



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

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**SIF BANAT-CRIȘANA**

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**HALF YEAR REPORT**

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**JANUARY 1 – JUNE 30, 2017**

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Prepared pursuant to Law no. 24/2017, Regulation no. 15/2004,  
Regulation no.1/2006, and ASF Norm no. 39/2015

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

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## GENERAL INFORMATION

CORPORATE 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 diversified investment policy, endorsed by the Financial Supervisory Authority by Endorsement no. 258 / 14.12.2005</li> <li>▪ set up as a joint stock company in November 1996 pursuant to Law no. 133/1996 for the transformation of Private Ownership Funds into Financial Investment Companies</li> <li>▪ Romanian legal entity with private capital</li> </ul>
SHARE CAPITAL	<ul style="list-style-type: none"> <li>▪ RON 54,884,926.80 – subscribed and paid-in capital</li> <li>▪ 548,849,268 shares issued, 518,000,000 outstanding shares</li> <li>▪ RON 0.10 per share nominal value</li> </ul>
REGISTRATIONS	<ul style="list-style-type: none"> <li>▪ J02/1898/1992 at Trade Registry of the Arad Court</li> <li>▪ Unique Registration Code 2761040</li> <li>▪ Number in ASF Registry PJR09SIIR/020002/2006</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>▪ financial investments to maximize the value of own shares pursuant to the regulations in force;</li> <li>▪ management of the investment portfolio and exercising all rights associated to the investments;</li> <li>▪ other additional and related activities pursuant to 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) – Premium category - ticker <b>SIF1</b>
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit SRL
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 OFFICE	<b>Bucharest</b> 175 Calea Floreasca, 7th floor, room A1, S1, 014459, Bucharest

## MAIN FINANCIAL AND OPERATIONAL INFORMATION

<b>MAIN BALANCE SHEET ITEMS [RON mn]</b>			
	<b>30.06.2016</b>	<b>31.12.2016</b>	<b>30.06.2017</b>
Total assets, of which	1,885.72	2,110.19	2,337.40
Total financial assets	1,828.03	2,071.89	2,314.71
Equity	1,756.37	1,954.25	2,155.79
Total current liabilities	29.52	24.67	22.01

<b>FINANCIAL PERFORMANCE [RON mn]</b>			
	<b>30.06.2016</b>	<b>31.12.2016</b>	<b>30.06.2017</b>
Income	78.86	107.16	41.43
Expenses	6.41	25.12	5.98
Gross profit	72.39	84.30	35.39
Net profit	68.93	81.36	33.30

<b>FINANCIAL INDICATORS [%]</b>			
	<b>30.06.2016</b>	<b>31.12.2016</b>	<b>30.06.2017</b>
ROE (net profit / equity)	3.92	4.16	1.54
ROA (net profit / total assets)	3.66	3.86	1.42
Gross profit margin (gross profit / total revenues)	65.58	36.91	30.47

<b>PERFORMANCE OF SHARES AND NET ASSET</b>			
	<b>30.06.2016</b>	<b>31.12.2016</b>	<b>30.06.2017</b>
Share price (end of period, RON)	1.4300	1.8480	1.9400
NAV/S* (RON)	3.2368	3.7075	4.2541
Accounting net asset / share (RON)	3.2001	3.7727	4.1618
Nominal value of share (RON)	0.1	0.1	0.1
Number of shares issued	548,849,268	548,849,268	548,849,268
Number of outstanding shares	548,849,268	518,000,000	518,000,000

\* calculated acc. to ASF regulations

<b>OPERATIONAL DATA</b>			
	<b>30.06.2016</b>	<b>31.12.2016</b>	<b>30.06.2017</b>
Number of permanent employees, end of period	40	38	37
Branch offices	1	1	1

<b>SHAREHOLDING STRUCTURE</b> as at June 30, 2017		
	number of shareholders	holdings
Romanian individuals	5,762,183	39.50%
Non-resident individuals	1,971	0.38%
Romanian legal entities	181	30.16%
SIF Banat-Crișana (treasury stock) **	1	5.62%
Non-resident legal entities	38	24.34%
<b>TOTAL</b>	<b>5,764,374</b>	<b>100%</b>

\*\* own shares repurchased in the public tender offer from August 2016

CONTACT Investor Relations: **email** comunicare@sif1.ro **tel** +40257 250 181

# 1. ANALYSIS OF THE ACTIVITY OF SIF BANAT-CRIȘANA

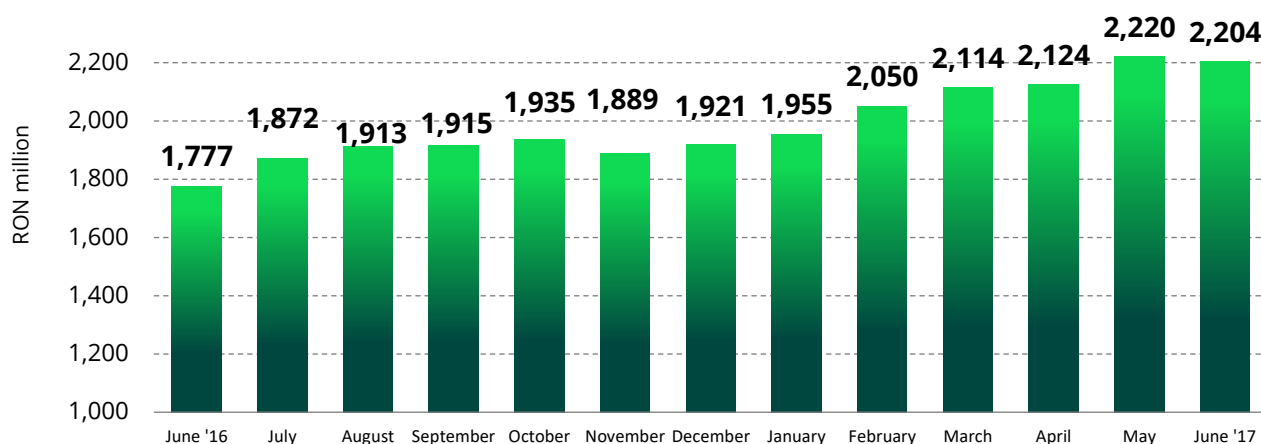
## Analysis of the portfolio

### Net Asset Value

SIF Banat-Crișana's net asset value (NAV), key performance indicator for the activity of the Company, reached **RON 2,203.6 mn** at the end of the H1 2017, 14.74% up as compared to RON 1,920.5 mn on December 31, 2016 and 24% up compared to the same period of the previous year. Net asset value per share (NAV/S) rose to **RON 4.2521** as at June 30, 2017, as compared to RON 3.7075, the value recorded on December 31, 2016, respectively 3.2368 as at June 30, 2016.

### MONTHLY EVOLUTION OF THE NET ASSET VALUE NET

December 2016 - June 2017



Monthly values for net asset were calculated by SIF Banat-Crișana and certified by BRD Groupe Société Générale. The valuation of assets for the calculation of net asset value of SIF Banat-Crișana was performed pursuant to ASF Regulation no. 9/2014 (art. 113-122) and FSA Regulation no. 10/2015.

The monthly reports for the net asset value were submitted to the Bucharest Stock Exchange and FSA – Financial Investments and Instruments Sector, and published on SIF Banat-Crișana's website [www.sif1.ro](http://www.sif1.ro) within 15 days from the end of the reporting month.

Net assets statement as at June 30, 2017, prepared pursuant to annex 16 of the Regulation no. 15/2004, is presented as annex to this report.

### The methodology for calculating the net asset value

During H1 2017, the calculation of net asset value was performed under the provisions of art. 112-122 of ASF Regulation no. 9/2014 and ASF Regulation no. 10/2015.

As per these regulations, listed securities are valued at the closing market price for the day for which the calculation is made. The securities not admitted to trading on a regulated market or not traded during the last 30 trading days are valued at the book value per share recorded in the most recent annual financial statements, or equity value comprised in the monthly reports submitted to BNR (the Romanian Central Bank) for credit institutions. Fixed income instruments are valued using the method of daily interest recognition and amortization of discount / premium for the period passed from the date of the investment. Shares of companies undergoing insolvency proceedings, liquidation or reorganization are valued at zero until the completion of the procedure.

For non-portfolio items used in the calculation of net asset value, the company used the accounting records prepared pursuant to IFRS.

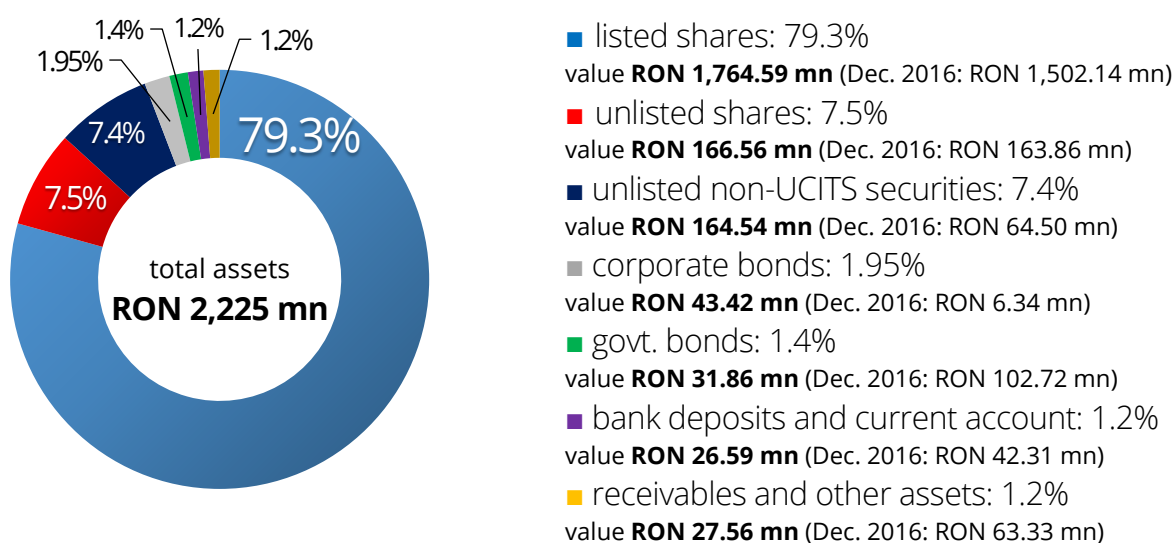
## Portfolio structure

SIF Banat-Crișana's investment objective is the management of a diversified portfolio of high-quality assets, able to provide a constant flow of revenues, the preservation and the medium-long term capital growth.

The strategy for asset allocation aims to maximize the performance of the portfolio within the prudential conditions set by Capital Market Law no. 297/2004 with the subsequent amendments, and Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories. **Throughout H1 2017, the assets managed by the Company have been within the allowed legal limits.**

### ASSETS UNDER MANAGEMENT as at June 30, 2017

asset class breakdown (weight in total assets)



*values calculated as at June 30, 2017, pursuant to the provisions of ASF Regulation no. (art. 113-122) and ASF Regulation no. 10/2015; the amounts for fixed income financial instruments include interest receivables*

Total assets value of SIF Banat-Crișana, calculated as per ASF regulations as at June 30, 2017, was of **RON 2,225.14 million**, up 14.39% than the value recorded at the end of 2016, when reached RON 1,945.18 million. Compared to that date, the value of listed shares rose by 17.47%, following the trend of the capital market.

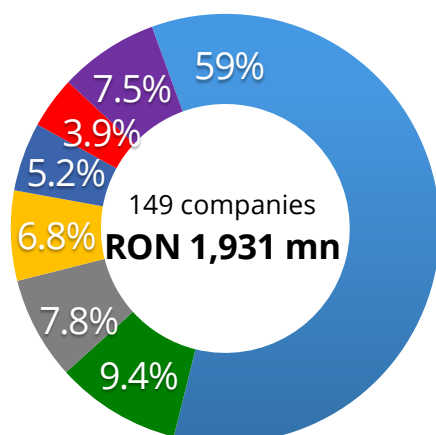
Compared to 2016-year end, the structure of money market placements was rebalanced towards corporate bonds, which accounted for 1.95% of the total assets under management as at June 30, 2017. The weight of government bonds decreased to 1.43% of total assets, compared to 5.28% at 2016-year end.

The value of the stock portfolio accounted for 86.79% of SIF Banat-Crișana's total assets as at June 30, 2017.

The detailed statement of SIF Banat-Crișana's investments as at June 30, 2017, prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented as annex to this report.

**STOCK PORTFOLIO**

breakdown by sector

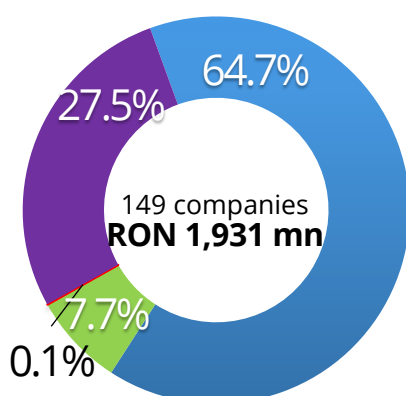


- financial-banking: 59%  
stakes in **13** companies worth **RON 1,147.39 mn**  
(Dec. 31, 2016: RON 989.65 mn)
- commerce – real-estate: 9.4%  
stakes in **19** companies worth **RON 182.49 mn**  
(Dec. 31, 2016: RON 177 mn)
- cardboard and paper: 7.8%  
stakes in **6** companies worth **RON 149.78 mn**  
(Dec. 31, 2016: RON 124.7 mn)
- tourism and public-food services: 6.8%  
stakes in **4** companies worth **RON 130.99 mn**  
(Dec. 31, 2016: RON 90.72 mn)
- energy-utilities: 5.2%  
stakes in **11** companies worth **RON 100.18 mn**  
(Dec. 31, 2016: RON 94.33 mn)
- pharmaceuticals: 3.9%  
stakes in **2** companies worth **RON 75.41 mn**  
(Dec. 31, 2016: RON 69.15 mn)
- other industries: 7.5%  
stakes in **94** companies worth **RON 44.88 mn**  
(Dec. 31, 2016: RON 120.38 mn)

*values as at 30.06.2017 acc. to ASF Reg. no. 9/2014 (art. 113-122) and ASF Reg. no. 10/2015; percentages in the chart represent the stake of the category in the stock portfolio*

**STOCK PORTFOLIO**

breakdown by stake held

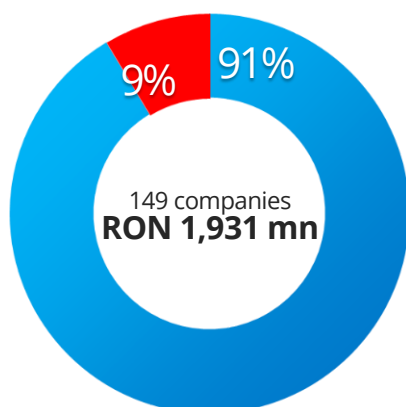


- up to 5%  
stakes **up to 5%** in **60** companies  
worth **RON 1,249 mn** (Dec. 31, 2016: RON 1,071 mn)
- 5-33%  
stakes **between 5 - 33%** in **75** companies  
worth **RON 149 mn** (Dec. 31, 2016: RON 142 mn)
- 33-50%  
stakes **between 33-50%** in **3** companies  
worth **RON 1.03 mn** (Dec. 31, 2016: RON 1.06 mn)
- above 50%  
**majority** stakes, **above 50%**, in **11** companies  
worth **RON 531 mn** (Dec. 31, 2016: RON 451 mn)

*values as at 30.06.2017 acc. to ASF Reg. no. 9/2014 (art. 113-122) and ASF Reg. no. 10/2015; percentages in the chart represent the stake of the category in the stock portfolio*

**STOCK PORTFOLIO**

on liquidity



## ■ listed companies

**RON 1,765 mn** (Dec. 31, 2016: RON 1,502 mn) value of stakes held in 58 companies (Dec. 31, 2016: 57)

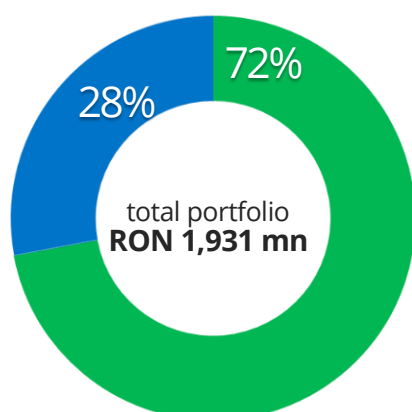
## ■ unlisted companies

**RON 166.5 m** (Dec. 31, 2016: RON 167 mn) value of stakes held in 91 companies (Dec. 31, 2016: 164)

values as at 30.06.2017 acc. to ASF Reg. no. 9/2014 (art. 113-122) and ASF Reg. no. 10/2015; percentages in the chart represent the stake of the category in the stock portfolio

**STOCK PORTFOLIO**

geographical exposure



## ■ Romania: 72%

**RON 1,392 mn** (Dec. 31, 2016: RON 1,169 mn) value of holdings in 147 companies (Dec. 31, 2016: 148)

## ■ foreign: 28%

**RON 539 mn** (Dec. 31, 2016: RON 469,8 mn value of holdings in 2 companies (Dec. 31, 2016: 2): Austria (1 company – Erste Bank), Cyprus (1 company – SIF Imobiliare)

values as at 30.06.2017 acc. to ASF Reg. no. 9/2014 (art. 113-122) and ASF Reg. no. 10/2015; percentages in the chart represent the stake of the category in the stock portfolio

**TOP 10 COMPANIES IN SIF BANAT-CRIȘANA PORTFOLIO** as at June 30, 2017

Company	sector	Value of holding* as at June 30, 2017 [RON mn]	% of NAV
Banca Transilvania	banking - financial	434,367,806	19.71%
Erste Group Bank AG	banking - financial	399,881,719	18.15%
BRD - Groupe Société Générale	banking - financial	183,539,900	8.33%
Vrancart	cardboard and paper	139,394,890	6.33%
SIF Imobiliare Plc	financial services applicable to real estate	139,250,767	6.32%
SIF Hoteluri	tourism and public food services	96,993,070	4.40%
Biofarm	Pharmaceuticals	67,732,512	3.07%
SIF Moldova	other financial intermediations	49,800,427	2.26%
SNGN Romgaz	energy - utilities	48,328,760	2.19%
Napomar	machinery and equipment	38,472,508	1.75%
<b>TOTAL</b>		<b>1,597,759,359</b>	<b>72.51%</b>

\* calculated pursuant to ASF Reg. no 9/2014 and ASF Reg. no 10/2015



## 1. BANCA TRANSILVANIA

	2014	2015	2016	Q1-2017
<b>Net income</b> [RON mn]	1,601	2,439	2,310	586.6
<b>Net profit</b> [RON mn]	442.5	2,448	1,277	246.2
<b>Total assets</b> [mil. lei]	35,796	47,579	51,944	52,068
<b>Capital adequacy ratio</b> [%]	17.6	17.8	18.5	18.5
<b>NPL coverage</b> [%]	10.9	9.8	9.84	9.22
<b>Cost/Income ratio</b> [%]	42.2	49.3	42.3	51.3

As at June 30, 2017, SIF Banat-Crișana held a stake of 4.44% of Banca Transilvania's share capital.

For Q1 2017, the bank reported a net profit of RON 266.9 million at group level, 15.5% higher than the similar period of 2016, operating revenues of RON 647.5 million, 4.1% above the same period of 2016. The assets of Banca Transilvania worth RON 52.07 billion, of which net loans represent RON 28.2 billion, 3.5% up as compared to the balance of net loans for the similar period of 2016.

The loans / deposits ratio improved to 73% at the end of Q1 2017. The cost / income ratio on March 31, 2017 was of 51.3%.

Non-performing loans, with overdue payments of over 90 days, represent 9.22% of the bank's total loan portfolio and the coverage ratio of non-performing loans to provisions (EBA methodology) is 64%. The bank's solvency, taking into account the profit of the first quarter of 2017, is 19.3% and without profit is 18.5%.

## 2. ERSTE GROUP BANK AG

	2014	2015	2016	Q1-2017
<b>Net income</b> [EUR mn]	6,877.9	6,771.8	6,691.2	1,617.5
<b>Operating result</b> [EUR mn]	3,090.7	2,902.9	2,663	599.2
<b>Net profit</b> [EUR mn]	-1,382.6	968.2	1,264.7	262.2
<b>Total assets</b> [EUR mn]	196,287	199,743	208,227	222,798
<b>Capital adequacy ratio</b> [%]	10.6	12.0	12.8	13.0
<b>NPL coverage</b> [%]	8.5	7.1	4.9	4.9
<b>Cost/Income ratio</b> [%]	55.1	57.1	60.2	63

As at June 30, 2017, SIF Banat-Crișana held a stake of 0.61% of Erste Bank's share capital.

Operating revenues recorded a slight decrease of 0.7% in Q1 2017 as compared to March 31, 2016, reaching EUR 1.62 billion, the net profit reported by the bank, amounting to EUR 262.2 million is with EUR 12.5 million lower than the value recorded on 31 March 2016.

The Bank's total assets increased from EUR 206.4 billion as at March 31, 2016 to EUR 222.8 billion on March 31, 2017. The loans / deposits ratio was of 91.9%, while the cost / income ratio was 63%. Capital adequacy ratio (CET1) was 13%.

On August 4, 2017, Erste Bank announced that for 2017 estimates the distribution of a gross dividend per share of EUR 1-1.2.

## 3. BRD - GROUPE SOCIÉTÉ GÉNÉRALE

	2014	2015	2016	Q1-2017
<b>Net income</b> [RON mn]	2,232	2,265	2,359	601
<b>Net profit</b> [RON mn]	43	445.4	728.3	307
<b>Total assets</b> [mil. lei]	45,180	49,193	50,658	50,149
<b>Tier 1 own funds rate</b> [%]	17.0	18.1	19.8	19.9
<b>NPL coverage</b> [%]	20.3	16.9	12.8	10.3
<b>Cost/Income ratio</b> [%]	50.2	52.9	49.7	60.8

As at June 30, 2017, SIF Banat-Crișana owns 1.95% of the share capital of BRD-Groupe Société Générale.

The bank reported a net profit of RON 307 million (330 million lei for the BRD Group) for Q1 2017, compared to RON 63 million (RON 73 million for the BRD Group) as at March 31, 2016. This result was

strongly influenced by recoveries from impaired loans, which, together with the recognition of significant insurance indemnities, led to a net cost of positive risk of RON 124 million against an expense on provisions of RON 152 million in Q1 2016. NPL rate decreased to 10.3% as at March 31, 2017, compared to 13.7% as at March 31, 2016. The coverage ratio of NPL with IFRS provisions improved to 77.4% as at March 31, 2017, from 74.8% as at March 31, 2016.

#### 4. VRANCART S.A. ADJUD

	2014	2015	2016	Budget for 2017
<b>Turnover</b> [RON mn]	197.4	210.1	227.2	240.9
<b>Operating profit</b> [RON mn]	22.8	21.8	23.8	24.6
<b>Net profit</b> [RON mn]	18.8	18.2	20.2	19.0
<b>Dividends</b> [RON mn]	2.6	13.8	13.03	

SIF Banat-Crișana owns 75.06% of the share capital of Vrancart SA as at June 30, 2017.

The main activity of Vrancart is the production and sale of papers for the production of corrugated cardboard in various assortments, corrugated cardboard, packages made of corrugated cardboard (boxes) of different sizes, embossed and printed, toiled and various hygienic-sanitary papers. The large investments made in the recent years have led to a steady increase in turnover, and the company's profitability. Significant aspects of Vrancart's activity in 2016 were: the acquisition of a stake of 70% in Rom Paper SRL Brasov, the main independent tissue paper converter - the completion of the transaction took place in January 2017 and the share capital increase by RON 17.2 million - operation registered with the Central Depository in January 2017.

Vrancart SA, symbol VNC, is listed on BVB since July 15, 2005, currently traded in Main segment, Standard category.

#### 5. SIF IMOBILIARE PLC

	2014*	2015*	2016**
<b>Turnover</b> [EUR mn]	5.19	12.36	6.89
<b>Net profit</b> [EUR mn]	3.04	4.84	4.25

\* consolidated financial statements \*\*unaudited financial statements

SIF Banat-Crișana owns 99.99% of the share capital of SIF Imobiliare Plc.

The company SIF Imobiliare Plc is listed on the Bucharest Stock Exchange since December 23, 2013, its securities are traded on AeRo segment, under the symbol SIFI (ISIN: CY0104062217).

The portfolio restructuring process continued in 2017, with the start of two merger projects, namely SIFI B One (acquiring company) merging with SIFI CS Retail, Urban SA and Agrorent SA as acquired companies - a process completed in March 2017, and the merger of Cora SA (acquiring company) with Central SA (acquired company) - ongoing process.

#### 6. SIF HOTELURI

	2014	2015	2016	Budget for 2017
<b>Turnover</b> [RON mn]	11.5	12.0	20.0	19.9
<b>Operating profit</b> [RON mn]	-0.8	-9.4	3.7	-2.9
<b>Net profit</b> [RON mn]	0.2	-9.6	3.7	-3.5
<b>EBITDA</b>	4.13	-4.57	8.9	

SIF Banat-Crișana owns a stake of 98.99 of the share capital of SIF Hoteluri.

SIF Hoteluri (former Calipso SA) has as main activity bars and serving drinks. The main activity, as its contribution in turnover, is represented by accommodation.

SIF Hotels owns six hotels of which the most important is *DoubleTree* by Hilton Oradea.

SIF Hoteluri is listed on BVB (symbol CAOR), main segment, Standard category.

## 7. BIOFARM S.A. BUCUREȘTI

	2014	2015	2016	Budget for 2017
<b>Turnover</b> [RON mn]	128,5	149,7	152,3	157,6
<b>Operating profit</b> [RON mn]	27,4	31,1	35,2	35,5
<b>Net profit</b> [RON mn]	26,5	27,2	29,5	30,0
<b>Dividends</b> [RON mn]	14,7	15,8	16,8	

As at June 30, 2017, SIF Banat-Crișana holds a stake of 23.22% of the share capital of Biofarm.

Company founded in 1921, Biofarm is one of the first medicines and dietary supplements manufacturers in Romania, having a competitive portfolio, of over 200 products, covering 61 therapeutic areas.

With a continuous growth of its turnover and a robust balance sheet in an extremely competitive environment, having a stable position on the Romanian pharmaceutical market, maintaining in top 10 producers and aiming to improve its position in the international arena, Biofarm is currently present in 13 countries.

Biofarm, market symbol BIO, is listed on BVB since November 19, 1996, currently traded in Main segment, Premium category.

## 8. SIF MOLDOVA

	2014	2015	2016	Budget for 2017
<b>Net profit</b> [RON mn]	237.0	100.34	123.29	95.05
<b>Dividends</b> [RON mn]	52.5	46.25	44.97	

SIF Banat-Crișana held, as at June 30, 2017, a stake of 4.96% of SIF Moldova's share capital.

SIF Moldova is a closed-end financial investment company established pursuant to Law 133/1996.

SIF Moldova, ticker SIF2, is listed on BVB since November 1, 1999, traded currently in Main segment, Premium category.

## 9. SNGN ROMGAZ S.A.

	2014	2015	2016	Budget for 2017
<b>Turnover</b> [RON mn]	4,493.3	4,052,7	3,411.8	3,983.9
<b>Operating profit</b> [RON mn]	1,753.8	1,454.1	1,277.1	1,343.8
<b>Net profit</b> [RON mn]	1,409.9	1,194.3	1,024.6	1,084.5
<b>Dividends</b> [RON mn]	1,214.1	1,040.6	1,472.3	

As at June 30, 2017, SIF Banat-Crișana held a stake of 0.41% of the share capital of SNGN Romgaz SA.

With more than 6,000 employees, Romgaz is the largest natural gas producer and supplier in Romania, with a market share of 45% of total domestic consumption of natural gas in 2015. Romgaz records annual revenues of RON 4 bn, with an average net return of over 20%. Romgaz's main business segments are: exploration, production and supply of natural gas, underground storage of natural gas, and electricity production.

Company's majority shareholder is Romanian State, through the Ministry of Energy, with a holding of 70.0071%, the average liquidity on BVB goes above RON 2 mn daily.

SNGN Romgaz S.A., ticker SNG, is listed on BVB since November 12, 2013, being traded in Main segment, Premium category.

## 10. NAPOMAR

	2014	2015	2016	Budget for 2017
<b>Turnover</b> [RON mn]	29.7	28.6	26.7	30.3
<b>Operating profit</b> [RON mn]	-0.6	-1.1	-2.7	0.5
<b>Net profit</b> [RON mn]	-1.4	-1.8	-3.3	0.2
<b>Dividends</b> [RON mn]	-	-	-	-

As at June 30, 2017, SIF Banat-Crișana held a stake of 99.44% in the share capital of Napomar.

Company's business is the manufacture of equipment and machinery - tools for metal processing and the main lines of activity are the production of machine tools and machine tool components, energy production equipment, production of marine rescue equipment.

During 2010 - 2013 the company was retrofitted to European standards through an extensive investment program (over RON 55 mn).

The most serious problem the Company is facing for several years now is the lack of qualified staff available on the labour market. This situation, together with the lack of experience in using the new ERP integrated IT system (implemented in January 2016), led to the under-use of the technological equipment and, implicitly, to the achievement of results below expectations in the financial year 2016.

#### Acquisitions and disposals of assets

During H1 2017, the following purchases of financial assets were made:

- direct investments amounting to RON 12.9 million in the increase of the share capital in subsidiaries;
- fund units amounting to RON 89.9 million;
- listed corporate bonds amounting to 36.9 million (including the acquisition costs).

Asset disposed during H1 2017 include:

- sales of shares listed on domestic markets in a total amount of RON 0.3 million;
- sale of govt. securities denominated in RON amounting to RON 69.1 million;
- the value of the securities no longer in the portfolio following the liquidation of the companies in a total amount of RON 4.6 million (entire value provisioned in the previous years).

## 2. THE SHARES ISSUED BY BANAT-CRIȘANA

### CHARACTERISTICS OF THE SHARES ISSUED BY SIF BANAT-CRIȘANA

Total number of issued shares (June 30, 2017)	<b>548,849,268</b>
Outstanding shares (June 30, 2017)	<b>518,000,000</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</b> , listed since November 1, 1999
Free float	<b>100%</b>
BVB (BSE) symbol (ticker)	<b>SIF1</b>
Bloomberg BBGID	<b>BBG000BMN388</b>
ISIN	<b>ROSIFAACNOR2</b>
Part of indices	<b>BVB (BSE) indices: BET-XT, BET-FI, BET-BK and BET-XT-TR</b>

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

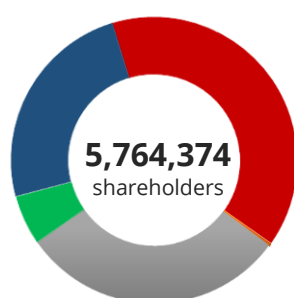
Pursuant to art. 286<sup>1</sup> par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital. 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.

In August 2016, the company purchased through a Public Offer to repurchase own shares a number 30,849,268 shares, whose value totalled RON 52.44 mn.

### SHAREHOLDERS' STRUCTURE

as per holdings, on June 30, 2017



■ 39.5%  
Romanian individuals  
(5,762,183 shareholders)

■ 30.16%  
Romanian legal entities  
(181 shareholders)

■ 5.62%  
treasury stock  
(following the public tender offer in August 2016, the company holds 30,849,268 own shares)

■ 0.38%  
non-resident individuals  
(1,971 shareholders)

■ 24.34%  
non-resident legal entities  
(38 shareholders)

## SIF1 shares on Bucharest Stock Exchange (BVB/BSE)

Liquidity for SIF1 was noticeably low during H1 2017, with a total of 10,345,285 shares traded, representing 1.88% of total shares issued (2% of outstanding shares), the total value of shares traded during H1 2017 was worth of RON 19,870,645.

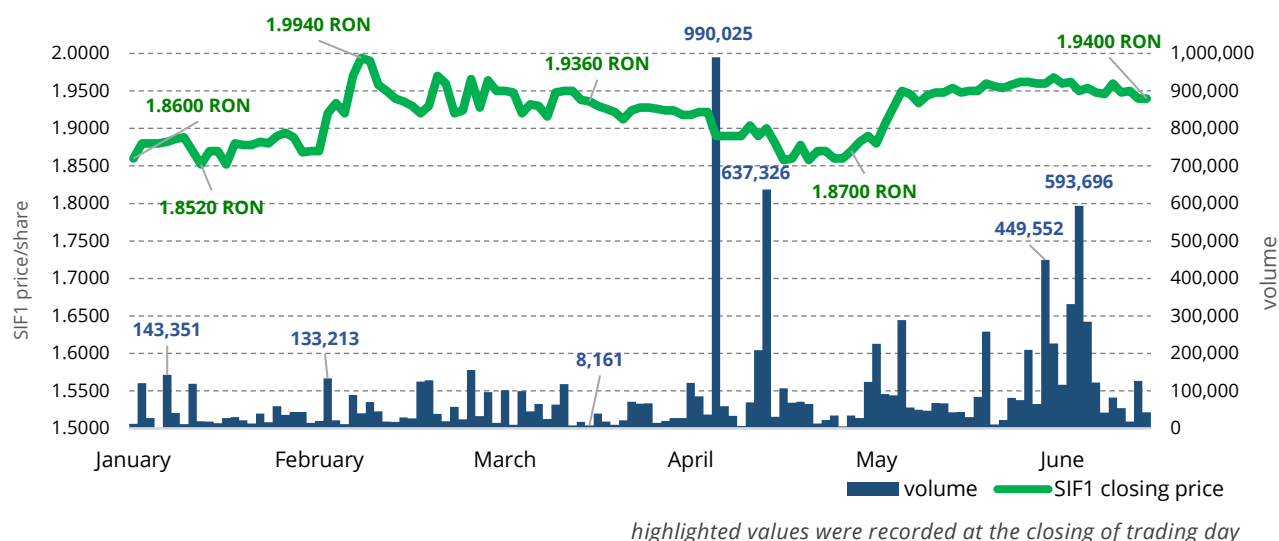
Seven transactions were concluded on the "DEAL" market, with a total of 38,396,802 shares, worth of RON 75.20 mn, exceeding almost 4 times as volume and value the main regular market, due to its low liquidity and the lack of small speculators.

During H1 2017, the price of SIF1 was on a slightly upward trend, from RON 1,8600 (the closing price on January 3rd, the first trading session of the year) to RON 1,9400, the closing price on June 30, up 4.3%.

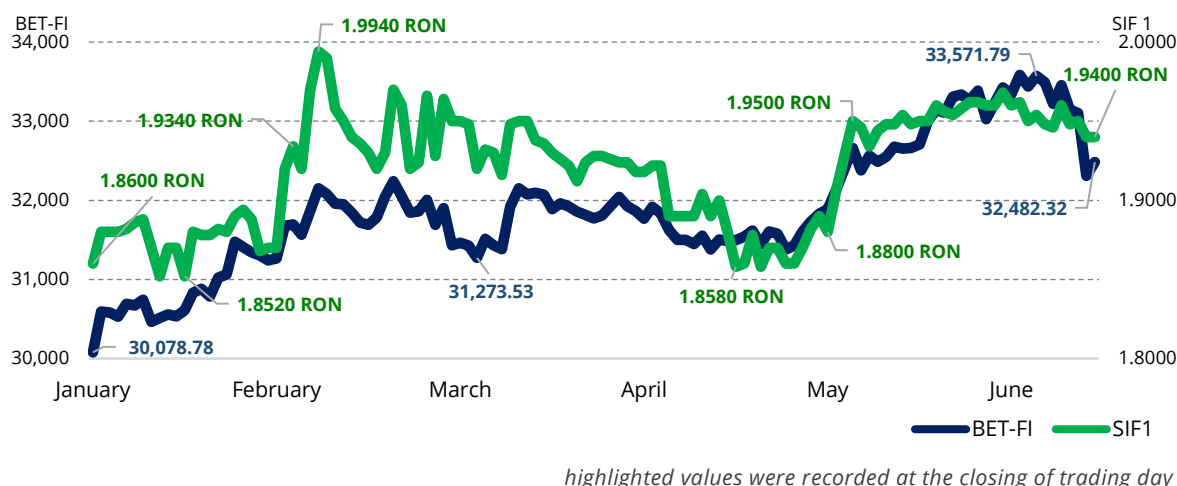
The highest price for the period, of RON 1.9940 per share was reached during the trading session of February 12, and the lowest, when the price dropped to RON 1.8520 per share, was recorded in the trading session of January 13, the spread between the highest and the lowest price for the period was of 8%.

As at June 30, 2016, market capitalization for SIF1 calculated using the closing price was of RON 1,064.77 mn (RON 1,004.92 mn calculated only for the outstanding shares).

### SIF1 PRICE AND VOLUME IN H1 2017



### SIF1 vs. BET-FI PERFORMANCE IN H1 2017



### 3. 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).

The Company presented details on the status of compliance with the provisions of the Corporate Governance Code issued by Bucharest Stock Exchange Code in Annex 4 of Board of Directors' annual report for 2016, the noncompliance or partial compliance with the provisions of the Code being explained.

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, which shall be applicable starting January 1, 2017. SIF Banat-Crișana's statement on the application of corporate governance principles, prepared pursuant to the annex of the Regulation no. 2/2016, was submitted to ASF on January 26, 2017, and presented in Annex 5 of Board of Directors' annual report for 2016.

#### Administration and management of the Company

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

#### The Board of Directors

SIF Banat-Crișana is administered by a 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.

By Resolution no. 1, the Extraordinary General Meeting of Shareholders held on August 30, 2016 approved the amendment of the Articles of Association in the sense of reducing the number of Board members from 7 (seven) to 5 (five) members, effective starting from April 24, 2017. ASF, by Endorsement no. 296/09.11.2016, approved this amendment, and art. 7 paragraph. (1) of the Articles of Association was rewritten accordingly.

#### **Changes in the composition of the Board of Directors during H1 2017**

During January - April 2017, the Company was administered by a Board of Directors composed of seven members: Mr. Bogdan Alexandru Drăgoi - Chairman, Mr. Octavian Avrămoiu - Vice Chairman, Mr. Ștefan Dumitru - Member, Mr. Valentin Chiser - Member, Mr. Ion Stancu - Member, Mr. Dan Weiler - Member and Mr. Ionel Marian Ciucioi - member.

The Ordinary General Meeting of Shareholders (OGM) held on April 20, 2017 elected as members of the Board of Directors (administrators), for a term of office of four years, starting 24.04.2017: Bogdan-Alexandru DRĂGOI, Radu-Răzvan STRĂUȚ, Sorin MARICA and Marcel Heinz PFISTER, and by Endorsement no. 405/13.07.2017 ASF approved the change in the composition of SIF Banat-Crișana's Board of Directors following their election as administrators.

By Endorsement no. 404/13.07.2017 ASF approved the changes in SIF Banat-Crișana's documents following the change in the composition of company's management, by the appointment of Mr. Bogdan-Alexandru Drăgoi as Chairman - CEO (General Director), according to the Resolution no. 1 of the Board of Directors of 24.04.2017.

During April 24, June 30, 2017, the company was administered by a Board of Directors composed of

four members: Bogdan-Alexandru DRĂGOI – Chairman – CEO (General Director), Radu-Răzvan STRĂUȚ – Vice-Chairman, Sorin MARICA - member and Marcel Heinz PFISTER – member.

The activity of the Board of Directors during H1 2017

During H1 2016, the Board of Directors of SIF Banat-Crișana met in 17 sessions, pursuant to the statutory provisions.

The presence of Board members at meetings held during H1 2017 was in accordance with the legal provisions. The Chairman of the Board chaired all the meetings.

During H1 2017, the Board of Directors issued a total of 70 resolutions concerning the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

Of the 70 resolutions issued by the Board of Directors during the period under review:

- 27 resolutions had well defined objective, requiring its fulfilment;
- 43 were resolutions for the approval of procedures, mandatory reports and activity reports, of which: (i) 20 resolutions for the approval of internal regulations and working procedures; (ii) 10 resolutions for the approval of mandatory annual, quarterly and half-yearly periodic reports submitted to ASF, BVB, MFP; (iii) 13 resolution for the approval of the activity reports issued by company's compartments.

Analysing the fulfilment of the 70 decisions taken by the Board of Directors results that they were fully met.

The Audit Committee

The Board of Directors created therein, with an advisory capacity, an Audit Committee comprised of non-executive directors.

During January – April 2017, the composition of the Audit Committee within the Board of Directors of SIF Banat-Crișana was as follows: Mr. Valentin Chiser – Chairman of the Committee, Mr. Ion Stancu – member, Mr. Ștefan Dumitru – member.

The Board of Directors (administrators) of SIF Banat-Crișana gathered on April 24, 2017, appointed Mr. Marcel PFISTER and Mr. Sorin MARICA, non-executive administrators, in the Audit Committee.

The Audit Committee assists the Board in fulfilling its responsibilities in matters of financial reporting, internal control and risk management. The Committee supports the Board in monitoring the trustworthiness and integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards the Company applied.

The executive leadership

The effective management of the Company is performed by Executive Directors appointed by the Board of Directors, in accordance with the Company's bylaws and applicable regulations so that everyday management of the Company to be provided, at any given time, by at least two persons.

The Executive Directors must meet the conditions set by the regulations issued by the Financial Supervisory Authority applicable to the Company, and are endorsed in this position by the Authority.

### **Changes in the composition of executive team during H1 2017**

Between January – April 2017, directors of the company were: Mr. Bogdan-Alexandru Drăgoi - CEO, Mr. Octavian Avrămoiu - Deputy General Director, Mrs. Theodora Sferdian - Deputy General Director, and Mr. Laurențiu Riviș - Director.

By Endorsement no. 404/13.07.2017, ASF approved the changes in SIF Banat-Crișana's documents following the change in the composition of company's management, by the appointment of



Mr. Bogdan-Alexandru Drăgoi as Chairman – CEO (General Director), according to the Resolution no. 1 of the Board of Directors of 24.04.2017. The Composition of the executive management team at the date of the Endorsement was: Bogdan-Alexandru Drăgoi, Teodora Sferdian and Laurențiu Riviș. By Decision no. 1023 / 26.07.2017, ASF declined SIF Banat-Crișana's request for the approval of apportionment of Mr. Radu-Răzvan Străuț as Executive Director of the company, grounding this on the provisions of art. 5 letter a) of the ASF Regulation no. 14/2015.

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

SIF Banat-Crișana provides a permanent risk management function, which is hierarchically and functionally independent from the other functional compartments. The operations of the internal control and risk management systems are described in SIF Banat-Crișana's Internal Regulations, which are, at each revision, subject for the approval of ASF.

The executive team takes the appropriate measures both for the adjustment of the risk infrastructure to the external environment and the risk profile, and as well for the timely and accurate communication within the organization of all aspects related to risk.

Responsibility of risk management to which the Company is exposed is on the duty of personnel in all business lines and is not limited to the risk management function.

SIF Banat-Crișana acknowledges its exposure to risks resulting from daily operations and those from the pursuit of achieving its strategic objectives. The company tracks a proactive risk prevention and containment by identifying them before the events occur. At the same time, the Company's management is concerned with ensuring technical, operational and technical solutions in order to minimize and prevent potential losses.

Documented work procedures implemented in the Company aim at activating preventive and counteractive actions to manage risks. During H1 2016 the Company has revised its internal procedures in the process of implementing the provisions of Law no. 74/2015 on alternative investment fund managers.

### **Internal Control**

SIF Banat-Crișana establishes 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: monitor and regularly evaluate of the effectiveness and means of implementation of the set measures and procedures, as well as measures decided to resolve any cases of non-compliance to the Company' obligations; advices and assists the relevant responsible persons for carrying out services and activities to meet the requirements set for the Company under the law.

The person carrying the duties of being representative of the Compartment of Internal Control is Mr. Eugen Cristea, authorized by Decision no. 3521/29.12.2005 by the regulatory and supervisory body – and is registered in FSA Registry under no. PFR13/RCCI/020033.

The activity of the Compartment for internal control was carried out during H1 2017 pursuant to the Plan for Investigation and control for the year 2017, as approved by the Board of Directors of SIF Banat-Crișana in the meeting held on January 25, 2017, of the provisions of Regulation no. 9 and no. 15/2004, the work procedures and internal regulations.

Lines of action considered were: controlling the compliance with the applicable regulations specific for the capital market and / or internal procedures, providing information for the company and its personnel on legal requirements on the capital market, endorsement of documents submitted by SIF Banat-Crișana to ASF to obtain the authorizations provided by ASF regulations, endorsement of the reports submitted to capital market entities and ASF, endorsement of informative materials and advertisements issued by the company, other activities regarding the compliance of the company and

employees with the legislation in force for the capital market and the internal regulations.

During the control activity conducted in H1 2017, were addressed the compliance with the capital market legislation and working procedures in the activities for preparing and transmitting the list of persons with access to inside information; in the redaction, transmittal and publication of mandatory reports, of requests for ASF endorsements, the observance of regulations and procedure for the calculation of net asset value, and the status compliance of holdings limits for the portfolio, under Law 297/2004 (as amended by Government Ordinance 32/2012) and Regulation no. 15/2004.

The actions of control ascertained the compliance with current legislation, regulations and internal procedures for the controlled operations. Following the control activities, recommendations for improving work procedures and activities were made.

### **Internal Audit**

SIF Banat-Crișana establishes and permanently and operatively maintains the internal audit function, which runs independently of other functions and activities, reporting directly to the Board of Directors. The activity of internal audit of SIF Banat-Crișana has been outsourced to the company New Audit SRL from Arad.

Internal audit is conducted regularly, 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 (security 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 carried out pursuant to an audit program developed in accordance with the company's objectives, endorsed by the Audit Committee and approved by the Board of Directors.

The internal audits missions carried out in the first half 2017 considered:

- organizing the meetings of the Board of Directors and the degree of fulfilment of the decisions issued;
- management of money market financial instruments and the investments in govt. and corporate bonds, substantiation of investment / disinvestment decisions in these instruments and compliance with the competence limits approved;
- compliance with the procedures concerning the administrative activities;

The Internal Audit Card and the internal audit work procedure have also been updated.

The audit reports comprising the mission, its findings, conclusions, recommendations and proposals of the Internal Auditor were presented to the Audit Committee and the Company's Board of Directors.

There were no significant situations identified to require the intervention of the Board of Directors.

Internal Audit considers that the activities and operations conducted by SIF Banat-Crișana in the first half of 2017, subject to the audit, are consistent with the policies, programs and management of the company, pursuant to the legislation and internal regulations.

### Observance of shareholders' rights

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

Pursuant to art. 286<sup>^</sup>1 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 exercise of 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/FSA Instruction no. 6/2012 issued in application of art. 286<sup>1</sup> of Law no. 297/2004.

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

**Right to vote** SIF Banat-Crișana strives to facilitate the participation of shareholders at the general meetings of shareholders (GMS). SIF Banat-Crișana's shareholders can participate in the GMS directly, by designating a representative by means of a special / general empowerment, or can vote by correspondence (by post or electronic mail).

Company's Board approves procedures for the orderly and efficient organization of GMS works, pursuant to the incident laws and ASF regulations. The information and materials concerning the General Meeting were made available at Company's headquarters and posted on its website for the shareholders: the convening notice for the GMS, informative materials and the documents to be discussed and approved by the meeting, the participation and voting procedures, special empowerment forms and correspondence voting forms, the resolutions approved by GMS, and the results of votes for each item on the agenda.

Are entitled to attend and vote at the general meeting of shareholders only the shareholders registered at the reference date in consolidated shareholders' register kept by the Depozitarul Central S.A. Bucharest.

During H1 2017, the Board of Directors convened the ordinary general meeting of shareholders (OGM) and the extraordinary general meeting of shareholders (EGMS).

**The OGM held on April 20, 2017.** On March 8, 2017, the Board of Directors of SIF Banat-Crișana convened the ordinary general meeting of shareholders (OGM), that gathered statutorily on the first call on April 20, 2017, with the direct participation, or by representative or by correspondence of shareholders holding 177,654,045 shares, representing 34.30% of the share capital.

The OGM held on April 20, 2017, approved the resolutions submitted by the Board concerning the financial statements for 2016; appropriation of 2016 profit in the amount of RON 81,362,701, to *Other reserves*, for own funding sources; the discharge from liability of the Board of Directors for the financial year 2016, Budget and Activity Plan for 2017, maintaining the monthly remuneration for the members of the Board in the amount approved by the ordinary general meeting of shareholders of April 26, 2016; the general limits of all additional remunerations for the directors and administrators, election of SIF Banat-Crișana's Board of Directors for a term of office of four years, starting 24.04.2017, in the following composition: Bogdan-Alexandru DRĂGOI, Radu Răzvan STRĂUȚ, Sorin MARICA and Marcel Heinz PFISTER; the date of August 11, 2017 as registration date (August 10, 2017 as ex-date) as per the provisions of art. 238 par. 1 of Law 297/2004, of CNVM Regulation no. 6/2009 and CNVM Regulation no. 1/2006.

**The EGMS held on April 20, 2017.** On March 8, 2017, the Board of Directors of SIF Banat-Crișana convened the extraordinary general meeting of shareholders (EGMS), that gathered statutorily on April 20, 2017 at the first call, with the direct participation, or by representative or by correspondence of shareholders holding 172,759,207 shares, representing 33.35% of the share capital.

The EGMS held on April 20, 2017 approved the resolutions submitted by the Board of Directors concerning the amendment of company's Articles of Association, the date of May 12, 2017 as registration date (May 11, 2017 as ex-date) as per the provisions of art. 238 par. 1 of Law 297/2004, of CNVM Regulation no. 6/2009 and CNVM Regulation no. 1/2006.

For the general meetings of shareholders, the suspension of voting rights for the holdings above the legal and statutory threshold of 5% of the share capital was performed pursuant to the legal

provisions, as per ASF Decision no. 517/12.04.2017.

**Right to information** SIF Banat-Crișana observes the right of shareholders to be informed, providing them timely and relevant information, enabling them to exercise their rights in a fair manner. Information on Company's activity considered to affect the price of shares on the stock exchange market was subject to current reports or announcements, communicated within 24 hours to the market, immediately made available to investors on BVB website and on the Company's website, [www.sif1.ro](http://www.sif1.ro).

To ensure equal access to information for the investors, posting on the Company's website of reports and announcements destined to the market participants is made after the information is published by the market operator, Bucharest Stock Exchange (BVB or BSE), on its website.

In order to inform the shareholders and investors, the Company sets a financial reporting calendar that is communicated to BVB and ASF, and also published on Company's website, [www.sif1.ro](http://www.sif1.ro).

**Financial calendar for 2017:**

*February 15* - Presentation of the preliminary financial results for 2016;

*April 20 (21)* - General Meeting of Shareholders for the approval of the financial statements for 2016;

*April 20* - Presentation of 2016 Annual Report – financial statements for 2016;

*April 21* - Presentation of the quarterly report – financial results for Q1 2017;

*August 11* - Presentation of the half yearly report – financial results as at 30.06.2017;

*August 31* - Presentation of the consolidated financial statements for 2016;

*November 3* - Presentation of the quarterly report – financial results as at 30.09.2017;

Increasing the company's visibility on the Romanian capital market and towards a wider base of international institutional investors was further an objective assumed in the activity plan for 2017, promoting SIF Banat-Crișana in the capital market events (either individually or together with BVB, intermediaries), to increase transparency and attract new investors / shareholders.

Between 1 and 2 March 2017, SIF Banat-Crișana participated, represented at top-management level by Mr. Bogdan Drăgoi, Chairman - CEO and Mr. Octavian Avrămoiu, Vice-Chairman - Deputy General Director, at the fourth edition of "Investor Days in London", event attended by 87 professional investors representing 50 international investment firms having under administration assets of over EUR 2,000 billion. The event offered potential investors the opportunity to be informed about the latest developments, to interact with decision-makers in the Romanian market, setting a bridge between Romania as a scene of many economic initiatives, and London, still the main international financial centre in Europe.

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: [comunicare@sif1.ro](mailto:comunicare@sif1.ro), person of contact Mr. Claudiu Horeanu.

**Right to dividend** SIF Banat-Crișana aims at keeping a balance between the annual remuneration of shareholders by dividend and the need to finance its investments from reinvested profits.

The OGM held on April 20, 2017, decided not to distribute dividends, allocating the net profit for the 2016 financial year, in the amount of RON 81,362,701, to *Other reserves*, for own financing sources.

SIF Banat-Crișana's dividend policy is published on company's website, in the section dedicated to *Corporate Governance*.

## Transparency in communication

SIF Banat-Crișana pays a great importance to transparency in communication, convinced that the confidence of the public is essential for the proper activity of the Company. SIF Banat-Crișana aims to ensure continuous and periodic reporting in an objective and fair manner, covering all the important

characteristics of Company's business and the achieved results.

The Company's website 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.

Starting April 2017, SIF Banat-Crișana is also present on the portal InvestingRomania.com, an informational aggregator meant to connect companies with investors and analysts, launched by the Bucharest Stock Exchange (BVB) and AGERPRES - the main news provider on Romanian and international issues.

InvestingRomania.com include relevant content from the Romanian capital market using four sources of information: AGERPRES news, analysis and estimates of financial analysts, current and periodic reports submitted to the Bucharest Stock Exchange and news coming from listed companies.

SIF Banat-Crișana is amongst „the 13 companies in the forefront of the capital market that joined InvestingRomania.com” (according to the press release issued by BVB), for a company to be featured on the portal, the Bucharest Stock Exchange considered a number of criteria such as reporting through the new IRIS system, both in Romanian and in English, good corporate governance, and coverage by at least two financial analysts.

Bucharest Stock Exchange published in May 2017 the second edition of the *Whitebook on Communication of Listed Companies*, an assessment carried out during April 10 – May 4, 2017, with a purpose of evaluating the quality and accuracy of information provided to the investors by 83 domestic companies listed on BVB's Main Market, through their websites and the promptness and accuracy in providing answer to IR-related questions via e-mail.

SIF Banat-Crișana scored a 9.75 points out of 10, thus being in the top of companies leading the way when it comes to providing top-quality investor relations.

BVB released in early July the *Guidebook on Best Practices in IR Communication*, a using company's website [www.sif1.ro](http://www.sif1.ro) for several references and inspiration points in the document aimed at helping current and prospective issuers in the process of improving their investor relations activities.

### **Financial reporting**

Pursuant to FSA Norm no. 39/2015 for the approval of the Accounting Regulations compliant with IFRS applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (FSA) in Financial Instruments and Investments Sector, starting with the annual financial statements for the year ended on December 31, 2015, IFRS are the official accounting regulations for SIF Banat-Crișana.

SIF Banat-Crișana has prepared separate financial statements as at December 31, 2016 pursuant to IFRS and FSA Norm no. 39/2015, audited by KPMG Audit SRL and approved by OGM held on 26.04.2016, published on Company's website at [www.sif1.ro](http://www.sif1.ro).

SIF Banat-Crișana prepared separate consolidated financial statements for the financial year 2016 pursuant to IFRS and FSA Norm no. 39/2015, which were audited by PricewaterhouseCoopers Audit SRL and approved by the OGM of April 20, 2017.

For the financial year 2016, SIF Banat-Crișana prepared consolidated financial statements, as per IFRS and Norm no. 39/2015, subject to audit and the approval of OGM convened for August 30 (31), 2017.

SIF Banat-Crișana has analysed the Company's exemption from drawing up consolidated financial statements, given the provisions of IFRS 10 “Consolidated Financial Statements” on investment entities, obligations of a parent company and definition of investment entities. Following the analysis, the Company's management considered that the necessary conditions to be considered investment entity are not met, and thus cannot apply the exception provided by IFRS 10.

## Conflict of interest, transactions with related parties and corporate information regime

In January 2017, the Board of Directors approved the update of the internal procedure concerning the conflict of interest and personal transactions, as required by ASF regulations and EU regulations applicable to alternative investment fund managers and concerning market abuse. The procedure includes rules on the Company concerning security and confidentiality of information, mainly dealing and preventing fraudulent practices and refraining from action of market manipulation.

## Diversity policy

SIF Banat-Crișana fosters a culture of respect, collaboration and performance, where all employees can perform and grow under conditions of equality in terms of gender, ethnicity, age, etc. The company supports and encourages employees' individual abilities and turns them into added value for the organization, at human capital level.

## Social responsibility

Social responsibility of SIF Banat-Crișana is also expressed by the use of procedures of appropriate management of environmental issues, responsible management of personnel, ensuring safety standards in the workplace, and in general by conducting socially responsible business practices.

In H1 2017, SIF Banat-Crișana financially the organizing of the event "International Finance and Banking Conference - FI BA 2017" by the Romanian Association of Finance and Banking - ROFIBA together with the Faculty of Finance, Insurance, Banking and Stock Exchange from Academy of Economic Studies in Bucharest.

SIF Banat-Crișana's policy on corporate social responsibility is published on company's website, [www.sif1.ro](http://www.sif1.ro), in the section dedicated to *Corporate Governance*.

## 4. FINANCIAL RESULTS AS AT JUNE 30, 2017

SIF Banat-Crișana has prepared condensed interim financial statements as at June 30, 2017 pursuant to the Norm no. 39/2015 for the approval of accounting regulations in accordance with the International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector. These are presented in full, accompanied by notes, in Annex 3 to this report.

The condensed interim financial statements as at June 30, 2017, are not audited, as there is no legal requirement.

The following are comments on the main elements of the financial position and results for H1 2017:

### 4.1. Separate statement of financial position

<b>Separate statement of financial position</b>		
<i>denominated in RON</i>	<b>30/06/2017</b>	<b>31/12/2016</b>
<b>Assets</b>		
Cash and cash equivalents with maturity of less than 3 months	26,616,452	16,372,090
Bank deposits (with maturity over 3 months and interest on deposits)	204	41,253,904
Financial assets at fair value through profit and loss	318	309
Financial assets available for sale	2,273,651,781	2,007,925,978
Investments held to maturity	6,350,226	6,336,716
Investment property	19,466,667	19,466,667
Tangible assets (property, plant and equipment)	3,139,026	3,183,928
Other assets	8,174,012	15,649,736
<b>Total assets</b>	<b>2,337,398,686</b>	<b>2,110,189,328</b>
<b>Liabilities</b>		
Dividends payable	20,057,265	20,204,246
Deferred income tax liabilities	159,602,490	130,804,501
Other liabilities, provisions for risks and expenses	1,949,352	4,934,496
<b>Total liabilities</b>	<b>181,609,106</b>	<b>155,943,243</b>
<b>Equity</b>		
Statutory share capital	54,884,927	54,884,927
The effect of applying IAS 29 on the share capital	684,298,992	684,298,992
Own shares (including losses from redemption)	(53,177,886)	(53,177,886)
Reserves set-up from the application of Law no. 133/1996 (including effect of IAS 29)	2,105,675,691	2,105,675,691
The effect of applying IAS 29 on retained earnings	(2,644,488,595)	(2,644,488,595)
Accumulated profit (including reserves from previous years' profits)	846,316,242	813,015,116
Reserves from revaluation of tangible assets (property, plant and equipment)	97,794	97,794
Legal reserves	10,976,985	10,976,985
Reserves from revaluation of financial assets available for sale	1,151,205,429	982,963,061
<b>Total equity</b>	<b>2,155,789,579</b>	<b>1,954,246,085</b>
<b>Total liabilities and equity</b>	<b>2,337,398,686</b>	<b>2,110,189,328</b>

*Cash and cash equivalents* include all liquid investments of the Company in term deposits, current accounts and cash in hand. Their level is lower as compared to 2016-year end, as asset acquisitions were performed, recorded as financial assets available for sale (bonds issued by Vrancart, fund units), which required liquidity higher than the proceeds from dividends and the sale of other placements (govt. securities denominated in RON).

The category of *Assets available for sale* includes most of the Company's holdings in securities, reflected at fair value or at cost, where the fair value cannot be reliably determined. The value of these assets is 13% as compared to 2016 year-end as a result of the recording of fair value differences in the valuation of holdings as at June 30, 2017 (growth mainly due to the rise of quotations of stakes in banks) and the acquisition of assets classified in this category (fund units, corporate bonds).

*Investments held to maturity* as at June 30, 2017 represent investments in corporate bonds denominated in euro issued by banks (Banca Transilvania). The difference in value of this category as compared to 2016-year end is given exclusively by the exchange rate differences recorded on a monthly basis in their account.

*Investment property, Tangible assets and Other assets* mainly include land and buildings acquired by the Company following the withdrawal from companies in the portfolio (Hidrotim) or withdrawal of the contribution in kind (Azuga Turism). The value of Company's investment property at fair value as at June 30, 2017 is of RON 19.5 million. Tangible assets held by the Company are those used while performing operational and administrative activities, at headquarters.

*Deferred income tax liabilities* represent the tax payable / recoverable in future periods related to taxable temporary differences / deductibles between the carrying amount and the tax of an asset or liability. The increase in this item as compared to the end of the previous year is primarily due to the positive adjustment of reserve from fair value measurement of financial assets available for sale.

*Equity* weight the most in the liability structure. The growth is the effect of the inclusion in the reserves from the fair value measurement of the portfolio of the (positive) value differences resulting from the marking-to-market the holdings held.

#### 4.2. Separate statement of profit and loss and other comprehensive income

<b>Separate statement of profit or loss and other comprehensive income</b>		
<i>denominated in RON</i>	<b>30/06/2017</b>	<b>30/06/2016</b>
<b>Income</b>		
Dividend income	39,730,571	76,145,058
Interest income	1,625,138	2,562,810
Other operating revenues	74,879	152,934
<b>Investment gains</b>		
(Loss) Net gain from foreign exchange differences	(1,214)	(62,362)
Net profit from sale of assets	(62,672)	-
Net Profit/(Loss) from financial assets at fair value through profit and loss	9	(89)
Reversals / (Expenses) with adjustments for impairment	-	-
<b>Expenses</b>		
(Expenses) with adjustments for impairment of financial assets available for sale	-	-
Other (expenses) / reversals of adjustments for impairment of other assets and provisions	-	-
Commissions expenses	(1,233,402)	(1,063,865)
Other operating expenses	(4,743,534)	(5,341,641)
<b>Profit before tax</b>	<b>35,389,775</b>	<b>72,392,845</b>
Income tax	(2,088,649)	(3,467,583)
<b>Net profit for the period</b>	<b>33,301,127</b>	<b>68,925,262</b>
<b>Items that are or may be reclassified to profit or loss</b>		
Fair value reserve (financial assets available for sale):		
Amount transferred to profit or loss	(351,232)	-
Change in fair value	197,389,837	(125,644,850)
The effect of the income tax related to them	(28,796,237)	24,284,767
<b>Other comprehensive income</b>	<b>168,242,368</b>	<b>(101,360,083)</b>
<b>Total comprehensive income for the period</b>	<b>201,543,495</b>	<b>(32,434,821)</b>

Progress of **income** with significant weight was as follows:

*Income from financial assets (dividends)* decreased in H1 2017, as in H1 2016 Banca Transilvania paid an exceptional dividend due to a surplus of available capital.

*Interest income* includes interest on bank deposits, corporate bonds and government securities. In H1



2017, the volume of interest income is below that achieved in the last year's corresponding period, given that:

- the average volume of liquidity directed towards fixed income significantly decreased to RON 125.6 million in H1 2017 as compared to RON 171.7 million for the same period of the previous year;
- yields offered by banks for deposits continued to decline;
- a number of investments have matured or were redeemed in advance by their issuers, the liquidity attained being reinvested, with inferior yields.

*Other operating income* usually includes proceeds from rents, recovery of court costs and other incidental income. In H1 2017, the proceeds are lower than those for H1 2016, while the largest share came from rent.

Impact of *Gain from investments* made in H1 2017 is a rather low one, given that there were no significant sales of securities from the portfolio (FP shares), the sale of gov't. securities did not generate a significant impact in the profit and loss, and the effect of financial assets at fair value through profit and loss is insignificant (the large majority of shareholdings held for trading being reclassified as available for sale at 2015 year-end).

*The commission expenses* include fees payable to regulatory agencies, the depository and the stock exchange, the largest share is that of 0.0078% of the net assets, the monthly commission due to FSA. The increase compared to H1 2016 is explained by the increase in commissions payable to ASF, following the constant increase of the net asset value reported by SIF Banat-Crișana.

The category of *Other operating expenses* includes the costs of staff and management salaries, those on taxes and fees and other expenses incurred in activity of the Company. The decrease as compared to the first six months of the previous year is mainly due to the decrease of most of expenses categories, mainly the personnel expenses.

SIF Banat-Crișana recorded in H1 2017 a *gross profit* of **RON 35.4 million**, representing 48.9% of the result for H1 2016, and a *net profit* of **RON 33.3 million**, 51.7% lower as compared to H1 2016.

#### 4.3 Cash flow statement

<b>Cash flow statement</b>		
<i>denominated in RON</i>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
<b>Operating activities</b>		
Net profit for the period	33,301,127	68,925,262
<i>Adjustments for:</i>		
Depreciation of tangible and intangible assets	99,495	124,089
Net (gain) / Loss from disposal of tangible assets	14,913	-
Gain from valuation of investment property	-	-
(Reversals) / Expenses on adjustments for impairment	-	-
Net profit from sale of assets	62,672	-
(Net gain)/Net loss from financial assets at fair value through profit or loss	(9)	89
Dividend income	(39,730,571)	(76,145,058)
Interest income	(1,625,138)	(2,519,528)
Expenses with / (income from) other provisions and adjustments	-	-
Income tax	2,088,649	3,467,583
<b>Changes in operating assets and liabilities</b>		
Change in other assets	137,530	(15,603,506)
Change in other liabilities	(2,098,345)	(2,192,614)
Income tax paid	-	(1,496,716)
<b>Net cash from/(used in) operating activities</b>	<b>(7,749,678)</b>	<b>(25,440,399)</b>
<b>Investment activities</b>		
Payments for acquisition of shares and other securities available for sale	(128,742,899)	(127,394,170)
Proceeds from sale of securities available for sale	69,415,700	-

<b>Cash flow statement</b>		
<i>denominated in RON</i>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
(Placements)/Proceeds from deposits with term greater than three months	40,872,333	70,015,216
Net proceeds/(payments) from sale of assets at fair value through profit or loss	-	-
Proceeds/(payments) for purchase of investments held to maturity	(17,365)	12,324,748
Payments for purchases of tangible assets (property, plant and equipment)	(55,188)	(9,921)
Dividends collected	32,884,660	71,242,256
Interest collected	3,636,799	3,069,812
<b>Net cash flow proceeds / (used in) investment activities</b>	<b>17,994,040</b>	<b>29,247,941</b>
<b>Financing activities</b>		
Dividends paid	-	(3,659,021)
<b>Net cash from / (used in) financing activities</b>		<b>(3,659,021)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>10,244,362</b>	<b>148,521</b>
Cash and cash equivalents at January 1st	16,372,090	1,478,015
<b>Cash and cash equivalents at June 30th</b>	<b>26,616,452</b>	<b>1,626,536</b>

The decrease in H1 2017, as compared to the corresponding period of the previous year, of the net cash used in operating activities is mainly due to the change of claims' volume, while there was completed the capital increase with cash contribution in SIF Imobiliare. As at June 30, 2016, payments made for this increase were reflected in receivables until the transaction was to be completed.

During H1 2017, investment activity generated a decrease in cash surplus as compared to H1 2016. Structurally, as compared to the previous year, the cash flows related to the investment activity changed as follows: payments for the acquisition of financial assets (shares, fund units, corporate bonds) stood at the same level as in H1 2016, but the funding sources for these payments were different. If H1 2016 these purchases were financed from to the change of monetary placements (bank deposits) and dividends collected, in the first six months of 2017 the financing of these payments came mainly from the sale of government securities denominated in RON, while the dividend collected decreased and the available resources placed with commercial banks.

As at June 30, 2017 *Cash and cash equivalents* show a significant upsurge compared to the same period of the previous year, mainly due to targeting monetary investments to bank placements with a residual maturity of less than 3 months (assimilated assets in terms of reporting cash equivalents).

Tangible assets of the company

SIF Banat-Crișana owns the premises for carrying out the operational and administrative activities of the company located in Arad (headquarters). The company also owns real estate in the cities of Bucharest, Cluj-Napoca, Oradea and Timișoara, following the closing-down of its branch-offices in 2008 (Oradea and Timisoara) respectively in 2015 (Cluj-Napoca). At the same time, following the withdrawal of the contribution in kind to the share capital of Azuga Turism, SIF Banat-Crișana owns a land located in Bușteni, and following the withdrawal from the company Hidrotim S.A., SIF Banat-Crișana came into possession of a building and its land in Timișoara. The aforementioned buildings (except for the headquarters in Arad included in tangible assets) are accounted for under IFRS as investment property at fair value, amounting to RON 19.5 million as at June 30, 2017 (December 31, 2016: RON 19.5 million).

The net book value as at June 30, 2017, of tangible assets in the construction category is of RON 2.9 million, the amount of wear (determined on linear depreciation) is of 23.4%. The Company carried out the last revaluation of tangible assets on December 31, 2015, in view of the harmonization of the accounting values with the market values and the utility values of the assets held in the patrimony.

The Company has no property rights issues over its tangible assets.

## 5. OTHER SIGNIFICANT INFORMATION

### Human resources

The number of SIF Banat-Crișana's employees as at June 30, 2017, was of 37, of which 32 working at the headquarters in Arad and 5 at Bucharest branch.

The structure of employees' education of is as follows: 81% have higher education, while 19% secondary education.

The employment relationships are regulated by the Individual Labour Contracts and by the Collective Labour Contract. In H1 2017, the Collective Labour Contract for 2017 was registered at the Territorial Labour Inspectorate in Arad. In the same period, elections were held for the appointment of employees' representatives for a two-year term.

There were no conflicting aspects throughout the first half of 2017 in the relations between management and employees.

SIF Banat-Crișana provides a positive working environment, offering equal opportunities to all its employees during their entire period of employment.

Considering performance as essential for sustaining a successful business, its assessment is a priority thus in the first part of the year the review of employees' performance for 2016 was completed, and the objectives for 2017 were set out.

### Litigations

As at June 30, 2017, as documented in the records of SIF Banat-Crișana's Legal Dept., the Company was involved in 100 litigations. The Company had locus standi in 86 disputes, passive capacity to stand trial in 16 disputes.

In most disputes in which the Company acts as plaintiff, the subject of litigation is the annulment / ascertainment of nullity of some decisions of the General Meetings of Shareholders in portfolio companies, recovery uncollected dividends or insolvency proceedings of portfolio companies.

### Information concerning the implementation of AIFM Law

In the Official Gazette of Romania, Part I, no. 274 of April 23, 2015 it was published the Law no. 74/2015 on the alternative investment fund managers ("Law no. 74/2015" or "AIFM Law"). The Law no. 74/2015 came into force 30 days after its publication in the Official Gazette, i.e. on May 23, 2015. The main purpose of the Law. 74/2015 is the transposition into Romanian legislation of the Directive 2011/61 / EU (known as AIFM Directive) on the Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC, and Regulations (EC) no. 1060/2009 and (EU) 1095/2010.

In the process of implementing the new legal provisions, pursuant to Art. 63 of Law no. 74/2015, SIF Banat-Crișana has revised the provisions of its articles of incorporation, procedures and internal regulations to align them with the provisions of Law no. 74/2015 and has taken all necessary measures to comply with the AIFM Law. To the same end, the company has filed to the Financial Supervisory Authority on May 20, 2016, within the legal deadline, the authorization request and the supporting documentation to be authorized as self-managed AIF, the request is still under consideration by the capital market authority.

### Amendments to the constitutive documents

During the period 01.01.2017-30.06.2017 there were no amendments to the constitutive documents of SIF Banat-Crișana endorsed by ASF.

With effect starting January 1, 2017, became applicable the provisions of ASF Regulation no. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the Financial Supervisory Authority.

Following the publication of the convening notice for the extraordinary general meeting of shareholders, by Notification no. SI/DRA 473.3/20.03.2017, the Financial Supervisory Authority requested the company to complete the proposed text for Art. 7 par. (21), and in the meeting held on March 28, 2017, the Board of Directors of the company approved the completion of the agenda for the extraordinary general meeting of shareholders with the entries requested by the Financial Supervisory Authority.

The EGM of April 20, 2017, approved the introduction in art. 7 of Company's Articles of Association of par. (21) that reads as follows: *"(21) The Board of Directors has the responsibility to ensure the establishment and implementation of corporate governance principles regarding, but not limited to:*

- a) the strategic management of the company and fulfilling the set objectives;*
- b) formulation of company's business plan and evaluation of the financial position thereof;*
- c) ensuring that an appropriate framework to verify the information submitted to the regulatory and supervisory entity, upon request, concerning specific actions undertaken by the company and the verification of the manner the specific law is applied concerning the submitting of reports to regulatory and supervisory entity;*
- d) the adequacy, efficiency and update of risk management system;*
- e) the adequacy, efficiency and update of internal control-compliance system, to ensure its independence from operational and organizational and support structures within the company;*
- f) compliance with the requirements concerning outsourcing / delegating operational activities or functions;*
- g) establishing and reviewing the remuneration policy so as to ensure that all commitments relating to remuneration are correctly and responsibly structured and that the remuneration policy allows and promotes an effective risk management without leading to risk-taking exceeding the company's risk tolerance;*
- h) establishing the communication strategy with stakeholders, complying with the legal requirements;*
- i) establishing relevant criteria for monitoring the results of the executive management and the company as a whole and to annually evaluate the application of the criteria;*
- j) approval of company's risk appetite and tolerance limits, and the procedure for identifying, assessing, monitoring, managing and reporting the significant risks the company is or might be exposed to;*
- k) ensuring the preparation and implementing of clear action plans ensuring business continuity and for emergency situations and their bi-annual evaluation in order to eliminate risks or minimize them;*
- l) ensuring the development of ethical and professional standards to ensure a professional and responsible behaviour in the company in order to prevent the occurrence of conflicts of interest."*

ASF endorsed the amendment of the Articles of Association as per Resolution no. 1 of EGM of 20.04.2017, respectively with the Company's Articles of Association, updated, by Endorsement no. 403/13.07.2017.

The program for the repurchase of own shares approved by EGM of 11.10.2017

The EGM of SIF Banat-Crișana, held on October 11, 2016, approved a program for the repurchase of company's own shares, in compliance with applicable legal provisions and having the following features: (i) The program's purpose: The Company will repurchase shares under the program to reduce its share capital. (ii) The maximum number of shares that may be repurchased: 20,000,000 shares at most; (iii) The minimum price per share: RON 0.50; (iv) The maximum price per share: RON 3.41; (v) Program Duration: 12 months after publication of the decision in the Official Gazette of Romania, Part IV; (vi) The shares acquired under the program will be payed from sources permitted by law.

The Board of Directors of SIF Banat-Crișana will take the necessary steps to implement and carry out the program for the repurchase of own shares within the term and in compliance with the conditions

approved by the extraordinary general meeting of the shareholders. The Company will duly inform investors on the implementation of the share repurchase program, in compliance with the applicable legal framework.

#### The reduction of the share capital

The EGM of SIF Banat-Crișana, held on October 11, 2016, approved the reduction of the capital of SIF Banat-Crișana, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 54,884,926.80 to RON 52,000,000, following the cancellation of a number of 28,849,268 own shares acquired by the company, in the buy-back program.

Subsequently to the reduction, the share capital of SIF Banat-Crișana SA will have a value of RON 52,000,000, divided into 520,000,000 shares with a value of RON 0.10 /share. Article 3 par. (1) of the Articles of Association is to be amended as a result of the capital reduction and shall read as follows: *"The share capital of the company amounts to RON 52,000,000 and is divided into 520,000,000 shares of RON 0.10 each, allotted to shareholders as results from the records entered in the shareholders' register."*

The Company submitted, within the legal term, to the approval of the Financial Supervisory Authority the operation of share capital reduction approved by the EGM of October 11, 2016, the company's request being still pending resolution. Until the date of this report, ASF did not issue the necessary endorsement to implement operation of share capital reduction.

#### Events after the reporting period

##### July 2017

- By Endorsement no. 405 /July 13, 2017, ASF approved the change in the composition of the Board of Directors of the Company following the election of Bogdan-Alexandru DRĂGOI, Radu Răzvan STRĂUȚ, Sorin MARICA and Marcel Heinz PFISTER, as administrators, as per Resolution no. 1 of the Ordinary General Meeting of SIF Banat-Crișana's Shareholders held on 20.04.2017. *(Current Report of July 14, 2017)*
- By Endorsement no. 404/July 13, 2017, ASF approved the changes in SIF Banat-Crișana's documents following the change in the composition of company's management, by the appointment of Mr. Bogdan-Alexandru Drăgoi as Chairman – CEO, according to the Resolution no. 1 of the Board of Directors of 24.04.2017. Subsequently, the composition of SIF Banat-Crișana's management team, at the date of this endorsement, is the following: Bogdan-Alexandru Drăgoi, Teodora Sferdian and Laurentiu Riviș. *(Current Report of July 14, 2017)*
- By Endorsement no. 403/July 13, 2017, ASF approved the changes made in SIF Banat-Crișana's Articles of Association, as per Resolution no. 1 of EGM of 20.04.2017, respectively with the Company's Articles of Association, updated. *(Current Report of July 14, 2017)*
- By Decision no. 1023/26.07.2017, ASF declined SIF Banat-Crișana's request for the appointment of Mr. Radu-Răzvan Străuț as Executive Director of the company. *(Current report of July 27, 2017)*
- SIF Banat-Crișana convened the OGM for August 30 (31), 2017 having on the Agenda the approval of consolidated financial statements prepared pursuant to IFRS *(Current Report of July 27, 2017)*

## 6. ANNEXES

- Annex 1** Net asset statement as at June 30, 2017, prepared pursuant to Regulation no. 15/2004 (Annex 16)
- Annex 2** Detailed statement of investments as at June 30, 2017, pursuant to Regulation no. 15/2004 (Annex 17)
- Annex 3** Condensed interim financial statements as at June 30, 2017, prepared pursuant to the Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with the International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector - unaudited
- Annex 4** Statement of the responsible persons

Signatures

**Bogdan-Alexandru DRĂGOI**  
Chairman and CEO

**Ștefan DOBA**  
Economic Director

*The version of half-year report prepared in Romanian is the official and binding version.*