

TOPIC 3 OF THE EGM AGENDA

Approval of Company's carrying out a buyback program - Program 4.

The legal framework applicable to Buyback Program

SIF Banat-Crișana is established as a joint stock company. Also, the company's shares are traded on the regulated market. From this perspective, the operation of repurchasing own shares complies to the provisions of Law no. 31/1990, of the capital market legislation and of the Regulation (EU) no. 596/2014 on market abuse, and Delegate Regulation (EU) no. 1052/2016 supplementing Regulation (EU) no. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buyback programmes and stabilisation measures.

As per the provisions of Art. 103¹ of Law no. 31/1990 on trading companies, republished, as amended and supplemented, the buyback of shares may take place under the following conditions:

- "a) authorization for the purchase is given by the extraordinary general meeting of the shareholders, that establishes the conditions to acquire the shares, mostly the maximum number of shares which is going to be purchased, the period for which the authorization is granted and which may not exceed 18 months as from the day the decision was published in the Official Gazette of Romania, Part IV and, in case of a purchase for a consideration, their minimum and maximum equivalent value;*
- b) the nominal value of the own shares purchased by the company, including those already existing in its portfolio, cannot exceed 10% of the subscribed share capital;*
- c) the transaction can only have as object fully paid shares;*
- d) the payment of the shares thus purchased shall be done only out of the distributable profits or of the available reserves of the company, as registered in the last duly approved annual financial statement, except for the legal reserves."*

Pursuant to Art. 104, par. (1) section a) of Law no. 31/1990 on trading companies, republished, as amended and supplemented, the restrictions stipulated in Art. 103¹ shall not apply to the shares purchased for the purpose of reducing the registered share capital.

Pursuant to Art. 105 of Law no. 31/1990, the shares so acquired by the company shall not give the right to receive dividends for the period while they are being held by the company. As per the same article, the right to vote conferred by the shares acquired by the company shall be suspended for the period while they are being held by the company.

The requirements for trading under the buyback program shall be performed observing the legal provisions, among which we mention as relevant the following:

- concerning the price paid for repurchased shares in the buyback program, it cannot be higher than the price of the last independent trade and the highest current independent bid for SIF1 shares.
- in so far as volume is concerned, there cannot be purchased more than 25% of the average daily volume of the shares traded on the place the acquisition is being made;
- the details of all transactions performed shall be publicly disclosed no later than the end of the seventh daily market session following the date of execution of such transactions.

Characteristics of the Buyback Program submitted for the approval of the extraordinary general meeting of shareholders

Under the provisions of Regulation (EU) no. 596/2014 on market abuse, the Company will repurchase own shares to reduce its share capital.

The minimum price to be paid per share is of RON 0.1 and the highest price to be paid per share is of RON 5.6389. The price for each transaction shall be determined under the provisions of Regulation (EU) no. 596/2014 on market abuse. Payment for the shares acquired under the program will be made the sources provided by law, namely of distributable profits or available reserves of the company, as recorded in the last approved financial statement, except legal reserves.

Program duration will be of 18 months from the date of the publication of resolution of the extraordinary general meeting of shareholders in the Official Gazette of Romania, Part IV.

The maximum number of shares that may be repurchased is 15,000,000 shares at most.

The program will include additional requirements required by law and the acquisition of shares under the Program will run through all market operations allowed by law, which may include public tender offers initiated by the Company, pursuant to the legal provisions.

In order to implement the Buyback Program, it is submitted for the approval of the extraordinary general meeting the empowerment of the Board of Directors to take all necessary measures and fulfil all formalities required for the fulfilment of the decision of extraordinary general meeting of shareholders.

Objectives of the Buyback Program 4

The purpose of Buyback Program 4 is the cancellation of the shares to be repurchased by the company, followed by the corresponding reduction of company's registered share capital.

Under this Program, considered as beneficial to shareholders, the Company may absorb a limited number of shares from the market and the Program is expected to contribute to the rise of the demand for SIF1 shares, with a positive effect on the liquidity and reduction of the discount on which the shares are traded.

The main objectives of the buyback program are the reduction of the discount between the net asset value and the trading price, the growth of net asset value per share and the liquidity of the SIF1 shares in the market. The execution of the buyback program creates the premises for a possible increase in shareholders' returns, on the back of the rise of stock quotes.

Estimated total cost of the buyback program, expected impact on shareholders' equity, sources for financing the operation

The total cost of the buyback program subject to shareholders' approval is influenced by the following main factors:

- the acquisition price of the shares to be repurchased;
- transaction costs (e.g., brokerage fees and other costs including regulatory fees);
- the number of shares to be repurchased under the program.

Depending on the above-mentioned factors, the following **assumptions** were used to estimate the potential total cost of the buyback program:

- Estimate of the *acquisition cost* of the repurchased shares in the following two scenarios: (i) the minimum price per share subject to the approval of the EGM (RON 0.1 / share); (ii) the

maximum price per share subject to the approval of the EGM (RON 5.6389/ share).

- Estimate of transaction costs based on the manner of acquiring the shares (e.g. direct purchase from the market or public tender offer), based on the maximum contractual and regulatory fees.

- Number of shares to be repurchased - the maximum number of shares subject to the approval of the EGM.

In view of the above, *the potential costs and impact on equity are estimated*, as detailed in the following table:

Description	scenario for the minimum price subject to the approval of EGM	scenario for the maximum price subject to the approval of EGM
Maximum number of repurchased shares	15,000,000	15,000,000
Acquisition price (RON /share)	0.1000	5.6389
Acquisition value (RON)	1,500,000	84,583,500
Transaction costs (RON), of which:	89,118	1,148,017
brokerage fees	4,118	232,182
other expenses	85,000	915,835
Estimated potential impact on equity structure (RON), of which:	1,589,118	85,731,517
Decrease of the subscribed share capital following the cancellation of acquired shares	1,500,000	1,500,000
Estimated the impact on undistributed profit and other reserves at the time of cancellation of the acquired shares	89,118	84,231,517

Note: The estimates and assumptions presented above cannot stand for future investment decisions.

From an accounting perspective, the Company records the repurchased shares at the date of the transaction as a decrease of equity (own capital), as per art. 75 of the ASF Norm no. 39/2015. Repurchased own shares are recorded at acquisition cost, including brokerage fees and other transaction costs.

At the date of the cancellation of the repurchased shares, there is only a reallocation between the equity accounts recorded, without any impact on the profit or loss account and without additional equity decrease. A possible negative difference (between the nominal value and the repurchase value) resulting from the cancellation of the repurchased equity instruments may be covered from the retained earnings and other equity items, in accordance with the General Meeting of Shareholders' resolution.

The implementation of this buyback program will be made from *own sources* provided by law (distributable profit and other reserves available).

The Company will adequately inform investors of the total cost of the buyback program and the impact on its equity, after the program has been executed.

It is submitted for the approval of the extraordinary general meeting of shareholders the following resolution:

Approval of the execution of a buyback program ("Program 4"). Program 4 is to be executed only if the ordinary general meeting of shareholders convened for April 26 (27), 2021 approves the Option I for the appropriation of net profit for the financial year 2020, respectively the appropriation of the amount of RON 92,122,406 to "Other reserves", as own financing sources, for the execution of a buyback program, to reduce the Company's share capital.

Program 4 is to be executed in compliance with applicable legal provisions and having the following main features:

- (i) The purpose of Program 4: The Company will repurchase shares under the Program to reduce its share capital.*
- (ii) The maximum number of shares that may be repurchased: 15,000,000 shares at most;*
- (iii) The minimum price per share: RON 0.1;*
- (iv) The maximum price per share: RON 5.6389;*
- (v) Program Duration: a maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV;*
- (vi) The shares acquired under the Program 4 will be payed from sources permitted by law.*

Besides its main characteristics, Program 4 will also include other requirements provided by law and which are not listed above. The acquisition of shares under Program 4 will be done through all market operations allowed by law, which may include public tender offers initiated by the Company, in accordance with the law. To implement the Program 4, the Board of Directors will be empowered to take all necessary measures and fulfil all formalities required, in compliance with the above-mentioned requirements.

Bogdan-Alexandru DRĂGOI

Chairman of the Board of Directors