

SIF Banat-Crişana S.A.

**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

FREE TRANSLATION

from Romanian which is the official and binding version

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**Condensed Statement of profit or loss and other comprehensive income
for the first semester ended June 30, 2017**

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Income			
Dividend income	4	39,730,571	76,145,058
Interest income	5	1,625,138	2,562,810
Other operating revenues		74,879	152,934
Investment gains			
Gains on investment property		-	-
(Loss) Net gain from foreign exchange differences		(1,214)	(62,362)
Net profit from sale of assets	6	(62,672)	-
Net Profit/(Loss) from financial assets at fair value through profit or loss		9	(89)
Expenses			
(Expenses) with impairment adjustments for financial assets available for sale		-	-
Other (expenses) / reversals of adjustments for impairment of other assets and provisions		-	-
Commissions expenses	7	(1,233,402)	(1,063,865)
Other operating expenses	8	(4,743,534)	(5,341,641)
Profit before tax		<u>35,389,775</u>	<u>72,392,845</u>
Income tax	9	(2,088,649)	(3,467,583)
Net profit for the period		<u>33,301,127</u>	<u>68,925,262</u>
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
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
Other comprehensive income		<u>168,242,368</u>	<u>(101,360,083)</u>
Total comprehensive income for the period		<u>201,543,495</u>	<u>(32,434,821)</u>
Earnings per share			
Basic		0.062	0.126
Diluted		0.062	0.126

The condensed interim financial statements were approved by the Board of Directors on August 11, 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed statement of financial position as at June 30, 2017

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Assets			
Cash and cash equivalents	10	26,616,452	16,372,090
Bank deposits	11	204	41,253,904
Financial assets at fair value through profit or loss – held for trading		318	309
Financial assets available for sale	12	2,273,651,781	2,007,925,978
Investments held to maturity	13	6,350,226	6,336,716
Investment property	14	19,466,667	19,466,667
Tangible assets (property, plant and equipment)		3,139,026	3,183,928
Other financial assets	15	8,086,945	15,434,596
Other assets		87,067	215,140
Total assets		<u>2,337,398,686</u>	<u>2,110,189,328</u>
Liabilities			
Dividends payable		20,057,265	20,204,246
Deferred income tax liabilities	16	159,602,490	130,804,501
Other financial liabilities	17	1,479,978	4,465,122
Provisions for risks and expenses		469,374	469,374
Total liabilities		<u>181,609,106</u>	<u>155,943,243</u>
Equity			
Statutory share capital	18	54,884,927	54,884,927
The effect of applying IAS 29 on the share capital	18	684,298,992	684,298,992
Own shares	18	(52,443,756)	(52,443,756)
Losses from the redemption of own shares		(734,130)	(734,130)
Reserves set-up from the application of Law no. 133/1996	18	2,105,675,691	2,105,675,691
The effect of applying IAS 29 on retained earnings	18	(2,644,488,595)	(2,644,488,595)
Accumulated profit		156,026,401	204,087,976
Other reserves		690,289,841	608,927,140
Reserves from revaluation of tangible assets		97,794	97,794
Legal reserves	18	10,976,985	10,976,985
Reserves from revaluation of financial assets available for sale		1,151,205,429	982,963,061
Total equity		<u>2,155,789,580</u>	<u>1,954,246,085</u>
Total liabilities and equity		<u>2,337,398,686</u>	<u>2,110,189,328</u>

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Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed Statement of Changes in Equity as at June 30, 2017

<i>Denominated in RON</i>	Share capital (including hyperinflation)	Own shares	Losses from the redemption of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Reserves from revaluation of financial assets available for sale	Reserves from revaluati on of fixed assets	Other reserves	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2017	739,183,919	(52,443,756)	(734,130)	10,976,985	2,105,675,691	982,963,061	97,794	608,927,140	204,087,976	(2,644,488,595)	1,954,246,085
Comprehensive income											
Profit for the period	-			-	-	-			33,301,127	-	33,301,127
Other comprehensive income											
Reserve from revaluation of assets available for sale transferred to profit or loss	-			-	-	(351,232)			-	-	(351,232)
Net change in reserve from revaluation of assets available for sale	-			-	-	197,389,837			-	-	197,389,837
Revaluation of property, plant and equipment											-
Deferred tax related						(28,796,237)					(28,796,237)
Total comprehensive income for the period	-	-	-	-	-	168,242,368	-	-	33,301,127	-	201,543,495
Other reserves – own sources								81,362,701	(81,362,701)		
Transactions with shareholders recognized directly in equity											
Dividends payable for 2016	-			-	-	-			-	-	-
Dividends written-off	-			-	-	-			-	-	-
Redemption of own shares											-
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2017	739,183,919	(52,443,756)	(734,130)	10,976,985	2,105,675,691	1,151,205,429	97,794	690,289,841	156,026,401	(2,644,488,595)	2,155,789,580

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Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed Statement of Changes in Equity as at June 30, 2017

Denominated in RON

	Share capital (including hyperinflation)	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Reserves from revaluation of financial assets available for sale	Reserves from revaluation of fixed assets	Other reserves	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2016	739,183,919	10,976,985	2,105,675,691	845,743,951	65,029	608,927,140	122,725,274	(2,644,488,595)	1,788,809,394
Comprehensive income									
Profit for the period	-	-	-	-			68,925,262	-	68,925,262
Other comprehensive income									
Reserve from revaluation of assets available for sale transferred to profit or loss	-	-	-				-	-	0
Net change in reserve from revaluation of assets available for sale (net of deferred tax)	-	-	-	(125,644,850)			-	-	(125,644,850)
Revaluation of tangible assets									-
Deferred tax related				24,284,767					24,284,767
Total comprehensive income for the period	-	-	-	(101,360,083)	0	0	68,925,62	0	(32,434,821)
Transactions with shareholders recognized directly in equity									
Dividends payable for 2015	-	-	-	-				-	0
Dividends written-off	-	-	-	-				-	0
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	-	-	0
Balance at June 30, 2016	739,183,919	10,976,985	2,105,675,691	744,383,868	65,029	608,927,140	191,650,536	(2,644,488,595)	1,756,374,573

The condensed interim financial statements were approved by the Board of Directors on August 11, 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed cash flow statement as at June 30, 2017

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Operating activities			
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	6	62,672	
(Net gain)/Net loss from financial assets at fair value through profit or loss		(9)	89
Dividend income	4	(39,730,571)	(76,145,058)
Interest income	5	(1,625,138)	(2,519,528)
Expense with / (income from) other provisions and adjustments			
Income tax	9	2,088,649	3,467,583
Changes in operating assets and liabilities			
Change in other assets (claims, etc.)		137,530	(15,603,506)
Change in other liabilities		(2,098,345)	(2,192,614)
Income tax paid		-	(1,496,716)
Net cash used in operating activities		<u>(7,749,678)</u>	<u>(25,440,399)</u>
Investment activities			
Payments for acquisition of shares in subsidiaries and other securities available for sale (shares, fund units, govt. bonds)	12	(128,742,899)	(127,394,170)
Proceeds from sales of shares available for sale (shares, govt, bonds)		69,415,700	-
(Placements) / Proceeds from term deposits greater than three months		40,872,333	70,015,216
Proceeds from sale of assets at fair value through profit or loss account		-	
(Payments) for purchase of assets at fair value through profit or loss account			
Proceeds / (Payments) from sale of investments held to maturity		(17,365)	12,324,748
Payments for purchases of tangible assets		(55,188)	(9,921)
Dividends collected		32,884,660	71,242,256
Interest collected		3,636,799	3,069,812
Net cash from investment activities		<u>17,994,040</u>	<u>29,247,941</u>
Financing activities			
Dividends paid		-	(3,659,021)
Repurchase of own shares		-	
Net cash used in financing activities		<u>-</u>	<u>(3,659,021)</u>
Net increase / (decrease) in cash and cash equivalents		10,244,362	148,521
Cash and cash equivalents at January 1		16,372,090	1,478,015
Cash and cash equivalents at June 30		<u>26,616,452</u>	<u>1,626,536</u>

Selected explanatory notes to the condensed financial statements *as at June 30, 2017*

1. Reporting entity

Societatea de Investiții Financiare Banat-Crișana SA ("the Company") was established based on Law no. 133/1996 by the reorganization and transformation of Fondul Proprietății Private Banat-Crișana and it is a joint stock company operating under Law 31/1990 and Law no. 297/2004.

SIF Banat-Crișana is headquartered in Arad, 35A Calea Victoriei, Arad county, code 310158, tel.: +40257 304 438, fax: +40257 250 165. The registration number in the Trade Register is: J02/1898/1992, and the tax identification number is: RO 2761040

The main activity of the company is:

- financial investments to maximize the value of owned shares in accordance with the regulations in force;
- management of the investment portfolio and exercise of all rights associated to the invested instruments;
- other additional and related activities in accordance with the regulations in force.

The Company's shares are listed on the Bucharest Stock Exchange since November 1st, 1999 and are traded on a regulated market, Premium category, with the market symbol SIF1.

The custodian of the Company, starting 29.01.2014, is BRD Groupe Société Générale, replacing ING Bank NV Amsterdam Bucharest Branch, and the company providing registry services is Depozitarul Central SA Bucharest.

The Interim financial statements, condensed, prepared for the first semester ended June 30, 2017, are not audited or reviewed.

2. Basis of preparation

(a) Statement of compliance

Pursuant to Norm no. 39/2015 issued by the Financial Supervisory Authority (ASF) of Financial Instruments and Investments Sector, starting with the annual financial statements for the financial year 2015, the entities authorized, regulated and supervised by ASF - Financial Instruments and Investments Sector, shall use the International Financial Reporting Standards adopted by the European Union EU ("IFRS") as the official accounting regulations.

December 31, 2015 is the date of transition to IFRS as an accounting basis. At this date by restatements were performed and accounted for from CNVM Regulation no. 4/2011 to IFRS accounting regulations.

These condensed interim financial statements for H1 ended on June 30, 2017, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the separate financial statements for 2016 prepared in accordance with Norm no. 39/2015 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the FSA of Financial Instruments and Investments Sector (The Norm).

Pursuant to Regulation no. 1606/2002 of the European Parliament and the EU Council of July 19, 2002, and those ordered by CNVM Decision no. 1176 / 15.09.2010, the financial investment companies (SIFs) are required to prepare and submit to the Financial Supervisory Authority (ASF) annual consolidated financial statements pursuant to IFRS, within 8 months from the end of the financial year. The Company does not intend to prepare consolidated financial statements as at June 30, 2017.

(b) Presentation of the financial statements

The Company adopted a presentation based on liquidity in the condensed statement of financial position and a presentation of income and expenses according to their nature in the interim condensed statement of comprehensive income, considering that these methods of presentation provide information that is reliable and more relevant than the information presented on other methods allowed by IAS 1 "Presentation of financial statements".

Selected explanatory notes to the condensed financial statements as at June 30, 2017

(c) Basis of measurement

The condensed interim financial statements are prepared on a fair value basis for the financial assets and liabilities at fair value through profit or loss and for the financial instruments available for sale, except those for which the fair value could not be determined reliably.

Other financial assets and liabilities as well as non-financial assets and liabilities are stated at amortized cost, revaluated amount or historical cost.

(d) Functional and presentation currency

The Company's management considers that the functional currency, as defined by IAS 21 "The effects of changes in Foreign Exchange Rates", is the Romanian Leu (RON or lei). The condensed interim financial statements are presented in RON, rounded to the nearest unit, which is the presentation currency chosen by the Company's management.

(e) Use of estimates and judgements

The preparation of the condensed interim financial statements pursuant to IFRS requires that management makes estimates, judgements, and assumptions that affect the application of accounting policies as well as the reported value of assets, liabilities, income and expenses.

Such estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances. The result of these estimates forms the basis of judgments used in assessing the carrying value of assets and liabilities for which no other evaluation sources are available. Actual results may differ from the estimated values.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or if the period of the revision and future periods are affected the revision affects both current and future periods.

Judgments made by the management in applying IFRS that have a significant impact on the financial statements and the estimates that involve a significant risk of a material adjustment in the next year are presented in the *Notes to the condensed interim financial statements*.

(f) Changes in the accounting policies

The accounting policies adopted are consistent with those used in the previous year.

3. Significant accounting policies

The accounting policies used in these condensed interim financial statements are the same as for the separate financial statements prepared as at December 31, 2016 and have been consistently applied to all the periods presented in these condensed interim financial statements.

Comparative financial information

Pursuant to Norm no. 39/2015 issued by the Financial Supervisory Authority of Financial Instruments and Investments Sector, starting with the annual financial statements for the financial year 2015, the entities authorized, regulated and supervised by the FSA - Financial Instruments and Investments Sector, shall use the International Financial Reporting Standards adopted by the European Union EU ("IFRS") as the official accounting regulations.

4. Dividend income

Dividend income is recorded on a gross basis. Tax rates on dividends for H1 2017 from resident and non-resident companies were 5% and zero (2016: 16% and zero).

Selected explanatory notes to the condensed financial statements *as at June 30, 2017*

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
Erste Group Bank AG	11,916,603	5,896,618
BRD	9,939,313	4,356,959
SAI Muntenia Invest SA	7,497,000	5,526,049
Gaz Vest	2,408,666	2,100,782
SNTGN Transgaz	2,031,339	1,210,560
BT Asset Management	2,000,000	0
CONPET Ploiești	1,435,618	0
SNP Petrom	537,987	0
ELECTRICA S.A.	487,536	0
Iproeb	301,469	344,540
Comelf	199,965	121,191
PREBET Aiud	125,072	49,135
Hercules SA Satu Mare	123,409	137,275
Spumotim	30,995	124,260
Banca Transilvania	0	53,244,339
SIF Moldova	0	2,317,497
Others	695,598	715,853
Total	<u>39,730,571</u>	<u>76,145,058</u>

5. Interest income

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
Interest income on deposits and current accounts	177,308	1,065,382
Interest income on investments held to maturity	186,766	1,062,458
Interest income on assets available for sale – govt. bonds	1,261,064	434,970
	<u>1,625,138</u>	<u>2,562,810</u>

6. Net profit from sale / disposal of assets

<i>denominated in RON</i>	June 30, 2016	June 30, 2016
The acquisition cost of financial disposed assets available for sale	-69,478,372	0
Proceeds from sale	69,415,700	0
Net profit from sale of financial assets	<u>-62,672</u>	<u>0</u>

In the first half of 2017 were sold shares held in Fondul Proprietatea and government securities that were classified as available for sale.

There were no transactions of sale of assets during H1 2016, following the change in the company's strategy in terms of achieving profit, namely to achieve profit mainly from dividends.

7. Fees and commissions expenses

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
ASF commissions	965,944	834,008
Depository fees	182,142	144,837
Fees payable to SSIF	716	0
Registry fees	72,000	72,000
Other fees and commissions	12,600	13,020
Total	<u>1.233.402</u>	<u>1,063,865</u>

Selected explanatory notes to the condensed financial statements *as at June 30, 2017*

8. Other operating expenses

<i>denominated in RON</i>	June 30, 2016	June 30, 2016
Expenses with taxes and fees and assimilated payments	115,379	100,798
Expenses with salaries and other personnel expenses	3,475,691	3,802,692
Amortization expenses	99,495	124,089
Expenditure on external services and other expenses	1,052,970	1,314,062
Total	4,743,534	5,341,641

In other operating expenses are included personnel expenses, expenditure with taxes and fees, amortization expenses and other expenses on external services.

In the period ended on June 30, 2017, the average number of employees was of 36 (June 30, 2016: 40), and the number of employees registered at the end of the reporting period was of 37 (June 30, 2016: 40).

The company makes payments to institutions of the Romanian state account for the pensions of its employees. All employees are members of the pension plan of the Romanian State. The company does not operate any other pension scheme or post-retirement benefits and, consequently, has no other obligations concerning pensions. Furthermore, the Company is not obliged to provide additional benefits to employees after their retirement.

9. Income tax

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
Current income tax		
Current income tax (16%)	1,317,387	355,009
Tax on dividend (0%, 5%)	769,510	3,112,574
Tax exemption on transactions with ownership greater than 10%	0	0
Deferred tax expense / (income)		
Financial assets available for sale	1,801	0
Financial assets at fair value through profit or loss	-49	0
Tangible assets / Investment property	0	0
Total income tax recognized in profit or loss	2,088,649	3,467,583

The effective tax rate used to calculate the deferred tax of the Company was 16%.

Reconciliation of profit before tax with income tax expense in the income statement:

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
Profit before tax	35.389.775	72,392,845
Tax under statutory tax rate of 16% (2016: 16%)	5.662.364	11,582,855
Income tax effect of:		
Tax on dividend (0%, 5%)	769.510	3,112,574
Non-deductible expenses and similar items	816.192	4,996,716
Non-taxable income	-5.139.372	-16,202,328
Revenue related items	2.203	2,767
Costs related items		
Deferred tax	1.752	
Amounts of sponsorship within legal limits and other deductions	-24.000	-25,000
Income tax	2.088.649	3,467,583

Selected explanatory notes to the condensed financial statements *as at June 30, 2017*

10. Cash and cash equivalents

<i>denominated in RON</i>	June 30, 2017	December 31, 2016
Cash in hand and other valuables	27,643	18,314
Current accounts in banks	1,588,808	15,653,776
Deposits at banks with original maturity less than 3 months	25,000,000	700,000
Cash and cash equivalents with maturity less than 3 months	26,616,452	16,372,090

Current bank accounts and bank deposits are permanently available to the Company and are not restricted.

11. Bank deposits

<i>denominated in RON</i>	June 30, 2017	December 31, 2016
Bank deposits with maturity greater than 3 months	0	40,872,334
Attached interest on deposits	204	381,570
Cash and cash equivalents with maturity greater than 3 months	204	41,253,904

12. Financial assets available for sale

<i>denominated in RON</i>	June 30, 2017	December 31, 2016
Shares at fair value	2,015,203,848	1,815,185,159
Shares at cost	24,550,341	24,550,341
Unit funds at fair value	164,544,517	64,499,755
Government securities (including attached interest)	32,273,686	103,690,723
Corporate bonds (including attached interest)	37,079,389	
Total	2,273,651,781	2,007,925,978

The fair value measurement for the shares was done by multiplying the number of shares at the date of the balance sheet (June 30, 2017) with the closing price from the last trading day of the reporting period or the price determined by other valuation methods, respectively valuation performed by certified appraisers.

As at June 30, 2017, the category of shares measured at fair value mainly includes mainly the value of stakes held in Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD - Groupe Société Générale S.A (December 31, 2016: Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD - Groupe Société Générale S.A).

The movement of the financial assets available for sale during the reporting period ended on June 30, 2017 is presented in the table below:

<i>denominated in RON</i>	Shares at fair value	Shares at cost	Unit funds at fair value	Govt. securities	Corporate bonds	Total
January 1, 2017	1,815,185,159	24,550,341	64,499,755	103,690,723	0	2,007,925,978
Acquisitions	12,906,934		89,999,951		36,885,125	139,792,010
Sales	-278,553			-69,192,709		-69,471,262
Attached interest				-1,820,704	194,265	-1,626,439
Change in fair value	187,390,308		10,044,811	-403,624		197,031,495
June 30, 2017	2,015,203,848	24,550,341	164,544,517	32,273,686	37,079,389	2,273,651,781

Selected explanatory notes to the condensed financial statements as at June 30, 2017

The movement of the financial assets available for sale during the financial year ended on December 31, 2016 is presented in the table below:

<i>denominated in RON</i>	Shares at fair value	Shares at cost	Unit funds at fair value	Govt. securities at fair value	Total
January 1, 2016	1,654,647,742	25,308,106	48,661,429	0	1,728,617,277
Acquisitions 2016	24,762,258	0	14,000,000	100,989,762	139,752,020
Sales 2016	-1,309,036	-501,650	0		-1,810,686
Set-up of adjustments					
impairment losses	-1,155,618	-256,115	-4,077,417		-5,489,150
Change in fair value	138,239,813	0	5,915,743	2,700,961	146,856,517
December 31, 2016	1,815,185,159	24,550,341	64,499,755	103,690,723	2,007,925,978

Acquisitions of shares in the first half of 2017, in a total amount of RON 12,906,934, include the participation in the share capital increase at Vrancart SA.

Acquisitions of fund units in the first half of 2017 in the amount of RON 90.0 million include fund units of Active Plus (RON 55 million) and Optim Invest (RON 35 million).

In the first half of the year 2017, government securities were sold in the amount of RON 69.2 million.

Acquisitions of shares in 2016, totalling RON 24.8 million, mainly include acquisitions of shares performed on the stock market exchange in a total amount of RON 11.4 million (Romgaz RON 3.3 million, Biofarm RON 3.1 million, Electrica RON 2.9 million, Transgaz SA RON 2 million etc.) and the participation in the share capital increase of SIF Imobiliare PLC with the amount of RON 13.4 million.

Total disposals in the amount of RON 1.3 million include the book value of the shares sold, mainly sales of securities (Albalact RON 1.1 million, Fondul Proprietatea RON 0.2 million etc.).

In 2016, were purchased fund units in the amount of RON 14 million at the Active Plus closed investment fund.

<i>denominated in RON</i>	H1 2017	2016
At January 1	982,963,061	845,743,951
Gain from the fair value measurement of financial assets available for sale	197,389,837	140,679,472
(Gain) transferred to the profit and loss account for financial assets available for sale removed from the portfolio	-351,232	-216,335
Depreciation effect of financial assets available for sale transferred to the profit and loss account	0	4,077,417
Effect of deferred income tax	-28,796,237	-7,321,445
At the end of the period	1,151,205,429	982,963,061

The Company uses the following hierarchy of methods to measure fair value:

- Level 1: quoted market price in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs: quoted market prices in active markets for similar instruments; valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques largely based on unobservable input.

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or on prices quoted by intermediaries (brokers).

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques described in the accounting policy. For financial instruments rarely traded and for

Selected explanatory notes to the condensed financial statements as at June 30, 2017

which there is no price transparency, fair value is less objective and is determined using various levels of estimates for the degree of liquidity, of concentration, uncertainty of market factors, assumptions of price and other risks affecting the respective financial instrument.

The fair value of the financial instruments for which there is no active market (Level 2 and 3) was determined by authorized valuers within the Valuation department within the Company, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price. Valuation techniques have been used consistently.

Fund units are evaluated based on NAV, calculated by the Fund manager (certified by its depositary bank), using closing prices for quoted financial instruments. If the Company notes that there is no active market for a Fund's holdings, it shall use for the valuation the public financial statements of Fund's holdings, respectively the Net Asset Value. Based on the net asset it is obtained a corrected NAV/S used for the valuation of the fund units in the financial statements of SIF Banat-Crişana.

An analysis of **the financial instruments and investment property** recognized at fair value according to the valuation method is presented in the table below:

June 30, 2017

denominated in RON

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss	318	0	0	318
Financial assets available for sale at fair value – shares	1,451,906,403	3,288,338	560,009,101	2,015,203,842
Financial assets available for sale at fair value – fund units			164,544,517	164,544,517
Financial assets available for sale at fair value – govt. securities	31,994,764			31,994,764
Financial assets available for sale at fair value – corporate bonds	36,885,125			36,885,125
Investments held to maturity	6,350,226			6,350,226
	<u>1,527,136,836</u>	<u>3,288,338</u>	<u>724,553,618</u>	<u>2,254,978,792</u>

December 31, 2016

denominated in RON

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss	309	0	0	309
Financial assets available for sale at fair value – shares	1,253,185,682	3,010,212	558,989,265	1,815,185,159
Financial assets available for sale at fair value – fund units			64,499,756	64,499,756
Financial assets available for sale at fair value – govt. securities	101,591,097			101,591,097
Investments held to maturity	6,336,716			6,336,716
	<u>1,361,113,804</u>	<u>3,010,212</u>	<u>623,489,021</u>	<u>1,987,613,037</u>

There have been no transfers between levels of fair value during H1 2017.

The following table presents a reconciliation of the opening balance with the closing balance of financial assets available for sale at fair value, level 3 in the fair value hierarchy:

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	<u>Assets available for sale - shares</u>	<u>Assets available for sale - fund units</u>
2016		
Balance at January 1, 2016	484,984,459	48,661,429
(Gain) Loss recognized in:		
- profit and loss account		(4,077,417)
- other comprehensive income	61,332,858	5,915,743
Adjustments for impairment recognized in profit and loss	(737,936)	
Acquisitions	13,409,884	14,000,000
Acquisition cost of shares ceded		
	<u>558,989,265</u>	<u>64,499,755</u>
Balance at December 31, 2016	<u>484,984,459</u>	<u>48,661,429</u>
2017		
Balance at January 1, 2017	558,989,265	64,499,755
Transfers from valuated to cost		
(Gain) Loss recognized in:		
- profit or loss account		
- other comprehensive income	1,019,836	10,044,811
Adjustments for impairment recognized in profit and loss		
Acquisitions / Inflows		89,999,951
Acquisition cost of shares ceded		
	<u>560,009,101</u>	<u>164,544,517</u>

Although the Company considers its fair value estimates as appropriate, the use of other methods or assumptions could result in different amounts for the fair value. For fair values recognized from the use of a significant number of unobservable inputs (Level 3), changing one or more assumptions in order to make possible alternative assumptions would impact the comprehensive income.

13. Investments held to maturity

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Bonds	6,177,818	6,160,454
Interest attached related to govt. securities and bonds	172,408	176,263
Total	<u>6,350,226</u>	<u>6,336,716</u>

Outstanding securities (bonds) at June 30, 2017 and December 31, 2016 include corporate bonds issued by Banca Transilvania denominated in EURO, amounting to RON 6.2 mn, purchased in May 2013, convertible into Banca Transilvania shares, with maturity in May 2020, and an annual variable interest rate based on EURIBOR_{6 months} + a margin set at 6.25%;

14. Investment property

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Balance at January 1	19,466,667	19,288,964
Entries		
Transfer from tangible assets		
Exits		
Changes in fair value		177,703
Balance at the end of period	<u>19,466,667</u>	<u>19,466,667</u>

The balance of real investment property includes the value of the building and the land acquired following the withdrawals from companies and the value of the buildings held after the closure of some branches, measured at fair value.

Selected explanatory notes to the condensed financial statements *as at June 30, 2017*

15. Other financial assets

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Sundry debtors	8,794,868	15,783,982
Current income tax receivables	0	355,009
Other financial assets	37,801	41,328
Impairment for depreciation of sundry debtors	-745,724	-745,724
Total	<u>8,086,945</u>	<u>15,434,596</u>

16. Deferred tax liabilities

Deferred tax assets and liabilities at June 30, 2017 and December 31, 2016 are generated by the elements detailed in the following tables:

H1 2017

denominated in RON

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit or loss	0	-	0
Financial assets available for sale	-	985,584,749	-985,584,749
Tangible assets and investment property	-	11,930,808	-11,930,808
Total	<u>0</u>	<u>997,515,557</u>	<u>-997,515,557</u>
Net temporary differences - 16% rate			-997,515,557
Net temporary differences - 10% rate			0
Deferred tax liabilities			<u>-159,602,490</u>

2016

denominated in RON

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit and loss	-309	-	-309
Financial assets available for sale	-	805,597,010	-805,597,010
Tangible assets and investment property	-	11,930,808	-11,930,808
Total	<u>-309</u>	<u>817,527,818</u>	<u>-817,528,127</u>
Corresponding tax on loss carried forward			
Net temporary differences - 16% rate			-817,528,127
Deferred tax liabilities			<u>-130,804,501</u>

Deferred income tax liabilities in balance at June 30, 2017 in the amount of RON 159,602,489 (2016: 130,804,501) include:

- deferred income tax recognized directly in equity by reducing the amount of RON 138,063,798 (2016: 109,267,562), being generated entirely by reserves for financial assets available for sale at fair value,
- deferred tax mainly for the differences from financial assets hyperinflation and adjustments for depreciation, of which an amount of RON 1,752 recognized in the current year result and the amount of RON 21,536,939 recognized in retained earnings.

Selected explanatory notes to the condensed financial statements as at June 30, 2017

17. Other financial liabilities

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Payables to employees and related contributions	419,717	2,139,210
Taxes and fees	970,292	11,459
Internal suppliers	81,803	456,630
Amounts payable	0	1,857,823
Other liabilities	8,166	
Total	<u>1,479,978</u>	<u>4,465,122</u>

18. Capital and reserves

(a) Share capital

The share capital of SIF Banat-Crişana as per the Articles of Association amounts to RON 54,884,926.80, divided into 548,849,268 shares with the nominal value of RON 0.1 and it is the result of direct subscriptions to the share capital of the company, by converting into shares the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As at June 30, 2017 the number of shareholders was 5,764,374 (December 31, 2016: 5,767,382).

The shares issued by SIF Banat-Crişana are traded on the Bucharest Stock Exchange since November 1999. The records of shares and shareholders is kept by Depozitarul Central S.A. Bucharest.

All shares are ordinary shares, were subscribed and fully paid as June 30, 2016 and December 31, 2015. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

Reconciliation of the share capital in accordance with IFRS with the share capital in accordance with the statutory share capital is shown in the table below:

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Statutory share capital	54,884,927	54,884,927
The effect of applying IAS 29 on share capital	684,298,992	684,298,992
Restated capital	<u>739,183,919</u>	<u>739,183,919</u>

Following the approval of the General Meeting of Shareholders in April 2016, in August 2016, were repurchased 30,849,268 shares (with 28,849,268 shares will be reduced the share capital and 2,000,000 shares will be distributed to employees, executives and administrators). The total redemption value of the shares was of 52,443,756.

(b) Reserves set up following the application of Law no. 133/1996

The reserve for the initial portfolio was set up under the application of Law no. 133/1996, as the difference between the portfolio value and the subscribed capital contribution to the company. These reserves are treated as an initial contribution (share premium) and are not used when selling the financial assets. Reconciliation of the reserve related to the initial portfolio according to IFRS with the reserve according to the accounting regulations applicable up to the date of application FSA Norm no. 39/2015 is presented in the following table:

denominated in RON

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Reserves from the application of Law no. 133/1996	145,486,088	145,486,088
The effect of applying IAS 29 on reserves set up following the application of Law no. 133/1996	1,960,189,603	1,960,189,603
Reserves set-up from the application of Law no. 133/1996	<u>2,105,675,691</u>	<u>2,105,675,691</u>

Selected explanatory notes to the condensed financial statements as at June 30, 2017

The effect of hyperinflation over the share capital amounting to RON 684,298,992 and over the reserve set-up following the application of Law no. 133/1996 amounting to RON 1,960,189,603 was recorded by reducing the retained earnings, resulting in an accumulated loss related to applying IAS 29 on the capital items in the amount of RON 2,644,488,595 at the end of each period presented.

(c) Reserves from revaluation of financial assets available for sale

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

Reserves from the revaluation of financial assets available for sale are recorded net of related deferred tax.

(d) Legal reserves

Pursuant to the legal requirements, the Company set-up legal reserves in the amount of 5% of recorded profit according to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as at June 30, 2017, amounts to RON 10,976,985 (December 31, 2016: RON 10,976,985). The Company has no longer set-up legal reserves from the distributed profit, as these reached the upper limit of 20% of the share capital, as per the Articles of Association.

Legal reserves cannot be distributed to shareholders.

(e) Dividends

During H1 2017 there was no approval of dividend distribution. In 2016, it was not approved the distribution of dividends from the profit of the financial year 2015.

19. Earnings per share

Calculul rezultatului pe acțiune de bază s-a efectuat în baza profitului atribuibil acționarilor ordinari și a numărului mediu ponderat de acțiuni ordinare:

<i>denominated in RON</i>	June 30, 2017	June 30, 2016
Profit attributable to ordinary shareholders	33,301,127	68,925,262
Weighted average number of ordinary shares	518,000,000	548,849,268
Basic earnings per share	0.064	0.126

Diluted earnings per share equals basic earnings per share, as the Company did not record potential ordinary shares.

20. Contingent assets and liabilities

(a) Litigations

As at June 30, 2017 the Legal Department of the Company reported 100 litigations pending in Courts. The company had legal standing in 86 lawsuits, and passive legal standing in 14 lawsuits.

In most lawsuits in which the Company acts as plaintiff, the subject of litigation is the cancellation / ascertainment of cancellation of decisions taken by the General Meetings of Shareholders in portfolio companies, recovery of non-collected dividends or insolvency proceedings of portfolio companies.

SIF Banat-Crișana SA is in litigation with the company Transilvania Construcții Cluj, following the annulment of the GMS's decision to distribute dividends, collected SIF Banat-Crișana in 2015 through forced execution and against which Transilvania Construcții filed an appeal against the forced execution. As a consequence of the litigation, all enforced acts of execution during the proceedings were definitively cancelled.

To keep in the patrimony the amount of RON 469,374, representing dividends on the basis of the OGM of 20.09.2013 and the accessories (delay penalties, fees, etc.), SIF Banat-Crișana started a new forced execution of Transilvania Construcții against which the debtor filed a new appeal, this time SIF Banat-Crișana won the case in the first instance. A final result will be after the judgement of the appeal.

Selected explanatory notes to the condensed financial statements as at June 30, 2017

The Management of the Company considers that the outcome of this dispute is not certain and predictable, as it may even be unfavourable to the Company, therefore a provision of RON 469,374 was created.

(b) Other liabilities

not the case

21. Related parties

The parties are considered related if one party has the ability to control the other party or to exercise a significant influence over its financial and operational decision making.

The Company has identified the following related parties in the course of business:

Key management personnel

June 30, 2017

- As at June 30, 2017, the Board of Directors of SIF Banat-Crişana was comprised of 4 members: Bogdan-Alexandru Drăgoi-Chairman, Radu Răzvan Străuţ-Vice-Chairman, Sorin Marica and Marcel Heinz Pfister.
- As at June 30, 2017, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi – CEO (General Director), Teodora Sferdian - Deputy General Director, Laurenţiu Riviş – Director.

December 31, 2016

- As at December 31, 2016, the Board of Directors of SIF Banat-Crişana was comprised of 7 members: Bogdan-Alexandru Drăgoi-Chairman, Octavian Avrămoiu-Vice-Chairman, Ştefan Dumitru, Valentin Chiser, Ion Stancu, Dan Weiler and Ionel Marian Ciucioi.
- As at December 31, 2016, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi – CEO (General Director), Octavian Avrămoiu – Deputy General Director, Teodora Sferdian - Deputy General Director.

During the period of the interim reporting, there were no transactions carried out and no advances and loans were granted to managers and administrators of the Company, except for work related travel advances.

The Company has not received and has not given guarantees in favour of any related party.

Subsidiaries

As at June 30, 2017 and December 31, 2016, the Company held stakes in 11 companies.

Associated entities

The number of entities in which the Company holds stakes between 20% and 50% of the capital as at June 30, 2017 and December 31, 2016 are 27, of which:

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises significant influence;
- b. 10 entities that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- c. 15 entities in insolvency / liquidation / bankruptcy.

Transactions with related parties during the interim reporting period:

During H1 2017 the Company paid to the company Administrare Imobiliare SA (management company for SIF Imobiliare) the total amount of RON 68,930, representing rent and operating expenses for the rented space.

On April 12, 2017 was paid the last instalment of the subscription of the capital increase in the company SIF Imobiliare PLC, amounting to EUR 409,113.

A number of 368,748 new bonds issued by Vrancart SA Adjud was purchased in the Public Offer Sale, in the total amount of RON 36,874,800.

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22. Events after the period of interim report

- In July 13, 2017, ASF issued the following endorsement:
 - 1. ASF Endorsement no. 403/July 13, 2017**, for the approval of changes occurred 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.
 - 2. ASF Endorsement no. 404 /July 13, 2017**, for the approval of 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.
 - 3. ASF Endorsement no. 405 /July 13, 2017**, for the approval of changes in Company's documents following the changes in the composition of the Board of Directors, as per Resolution no. 1 of the Ordinary General Meeting of SIF Banat-Crișana's Shareholders held on 20.04.2017, respectively with the Company's Articles of Association, updated.
The Composition of the Board of Directors is the following: Bogdan-Alexandru Drăgoi, Radu-Răzvan Străuț, Sorin Marica, Marcel Heinz Pfister. (*Current Report of July 14, 2017*)
- The Board of Directors of SIF Banat-Crișana, gathered in the meeting held on July 27, 2017, convened, pursuant to Art. 117 of Law no. 31/1990, the OGM for August 30 (31) 2017, at 10:00 hours, at company's headquarters in Arad, 35A Calea Victoriei, for the approval of consolidated financial statements prepared for the year ended December 31, 2016, of the discussions and reports presented by the Board of Directors and financial auditor. (*Current Report of July 27, 2017*)
- The Financial Supervisory Authority, by Decision no. 1023/26.07.2017, declined SIF Banat-Crișana's request for the approval of appointment 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. It is considered the challenge of this administrative act within the legal term. (*Current Report of July 27, 2017*)