of the opposite sign.

A positive 10% change in fair value prices of other financial assets at fair through other comprehensive income value would lead to an increase in equity, net of profit tax, by RON 96,148,705 (December 31, 2017: RON 137,978, 617), a negative variation of 10% having an equal net impact of the opposite sign.

**Interest rate risk** is the risk that the Group's revenues or expenses, or the value of the Group's assets or liabilities fluctuate following the changes in market interest rates.

For interest-bearing financial instruments: the interest rate risk consists of the fluctuation risk in the value of a particular financial instrument as a result of the change in interest rates and the risk of the differences between the maturity of the interest-bearing financial assets and the debt-bearing debt interest rate. However, the interest rate risk may also influence the value of fixed-

interest assets (e.g. bonds), so that an increase in market interest rate will result in a decrease in the value of future cash flows generated by them and may lead to a price reduction if they increase the preference of investors to place their funds in bank deposits or other instruments whose interest rates have risen, and vice versa - a reduction in market interest rates may lead to an increase in the price of shares and bonds and will lead to an increase in the fair value of future cash flows.

The Group does not use derivative financial instruments to protect against interest rate fluctuations.

Impact on the Group's net profit of a change of  $\pm 1.00\%$  in the interest rate on variable-yield assets and liabilities denominated in other currencies corroborated by a change of  $\pm 1.00\%$  in the interest rate on assets and liabilities carrying liabilities variable interest rate and denominated in RON is a loss of RON 1,098,052 (December 31, 2017: loss of RON 2,789,740).

**Currency risk** is the risk of loss or not achieving the expected profit due to unfavourable fluctuations in the exchange rate. The Group invests in financial instruments and performs transactions denominated in currencies other than its functional currency and is thus exposed to the risk that the exchange rate of the domestic currency in relation to another currency will have adverse effects on fair value or future cash flows of that portion of the financial assets and liabilities denominated in another currency.

The Group performed transactions in the reporting periods in both the Romanian currency (Leu) and in foreign currency. The Romanian currency fluctuated compared to foreign currencies, EURO, USD, GBP and CHF.

The financial instruments used make it possible to preserve the value of the monetary assets held in RON by making investments and collecting interest according to the maturity term.

As at 31 December 2018, the Group's foreign currency assets and liabilities are presented in the table below:

<b>December 31, 2018</b>	<u>EUR</u>	<u>USD</u>	<u>GBP</u>	<u>CHF</u>
In RON	(RON equiv.)	(RON equiv.)	(RON equiv.)	(RON equiv.)
<b>Financial assets</b>				
Cash and cash equiv.	9,022,099	2,787	1,329	,
Bank deposits	-	-	-	-
Financial assets at fair value through profit or loss**	20,255,448	-	-	-
Financial assets at fair value through other comprehensive income*	290,081,290	-	-	-
Investments at amortized cost	6,505,683	-	-	-
Other assets	-	-	-	-
<b>TOTAL assets</b>	<b>325,864,520</b>	<b>2,787</b>	<b>1,329</b>	-
Loans	1,143,716	-	-	-
<b>Total liabilities</b>	<b>1,143,716</b>	-	-	-
<b>Net financial assets</b>	<b>324,720,804</b>	<b>2,787</b>	<b>1,329</b>	-

#### Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet an obligation or financial engagement in which it has entered into a relationship with the Group, resulting in a loss for the Group.

The Group is exposed to credit risk as a result of investments in bonds issued by trading companies or the Romanian State, current accounts and bank deposits and other receivables.

The management of the Group closely and consistently monitors the exposure to credit risk so that it does not suffer losses as a result of the concentration of credit in a particular sector or business.

At December 31, 2018 and December 31, 2017, the Group did not have any real collateral as insurance, nor any other credit rating improvements. Below we present the financial assets with exposure to credit risk:

December 31, 2018	Bonds issued by					Other financial assets	Total
	Current accounts	Bank deposits	financial institutions (measured at amortized cost)	Bonds issued by trading companies (FVTOCI)	Bonds issued by trading companies (FVTPL)		
<i>Current and unimpaired</i>							
Rating AAA to A-							
BBB+	11,329,564	54,727,855					66,057,419
BBB	24,299	5,026,000					5,050,299
BB+	2,698,188	8,500,000	6,505,683				17,703,871
Baa2	4,367	2,900,000					2,904,367
Ba2		3,004,661					3,004,661
Ba3	3,554						3,554
Caa2	389,266						389,266
NR	1,501	4,800,000		4,882,639	40,929,816	390,152	51,004,107
<b>TOTAL</b>	<b>14,450,739</b>	<b>78,958,516</b>	<b>6,505,683</b>	<b>4,882,639</b>	<b>40,929,816</b>	<b>390,152</b>	<b>146,117,544</b>

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations arising from short-term financial liabilities that fall due by cash or other financial means, or that such obligations are extinguished in an unfavourable manner for the Group.

The Group monitors the evolution of the liquidity level in order to be able to pay its obligations at the date when they become due and continuously analyses the assets and liabilities, depending on the remaining period up to the contractual maturities.

The structure of assets and liabilities was analysed based on the remaining period from the balance sheet date to the contractual maturity date as at 31 December 2018 and is presented in the table below:

*In RON*

	Accounting value	under 3 months	between 3 and 12 months	Over 1 year	Without pre-established maturity
<b>December 31, 2018</b>					
<b>Financial assets</b>					
Cash and cash equiv.	71,692,346	71,692,346		-	-
Bank deposits	21,830,010	18,816,010	3,014,000		-
Financial assets at fair value through profit or loss	1,105,989,676	-	-	40,929,816	1,065,059,860
Financial assets at fair value through other comprehensive income	1,190,434,235	-	-	4,882,639	1,185,551,596
Financial assets at amortized cost	6,505,683	-	-	6,505,683	-
Other financial assets	165,554	165,554	-	-	-
<b>Total financial assets</b>	<b>2,396,617,504</b>	<b>90,673,910</b>	<b>3,014,000</b>	<b>52,318,137</b>	<b>2,250,611,457</b>
<b>Financial liabilities</b>					
Loans	3,428,853	4,643	2,115,378	1,308,832	-
Payable dividends	5,495	5,495	-	-	-
Other financial liabilities	2,739,935	2,739,935	-	-	-
<b>Total financial liabilities</b>	<b>6,174,282</b>	<b>2,750,073</b>	<b>2,115,378</b>	<b>1,308,832</b>	<b>-</b>
<b>Excess liquidity</b>	<b>2,390,443,221</b>	<b>87,923,837</b>	<b>898,622</b>	<b>51,009,305</b>	<b>2,250,611,457</b>

## Other risks

By the nature of its activity, the Group is exposed to various types of risks associated with the financial instruments and the market it invests. The main types of risks to which the Group is exposed are:

- taxation risk;
- business environment risk;
- operational risk.

The risk management aims at maximizing the Group's profit related to the risk level at which it is exposed.

The Group uses a variety of policies and procedures for managing and assessing the types of risk it is exposed to. These policies and procedures are presented in the subchapter dedicated to each type of risk.

## Taxation risks

Since 1 January 2007, following the accession of Romania to the European Union, the Group has had to comply with the European Union's regulations and, as a result, has prepared itself to apply the changes brought about by European legislation. The group has implemented these changes, but their implementation remains open to fiscal audit for 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations may vary and there is a risk that in certain situations the tax authorities will adopt a different position from that of the Group.

From the corporate tax point of view, there is a risk that the tax authorities will interpret the accounting treatment that is determined by the transition to IFRS as a basis for accounting.

In addition, the Romanian Government has various agencies authorized to carry out the audit (control) of companies operating in 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.

## Business environment risks

SIF Banat-Crișana's management cannot predict all the effects of the international economic developments impacting on the financial sector in Romania but considers that in 2018 it has adopted the necessary measures for the sustainability and development of the Company under the conditions existing on the financial market, by monitoring cash flows and adequating investment policies.

Avoiding risks and mitigating their effects are provided by the company by an investment policy that complies with the prudential rules imposed by the applicable legal provisions and regulations.

SIF Banat-Crișana has adopted risk management policies that provide for active management of those risks by applying specific risk identification, assessment, measurement and control procedures that provide reasonable assurance that the Company's objectives are met, with a constant balance between risk and expected profit.

The risk management process aims at: (i) identifying and evaluating significant risks with a major impact on achieving the investment objective and developing activities that counteract the identified risk; (ii) adapting risk management policies to the financial market developments of the capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the evolution of the capital and monetary markets; (iv) compliance with applicable law.

The Eurozone economy has seen a significant recovery in recent years, both in terms of GDP growth (with annualized increases of more than 1.5%) and the gradual reduction of unemployment and the return of inflation to the target set by ECB (2%). However, the ECB has maintained both the benchmark interest rate in the historical absolute low (0%) and the commitment to fully re-invest the amounts collected at the maturity of the purchased financial instruments in the quantitative easing program, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB.

Maintaining these exceptional measures, against the backdrop of recent macroeconomic data indicating a slowdown in economic activity in key economies in the Eurozone (including the technical recession in Italy), signals the persistence of risks despite positive developments in recent years.

#### Operational risk

Operational risk is the risk of incurring direct or indirect losses resulting from shortfalls or deficiencies in the Group's procedures, personnel, internal systems, or external events that may impact on its operations. Operational risks arise from all Group activities.

The Group's objective is to manage operational risk to limit its financial losses, not to damage its reputation and to achieve its investment objective to generate benefits for investors.

Topmost responsibility for the implementation and development of operational risk control rests with the Board of Directors. This responsibility is underpinned by the development of general operational risk management standards, which includes controls and processes at service providers and service engagements with service providers.

#### Capital adequacy

The management's policy on capital adequacy focuses on maintaining a solid capital base to support the Group's continued development and investment objectives.

The Group's equity includes its share capital, various types of reserves, retained earnings and minority interests. The equity amounted to RON 2,291,260,308 on December 31, 2018.

## 5. THE MARKET OF SECURITIES ISSUED BY THE GROUP

### CHARACTERISTICS OF SIF BANAT-CRIȘANA SHARES

Total number of shares issued (December 31, 2018)	<b>517,460,724</b>
Outstanding shares (December 31, 2018)	<b>517,371,068</b>
Nominal value	<b>RON 0.1000 /share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category, listed since November 1, 1999</b>
Symbol on BVB (ticker)	<b>SIF1</b>
ISIN code	<b>ROSIFAACNOR2</b>
International identifier	<b>Bloomberg BBGID: BBG000BMN388 (SIF1:RO)</b>

Shares issued by SIF Banat-Crișana grant all shareholders equal rights.

Pursuant to art. 286<sup>1</sup> par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital. The voting right is suspended for the shares held by shareholders that exceed this limit, pursuant to art. 286<sup>1</sup> par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286<sup>1</sup> of Law no. 297/2004.

Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments.

### SIF1 PERFORMANCE AND VOLUMES IN 2018



Bucharest Stock Exchange (BVB) indices including SIF1 shares:

BET-FI is the first sectorial index of BVB and reflects the overall trend of prices of financial investment funds (SIFs and Fondul Proprietatea) traded on the BVB regulated market. Performance of BET-FI in 2018: -14.19%. Weight of SIF1 in BET-FI: 18.15% (2018 year-end).

BET-BK is a price index weighted by the free-float capitalization of the most liquid companies listed on the regulated market of BVB, which can be used as a benchmark by fund managers, and other institutional investors, the calculation methodology reflecting the legal requirements and the investment limits of funds. Performance of BET-BK in 2018: -12.86%. Weight of SIF1 in BET-BK: 4.7% (2018 year-end).

BET-XT is a blue-chip index and reflects the evolution of the prices of the 25 most liquid stocks traded in the regulated market, including the SIFs, the maximum weight of a ticker in the index being of 15%. Performance of BET-XT in 2018: -9.29%. Weight of SIF1 in BET-XT: 3.16% (2018 year-end).

BET-XT-TR is the total return version of BET-XT index, which includes the 25 most traded Romanian companies listed on BVB, tracking the price changes of its constituent companies and is adjusted to also reflect the dividends paid by them. Performance of BET-XT-TR in 2018: -1.33%. Weight of SIF1 in BET-XT-TR: 2.84% (2017 year-end).

The two subsidiaries included in the consolidation do not have their shares listed on an organized capital market or an alternative trading system.

## 6. CORPORATE GOVERNANCE

SIF Banat-Crișana is committed to maintaining and developing the best practices of corporate governance, thus ensuring an efficient decision-making process, leading to the long-term viability of the business, achieving the objectives of the company and creating sustainable value for all stakeholders (shareholders, management, employees, partners and authorities).

To remain competitive in an extremely dynamic environment, SIF Banat-Crișana develops and adapts its corporate governance practices to comply with the new requirements and take advantage of the new opportunities, policies promoted at Group level.

SIF Banat-Crișana has adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange ("the Code"), the compliance with Code's principles is presented in the statement accompanying the Annual Report 2018.

By Regulation no. 2/2016, the Financial Supervisory Authority (ASF) settled the unitary regulatory framework for the implementation of corporate governance principles to entities authorized, regulated and supervised by ASF. SIF Banat-Crișana's statement on the application of corporate governance principles during 2018, prepared pursuant to the annex of the Regulation no. 2/2016, is accompanying the Annual Report 2018.

Detailed information on SIF Banat-Crișana's corporate governance in 2018 and the statements on corporate governance statements are presented in the Annual Report 2018, available on the Company's website at [www.sif1.ro](http://www.sif1.ro).

### SIF Banat-Crișana's management

Pursuant to the provisions of Company's Articles of Association, SIF Banat-Crișana is administrated under a unitary system, apt to ensure Company's efficient operation, in accordance with the objectives of good corporate governance and the protection of the shareholders' legitimate interests.

### General meeting of shareholders

The General Meeting of Shareholders is the supreme governing body of the company.

General meetings are ordinary and extraordinary. The Ordinary General Meeting gathers at least once a year no later than four months after the close of the financial year. The Extraordinary General Meeting shall be convened whenever necessary. The powers of the general meeting of shareholders are stated in the Articles of Association and comply with the legal provisions in force. Company's Articles of Association are available on company's website, [www.sif1.ro](http://www.sif1.ro), in the *Corporate Governance* section.

General Meeting's decisions are taken by show of hands or by secret vote. The secret vote is compulsory for electing Board members and for the appointment of the financial auditor and to revoke them and also for decisions on the liability of the Board members. The decisions taken by the general meeting within the law and Company's Articles of Association shall be binding upon the shareholders who did not attend the meeting or voted against.

The general meeting of shareholders is chaired by the Chairman of the Board of the Directors and in his absence by the vice-chairman. The meetings are recorded by the secretariat elected by the General Meeting. Minutes of the meeting shall be recorded in a special register.

During 2018, SIF Banat-Crișana's Board of Directors convened once the Ordinary General Meeting and the Extraordinary General Meeting of Shareholders also once. Additional information on the general meetings of shareholders are presented in this chapter in subchapter *Shareholders' rights abiding*.



## The Board of Directors

SIF Banat-Crișana is administered by the Board of Directors (i.e. administrators) comprised of five members, elected by the ordinary general meeting of shareholders for a mandate of four years, with the possibility of being re-elected.

The Board of Directors has decision-making powers regarding the administration of the Company in the period between the general meetings of shareholders, except for the decisions that the law or company's Articles of Association provide exclusively for the general meeting.

The Board elects from among its members a chairman and a vice-chairman. As per the Articles of Association, the chairman of the Board holds the position of CEO (general director) of the Company.

Board members must cumulatively meet the general conditions stipulated by Law no. 31/1990 on trading companies, completed with the criteria established by Law no. 297/2004 regarding the capital market, Law no. 74/2015, Law no. 24/2017, and the regulations issued by the Financial Supervisory Authority (ASF).

The members of the Board are authorized in this function by ASF following their election by the general meeting of shareholders.

The composition of the Board of Directors as at December 31, 2018, was the following: Mr. Bogdan-Alexandru Drăgoi – Chairman of the Board; Mr. Radu Răzvan Străuț – Vice-Chairman of the Board; Mr. Sorin Marica – member of the Board; Mr. Marcel Heinz Pfister – member of the Board; Mr. Ionel-Marian Ciucioi – member of the Board.

### Advisory committees within the Board of Directors

The Audit Committee - assists the Board of Directors in fulfilling its responsibilities in the financial reporting, internal control and risk management areas, assists the Board of Directors in monitoring the trustworthiness and integrity of financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards applied by This one. The duties of the Audit Committee are detailed in the Company's Internal Regulations.

The Audit Committee consists of at least three non-executive members of the Board of Directors. The Chairman of the committee is an independent non-executive member. At least one member of the audit committee shall have competence in accounting or auditing.

The Nomination and Remuneration Committee - assists the Board in fulfilling its responsibilities for the nomination of candidates for management positions and their remuneration. NRC duties are detailed within the Company's Internal Regulations.

The Nomination and Remuneration Committee is comprised of at least at least two members elected from non-executive members of the Board of Directors, subject to the condition of independence provided for by the Company Law.

### The executive management

The effective management of the Company is performed by executive directors appointed by the Board of Directors, in accordance with the Company's Articles of Association and applicable regulations, so that everyday management of the Company to be provided, at all times, by at least two persons.

As per Law no. 31/1990 on trading companies, the Board of Directors has delegated some of his powers to the CEO (General Director), within the limits set by the law, Company's Articles of Association and decisions of the Board of Directors, except for the powers reserved by the law and

/ or Company's Articles of Association for the general meeting of shareholders or the Board of Directors.

Responsibilities and duties of directors are set by the Board of Directors and are described in the Company's Internal Regulations.

The composition of company's executive team as at December 31, 2018 was the following: Mr. Bogdan-Alexandru Drăgoi, Mr. Radu Răzvan Străuț, Mrs. Teodora Sferdian and Mr. Laurențiu Riviș.

Description of the main elements of the internal control systems and risk management

**Risk management** - SIF Banat-Crișana established and permanently and operationally maintains the risk management function, which is carried out independently of other activities. The Risk Management Office is subordinated to the Board of Directors, and the person in charge of risk management is authorized by ASF in this position and is registered in the ASF registry.

The diversity of activities carried out by SIF Banat-Crișana also creates complex risks as well as a plethora of opportunities for its shareholders, but also for the entire Romanian financial and capital market. Company's management considers that risk management is an integral part of good corporate governance and of best management practices.

Given the company's specific provisions concerning the risk management introduced by the AIFM law, the Company has completely reorganized the risk management activity, strengthening this segment through a rigorous procedure and a complex analysis, evaluation, reporting and management system, unitary on society.

The Company implements adequate and modern systems of risk management to effectively identify, measure, manage and monitor all the risks relevant for the investment strategy and the existing investment portfolio.

The risk management policy is appropriate to the nature, size and complexity of Company's activities and its assets under management.

The fulfilment of the risk management function is regularly examined by the internal and external audit functions.

**Internal control / Compliance** - SIF Banat-Crișana established and permanently and operatively maintains the internal control function, which runs independently of other activities. The Internal Control Compartment reports to the Board of Directors and has the following main responsibilities: (i) to monitor and regularly evaluate the effectiveness and the means of implementation of the set measures and procedures, as well as measures decided to resolve any situations of non-compliance by the Company; (ii) to advise and assist the relevant responsible persons for carrying out services and activities to meet the requirements set for the Company under the law and ASF regulations.

The person holding the position of compliance officer / representative of the compliance office is authorized by ASF in this position and is registered in the ASF registry.

**Internal Audit** - SIF Banat-Crișana established and permanently and operatively maintains the internal audit function, which runs independently of other functions and activities, reporting directly to Company's Board of Directors.

Company's activities are subject to an internal audit that is conducted periodically, in order to provide an independent assessment of the operations carried out, their control and management processes, considering the possible exposure to risk on various business segments (safety of assets, compliance with regulations and contracts, integrity of financial and operational

information, etc.) makes recommendations to improve the systems, controls and procedures to provide efficient and effective operations and observes the proposed corrective actions and the attained results.

The internal audit activity is an independent and objective activity granting the Company a guarantee of a certain control over the operations and which is performed pursuant to the procedures prepared for the purposes of the work. Each internal audit assignment is performed based on a detailed program, which comprises the applicability, scope, objectives, allocated resources and its period.

The internal audit objectives are to assist the Company in identifying and evaluating the significant risks providing an independent assessment of the risk management, of control and management processes and assisting the Company in maintaining an effective and efficient control system.

The activity of internal audit of SIF Banat-Crişana is outsourced to the company New Audit SRL from Arad, the mandate was extended starting September 2018 for another two years.

### Shareholders' rights abiding

SIF Banat-Crişana shares are common, ordinary, nominative, dematerialized, indivisible, granting equal rights to shareholders.

SIF Banat-Crişana guarantees an equitable treatment for all shareholders, including the minority and non-resident shareholders, pursuant to legal provisions and those of Company's Articles of Association.

SIF Banat-Crişana endeavours to ensure an impartial treatment for all shareholders, providing them with relevant and up-to-date information enabling them to exercise their rights of a fair manner. Shareholders should exercise their rights in good faith and with respect for the rights and interests of the Company and other shareholders.

**The right to vote** - SIF Banat-Crişana endeavours to facilitate the participation of shareholders at the general meetings of shareholders ("GMS"). SIF Banat-Crişana's shareholders can participate in the GSM directly, by designating a representative by a special/general empowerment or can vote by correspondence (through the post or by electronic voting).

The Board approves procedures for the orderly and efficient organization of GMS works, pursuant to the incident laws and ASF regulations. The procedures are available to shareholders at the date of convening the GMS, being published on company's website.

For the general meetings of shareholders, suspending the voting rights for the holdings above the legal and statutory threshold of 5% of the share capital is performed pursuant to the legal provisions, as per ASF Decision no. 517/25.04.2018.

**Right to dividend** - The dividend policy embraced by SIF Banat-Crişana aims at keeping a balance between the shareholders' remuneration through dividend and the need to finance new investment of the reinvested profits obtained. The strategy of keeping this balance aims to increase the long-term investment attractiveness of SIF Banat-Crişana shares, while maintaining the potential for the future development of the company, ensuring the long-term sustainable profitability of the business for the benefit of increasing the value created for shareholders.

Determining the manner and proportion of the distribution of net profit is subject to the approval of the General Meeting of Shareholders and considers the sustainability of the measure, the economic context and the current market performance.

**Right to information** - SIF Banat-Crişana considers of great importance the investor relations activities and the transparency in communication, convinced that public confidence is essential for

proper activity of the company and the consolidation of its good reputation. The company aims to ensure continuous reporting in an objective and integral manner by providing complete and accurate information on all important aspects of the activity and the results achieved. Company's website ([www.sif1.ro](http://www.sif1.ro)) is a useful means for communicating with the shareholders. The section dedicated to investor relations hosts information of interest for the shareholders and all the announcements and reports of the Company are made available both in Romanian and in English.

The organizational structure providing the relationship with shareholders, potential investors, analysts, mass-media and the interested public is the Investor Relations Compartment. Contact details: 35A Calea Victoriei, Arad 310158, Romania, tel | fax: +40257 304 446, email: [investitori@sif1.ro](mailto:investitori@sif1.ro), person of contact Mr. Claudiu Horeanu.

**Financial reporting** - Financial statements for 2018 have been prepared pursuant to the International Financial Reporting Standards and ASF Rule no. 39/2015, which applies along with the Accounting Law no. 82/1991 (republished and amended). The financial auditor is PricewaterhouseCoopers Audit SRL.

Conflict of interest and transactions with related parties

**Conflict of interest** - By internal rules and procedures implemented, the company fulfils its responsibility to prevent conflicts of interest, and if they cannot be avoided, ensures the proper monitoring and supervision, observing shareholders best interest. By the functional organization adopted by the Board of Directors, it was considered the insurance that relevant persons engaged in different activities involving a risk of conflict of interest carry out these activities with a degree of independence adequate for company's size and activities.

The Board of Directors implemented operational solutions to facilitate the proper identification and resolution of situations where an administrator or an employee has a material interest in its own name or on behalf of third parties.

SIF Banat-Crişana's internal regulations and procedures include adequate provisions to ensure, with reasonable certainty, the prevention and avoidance of situations that could constitute conflicts of interest. The Board of Directors periodically revises the procedures and the safeguards against conflicts of interest, examining their effectiveness and takes timely corrective action to address any deficiencies.

**Personal transactions** - In line with capital market legislation and European regulations, during 2018 have been completed and updated the internal rules and procedures regarding personal transactions, with shares of issuers in SIF Banat-Crişana' portfolio, performed by persons in Company's management and persons having access to privileged information.

Internal rules and procedures have been established for the prior approval of personal transactions, in accordance with the provisions of the ASF Regulation no. 2/2018.

**Corporate information regime** - The members of the Board, directors and employees of SIF Banat-Crişana are bound to keep the confidentiality of the documents and corporate information/data and comply with the Code of Ethics and Business Conduct and with the procedures approved by the Board of Directors concerning corporate information.

The Board of Directors adopted procedures regarding the Company's internal circuit of the documents and the disclosure to third parties of documents and information concerning the Company, giving special importance to inside information - as defined by Law no. 24/2017 and European regulations, that may impact the market price of the shares issued by the Company.

By internal procedures the use of "inside information" related to the investment policy of SIF Banat-Crişana is forbidden for members of the Board, directors of the company and by any person with whom the Company has entered into an employment contract, when they trade

financial instruments in their portfolio ("personal transactions").

The Company submits to ASF and regularly updates the list of persons with access to inside information regarding the Company. Pursuant to Law no. 24/2017 and the European regulations, insiders and persons with access to inside information concerning SIF Banat-Crișana are subject to notification to the Financial Supervisory Authority and the Company regarding transactions in their own account with shares issued by SIF Banat-Crișana.

**Market abuse** - A special attention was paid in 2018 to the set of European regulations on Market Abuse. There have been implemented the provisions on the establishment of a closed period, of 30 days before the publication of a financial report, during which for persons with access to inside information, the transactions with financial instruments of the issuer are prohibited.

Social responsibility, social matters, diversity

As the companies are no longer judged only by their economic performance, but also by their contribution to the communities they operate in, SIF Banat-Crișana understands to be an involved and responsible player, attentive and responsive to community needs and to the sustainable development of the society.

The role of social actor for SIF Banat-Crișana is to promote professionalism, excellence, innovation, responsibility, teamwork, diversity, commitment.

The SIF Banat-Crișana Group does not have a formalized integrated procedure on diversity policy.

However, at the group level there is a commitment to maintaining the highest ethical standards, promoting a culture of respect, collaboration and performance where all employees can perform and develop on equal terms in terms of gender, ethnicity, age, etc. The individual needs and abilities of employees to transform them into added value for the organization at the level of human capital are promoted and encouraged.

Assessment of matters concerning the employees

The central social objective of the group consists in establishing a positive organizational culture, aiming at providing good working conditions for employees, pay and motivating motivation systems, correct systems and evaluation criteria, efficient information and control systems, full use and efficient of working hours, availability for change, commitment, good communication.

The evolution of the Group's number of employees is shown in the table below:

Company name	Average number of employees		
	2016	2017	2018
SIF Banat-Crișana	39	36	34
SAI Muntenia Invest	37	37	36
Administrare Imobiliare	12	10	9
<b>TOTAL</b>	<b>88</b>	<b>83</b>	<b>79</b>

Throughout 2018 there were no conflicting matters in the relations between management and employees, neither in SIF Banat-Crișana nor in the companies in the consolidation.

There were no collective layoffs during 2018, neither in the case of SIF Banat-Crișana, nor in the case of the companies in the consolidation.

All companies in the consolidation have organizational and operational regulations approved by the Boards of Directors, describing how they are organized and regulating the operation of their compartments, setting competences for each compartment, their duties and responsibilities.

## Assessment of matters concerning the environment

The SIF Banat-Crișana Group does not have an *Integrated Environmental and Social Governance Policy* or *Procedure* but covers the relevant aspects in this area in various corporate documents applicable to each company, specific to their work.

Although the specific activity of SIF Banat-Crișana does not have a negative impact on the environment, the Company is concerned with the use of procedures for proper management of environmental problems in its workflows related to the daily work carried out at the headquarters and the Bucharest branch, efficient use of energy, and protecting the environment.

Both SIF Banat-Crișana and the companies in the group - SAI Muntenia Invest SA and Administration Imobiliare SA - do not need special environmental permits and do not carry out activities with an impact on the environment.

## 6. OTHER INFORMATION

Information on the purchases of own shares by the SIF Banat-Crişana Group

The Extraordinary General Meeting of Shareholders of April 26, 2018 approved the execution of two buyback programs, in compliance with the applicable legal provisions and having the following main characteristics:

**Program I** - The Company will repurchase shares under the Program to reduce its share capital; the maximum number of shares that may be repurchased is of 17,460,724 shares at most; the minimum price per share: RON 1; the maximum price per share: RON 4.81; the duration of the: maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; the shares acquired under the Program I will be paid from sources permitted by law. During 2018 there were no repurchase of shares under Program I.

**Program II** - The Company will repurchase shares under the Program II for the distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors; the maximum number of shares that may be repurchased: 1,400,000 shares at most; the minimum price per share: RON 1; the maximum price per share: RON 4.81; the duration of the program: maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; the shares acquired under the Program II will be paid from sources permitted by law.

On October 2, 2018, SIF Banat-Crişana instigated the repurchase of own shares under Buyback Program II, through daily transactions in the market, according to the resolution of the EGM no. 2 art. 2 of 26.04.2018 (published in Part IV of the Official Gazette no. 1893 / 17.05.2018). The company has designated SSIF Swiss Capital SA to provide brokerage services.

The execution of the buyback program complied with the derogating conditions laid down in the market abuse legislation that allows transactions to be made within the issuer's closed periods (Article 5 par. (1) of EU Regulation 596/2014 and Article 4, paragraph 2) of the EU Delegated Regulation 1052/2016).

Between October 2 and 26, 2018, **89,656 shares** were repurchased through direct market transactions, at the average price of RON 2.4927 / share. Based on the decision of the Board of Directors, starting with October 29, 2018, the execution of the buyback program was suspended.

Events occurred after the date of the balance sheet

### **Transaction regulated under art. 82 of Law 24/2017**

On January 28, 2019, SIF Banat-Crişana informed the shareholders about the acquisition of 7,500 unlisted corporate bonds with a nominal value of 2,000 Euro, issued by the company SIFI BH RETAIL S.A. Bucharest, a transaction regulated under the provisions of Article 82 of Law 24/2017.

The company SIFI BH RETAIL SA was established in 2014, having as main shareholder the company SIF IMOBILIARE PLC, subsidiary of SIF Banat-Crişana, that holds 99.9% of its share capital.

### **Preliminary financial results for 2018**

On February 28, 2019, SIF Banat-Crişana announced the preliminary financial results for the year ended December 31, 2018, prepared according to IFRS, communicating to the market (BVB) and publishing on Company's website, [www.sif1.ro](http://www.sif1.ro)

## **Announcement concerning asset valuation methods**

On March 1, 2018, SIF Banat-Crişana informed the investors that, as per the provisions of the ASF Regulation no. 10 / 2015 (article 19) and the EU Regulation 231/2013 (articles 69-70), for reasons of stability and coherence, will maintain throughout the year 2019 the valuation policies and methods approved and implemented in the year 2018 according to the European and national regulations.

## **This report is accompanied by the following annex:**

**ANNEX 1** Consolidated financial statements as at December 31, 2018 prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF – Financial Instruments and Investments Sector - audited

---

The version prepared in Romanian of the consolidated report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crişana in the meeting held on March 22, 2019.

**Bogdan-Alexandru DRĂGOI**

Chairman and CEO