



SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

SIF BANAT-CRIȘANA

CONSOLIDATED HALF YEAR REPORT

JANUARY 1 – JUNE 30, 2018

prepared pursuant to ASF Regulation no. 5/2018, Law no. 24/2017,
Regulation no. 15/2004, and ASF Rule no. 39/2015
this report is provided as a free translation from Romanian, which is the official and binding version

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INTRODUCTION

This report presents SIF Banat-Crișana's consolidated financial results for H1 2018, ended on June 30, 2018, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and ASF Rule no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF from the Financial Instruments and Investments Sector.

The Company's consolidated financial statements prepared for H1 2018 include the Company and its subsidiaries (hereinafter referred to as "Group").

During Q1 2018, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA).

Thus, starting with the financial year 2018, the Company prepares consolidated financial statements, including in the scope of consolidation the subsidiaries providing investment services (SAI Muntenia Invest – direct ownership and Administrare Imobiliare SA – indirect ownership). The other subsidiaries and associates will be deconsolidated and measured by the Company at fair value through profit or loss. Under these circumstances, the Company prepares two sets of financial statements: separate and consolidated financial statements, in accordance with IFRS 10 and IAS 27.

Based on the requirements of Law no. 24/2017 and the ASF Regulation no. 5 on Issuers of Financial Instruments and Market Operations, the Company prepares and submits consolidated interim financial statements for H1 2018 within three months of its end.

1. GENERAL INFORMATION ON SIF BANAT-CRIȘANA GROUP

1.1 GENERAL INFORMATION ON SIF BANAT-CRIȘANA

CORPORATE NAME	Societatea de Investiții Financiare Banat-Crișana S.A. (hereinafter referred to as “SIF Banat-Crișana” or “the Company”)
COMPANY TYPE	<ul style="list-style-type: none">▪ closed-end investment company self-managed with diversified investment policy, endorsed by the Financial Supervisory Authority by Endorsement no. 258/14.12.2005 and as AIFM by Authorization no. 78/09.03.2018▪ 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▪ Romanian legal entity with private capital
SHARE CAPITAL	<ul style="list-style-type: none">▪ RON 52,000,000 – subscribed and paid-up capital▪ 520,000,000 shares issued▪ RON 0.10 per share nominal value
REGISTRATIONS	<ul style="list-style-type: none">▪ J02/1898/1992 at Trade Registry of the Arad Court▪ Unique Registration Code 2761040▪ Number in ASF AFIAA Register PJR07.1AFIAA/020007/09.03.2018▪ Number in ASF SIIR Register PJR09SIIR/020002/2006▪ Legal Entity Identifier (LEI Code) 254900GAQ2XT8DPA7274
MAIN ACTIVITY	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): <ul style="list-style-type: none">▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force;▪ management of investment portfolio and exercising all of the rights related to the instruments in which investments are made;▪ risk management;▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force.
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – Premium category - ticker SIF1
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit SRL
DEPOSITARY BANK	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	Arad , 35A Calea Victoriei 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
BRANCH OFFICE	Bucharest 175 Calea Floreasca, 7th floor, room A1, S1, 014459, Bucharest

1.2 ENTITIES INCLUDED IN THE CONSOLIDATION

Subsidiaries

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

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

In Q1 2018, based on the information available as at December 31, 2017, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). As per IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit and loss, except for the subsidiaries providing investment related services, that will continue to be consolidated.

The list of investments in subsidiaries as at June 30, 2018 and December 31, 2017 is as follows:

No.	Company name	Percentage held (%)	
		June 30, 2018	December 31, 2017
1	(SIF Imobiliare PLC Nicosia), of which	99.99	99.99
	- Administrare Imobiliare SA	98.90	98.90
2	SAI Muntenia Invest SA Bucharest	99.98	99.98
3	(Napomar SA Cluj-Napoca)	99.43	99.43
4	(SIF Hoteluri SA Oradea)	98.99	98.99
5	(Azuga Turism SA Bucharest)	98.94	98.94
6	(Silvana SA Cehu Silvaniei)	96.28	96.28
7	(IAMU SA Blaj)	76.69	76.69
8	(Vrancart SA Adjud)	75.06	75.06
9	(Somplast SA Bistrița)	70.75	70.75
10	(Central SA Cluj)	67.08	63.51
11	(Ario SA Bistrița) - bankruptcy	93.64	93.64

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

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

The impact on the consolidated financial statements as at June 30, 2018 following the exclusion from the scope of consolidation of the subsidiaries in the previous table is presented in *Note 3 to the consolidated interim financial statements*.

Associated entities

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

The number of entities in which the Company holds stakes between 20% and 50% as at June 30, 2018 is of 26 (December 31, 2017: 27), of which:

a) Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exerts a significant influence, removed from the scope of consolidation beginning January 1, 2018, following the classification of the Company as an investment entity;

b. 9 entities (December 31, 2017: 10) that do not qualify as associates because the Company does not exercise significant influence in those companies;

c. 15 entities in insolvency / liquidation / bankruptcy.

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

Transactions excluded on consolidation

Settlements, transactions and unrealized gains arising from intragroup transactions, are fully eliminated in the consolidated financial statements.

The accounting policies disclosed in *Note 4 of the consolidated financial statements for 2017* have been consistently applied by all entities within the Group in the periods presented in these consolidated financial statements.

2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP

2.1 INFORMATION OF THE ACTIVITY OF SIF BANAT-CRIȘANA

KEY FINANCIAL AND OPERATIONAL INFORMATION

MAIN BALANCE SHEET ITEMS [RON mn]			
	30.06.2017	31.12.2017	30.06.2018
Total assets, of which	2,337.40	2,488.15	2,573.26
Total financial assets	2,314.71	2,462.83	2,544.44
Equity	2,155.79	2,291.24	2,398.77
Total current liabilities	22.01	20.47	16.48

FINANCIAL PERFORMANCE [RON mn]			
	30.06.2017	31.12.2017	30.06.2018
Income	41.43	84.93	80.79
Gains on investments	(0.06)	3.31	(20.66)
Expenses	5.98	15.75	7.83
Gross profit	35.39	72.49	5.,31
Net profit	33.30	69.55	50.79

FINANCIAL INDICATORS [%]			
	30.06.2017	31.12.2017	30.06.2018
ROE (net profit / equity)	1.54	3.04	2.12
ROA (net profit / total assets)	1.42	2.80	1.97
Gross profit margin (gross profit / total revenues)	30.47	35.55	50.86

PERFORMANCE OF SHARES AND NET ASSET			
	30.06.2017	31.12.2017	30.06.2018
Share price (end of period, RON)	1.9400	2.7700	2.5300
NAV/S* (RON)	4.2541	5.0111	4.6035
Accounting net asset / share (RON)	4.1618	4.4245	4.6130
Nominal value of share (RON)	0.1	0.1	0.1
Number of shares issued	548,849,268	520,000,000	520,000,000
Number of outstanding shares	518,000,000	517,460,724	517,460,724

* calculated acc. to ASF regulations

OPERATIONAL DATA			
	30.06.2017	31.12.2017	30.06.2018
Number of permanent employees, end of period	37	37	34
Branch offices	1	1	1

SHAREHOLDING STRUCTURE as at June 30, 2018		
	number of shareholders	holdings
Romanian individuals	5,755,215	40.15%
Non-resident individuals	2,005	0.36%
Romanian legal entities	154	36.89%
SIF Banat-Crișana (treasury stock) **	1	0.49%
Non-resident legal entities	31	22.11%
TOTAL	5,757,406	100%

** own shares repurchased in the public tender offers from 2016 and 2017

MILESTONES OF SIF BANAT-CRIȘANA'S ACTIVITY DURING H1 2018

Portfolio management

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

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

The strategic allocations by asset classes and within each class are based on assessments of the individual attractiveness of investment opportunities, under the existing conditions on the macroeconomic and market environment. Investments are performed over a specified period of time, complying to the regulated prudential terms, under appropriate risk monitoring and control, to ensure a steady balance of risk and expected return. The investment decision-making process is formalized through internal procedures and the levels of competence approved by the company's Board of Directors.

SIF Banat-Crișana has under management a complex portfolio, consisting of the following main categories of financial instruments: shares, fixed income financial instruments (govt. and corporate bonds, bank deposits) and fund units. The company applies an exit strategy tailored to the specificity of each investment, defined on the basis of: the applied strategy, investment objectives and the conditions (that trigger) of the exit transaction. The differentiated approach addressed by the Company for each of its shareholding aims at capitalizing on an aggregate return, generated by dividend gain and capital gain.

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

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 2018, the assets managed by the Company have been within the allowed legal limits.**

Lines of action in portfolio management:

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

SIF Banat-Crișana's net asset value (NAV), key performance indicator for the activity of the Company, reached **RON 2,382.15 mn** at the end of the H1 2018, 8% down as compared to 2017-year end and 8% up compared to the same period of the previous year. Net asset value per share (NAV/S) contracted to **RON 4.6035** as at June 30, 2018, as compared to RON 5.0111, the value recorded for 2017-year end, respectively RON 4.2541 as at June 30, 2017.

Total assets value of SIF Banat-Crișana, calculated as per ASF regulations as at June 30, 2018, was

of **RON 2,398.64 million**, down 8% as compared to the value recorded at the end of 2017, when it reached RON 2,613.54 million. Compared to that date, the value of listed shares declined by 13.8%, following the trend of the capital market.

The value of the stock portfolio accounted for **80.4%** of SIF Banat-Crișana's total assets as at June 30, 2018, amounting to **RON 1,929.4 million**.

The value of assets was calculated pursuant to the provisions of ASF Regulation no. 9/2014 (art. 113-122) and ASF Regulation no. 10/2015.

Acquisitions and disposals of assets during H1 2018

During H1 2018, the following purchases of financial assets were made:

- direct investments amounting to RON 0.4 million for the increase of the share capital in subsidiaries (Central);
- acquisitions of listed shares, amounting to RON 48,3 million (Conpet);
- fund units of the FIA Certinvest Shares and FII Star Value amounting to RON 84.4 million.

Assets disposed during H1 2018 include:

- sales of shares listed on foreign markets in a total amount of RON 98.8 million, with a profit of RON 63,4 million;
- sales of shares listed on domestic markets in the total amount of RON 4.9 million;
- the sale of govt. bonds denominated in RON for a total amount of RON 27.3 million;
- the partial redemption of fund units issued by FII Optim Invest.

2.2 INFORMATION ON THE ENTITIES INCLUDED IN THE CONSOLIDATION

SAI MUNTENIA INVEST SA Bucharest

SIF Banat-Crișana stake as at 30.06.2018: 99.98%

Societatea de Administrare a Investițiilor (Investment Management Company) Muntenia Invest SA was established in 1997, and is SIF Banat-Crișana's portfolio since 2013. SAI Muntenia Invest does not have branches, subsidiaries or places of business.

The main activity of the Company (CAEN code 6499 - Other financial intermediation n.c.a.) is the management of undertakings for collective investment in transferable securities (Romanian acronym: OPCMV) established in Romania or in another member state and the activity of managing alternative investment funds (Romanian acronym: FIA) in compliance with the provisions of the relevant legislation, holding the ASF authorization to operate as an investment management company (Romanian acronym: SAI). The activity of SAI Muntenia Invest is regulated and supervised by the ASF.

Beginning 21.12.2017, SAI Muntenia Invest was registered as an alternative investment fund manager (AIFM) and was registered in the ASF Register as a registered AIFM. Thus, SAI Muntenia Invest may carry out both activities of management of collective investment undertakings (Romanian acronym: OPCVM) and alternative fund management activities (Romanian acronym: FIA), with reference to portfolio management and risk management.

In H1 2018, the Company's activity was carried out in compliance with the provisions of Law no. 297/2004, of GEO 32/2012 approved by Law 10/2015, of the ASF Regulation no. 9/2014, as subsequently amended and supplemented, and in accordance with the provisions of its articles of incorporation and internal regulations.

The current activity carried out by SAI Muntenia Invest during H1 2018 was the management of SIF Muntenia SA and FDI PLUS Invest.

Changes in the legislative framework related to the sector of activity of the company, created the need for many changes in the internal regulations and the working procedures, such as the elaboration and approval of new procedures that translate the requirements of the legal provisions into the company's activity.

During H1 2018, SAI Muntenia Invest did not use securities financing transactions (SFTs) and total return swap instruments as defined by EU Regulation 2365/2015, in both its own activity and activity of the collective investment undertakings.

Administrare Imobiliare SA Bucharest

indirect stake of SIF Banat-Crişana

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

In 2013, the company changed its name to Administrare Imobiliare SA and its headquarters is moved to Bucharest. In the same year, the company is incorporated into the holding SIF Imobiliare Plc.

SIF Imobiliare Plc. ("SIFI") holds a stake of 98.9% of Administrare Imobiliare SA ("AISA").

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

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

AISA holds, as at June 30, 2018, financial investments in shares in affiliated entities of RON 48,285 (provisioned 100%) and other investments in shares valued at RON 400. All these investments are valued at cost.

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

PRESENTATION ON SEGMENT

The Group's business is structured on one segment, the financial one.

The financial activity includes the activities of three companies in the Group: SIF Banat-Crişana, SAI Muntenia and Administrare Imobiliare SA. The main economic and financial indicators, i.e. total assets, liabilities, equity, operating profit, financing expenses, pre-tax profit and net profit presented in the interim consolidated financial statements, are attributable to the financial activity.

3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 30.06.2018

3.1 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(extract from the accompanying consolidated financial statements)

	June 30, 2018	June 30, 2017
Income		
Dividend income	71,003,960	32,233,571
Interest income	1,998,476	1,751,236
Other operating revenues	10,159,334	9,557,359
Investment gains		
Gain on investment property	-	-
(Loss) / Net gain on foreign exchange differences	93,190	(3,502)
Net Profit / (Loss) from financial assets at fair value through profit or loss	(11,685,63)	9
Profit / Loss from sale of assets	(553,308)	(62,672)
Expenses		
Other (expenses) / reversals of adjustments for impairment of other assets and provisions	-	322,030
Commission expenses	(1,649,701)	(1,233,547)
Operating expenses	(12,295,672)	(9,958,431)
Profit before tax	57,070,916	32,606,053
Income tax expenses	(2,199,70)	(2,884,847)
Profit for the period	54,871,346	29,721,206
Profit is attributed to:		
Parent company	54,872,091	29,720,925
Non-controlling interests	(745)	281
Total profit for the period	54,871,346	29,721,206
Gain from transactions recognized in retained earnings according to IFRS 9	70,186,930	
Related tax	(11,132,023)	
Net gain recognized in retained earnings	59,054,907	
Other comprehensive income		
Items that are or may be transferred to retained earnings or profit or loss		
Fair value reserve (financial assets):		
Net amount transferred to profit or loss	553,308	-351,232
Amount transferred to retained earnings (equity instruments)	-70,186,930	
Change in fair value for shares measured through other comprehensive income	52,368,711	180,327,713
The effect of the income tax related to them	13,799,861	(28,796,237)
Reserves from revaluation of tangible assets	-	-
Other comprehensive income	(3,465,050)	151,180,244
Total other comprehensive income for the period	110,461,203	180,901,450
Result per share		
Basic	0.106	0.057
Diluted	0.106	0.057

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

	June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	88,491,752	58,282,699
Bank deposits	2,008,077	31,473,033
Financial assets at fair value through profit and loss	940,793,817	338
Trade receivables	5,413,266	101,767,377
Inventories	4,684	80,808,539
Other current assets	169,015	1,351,238
Financial assets at fair value through other comprehensive income	1,374,714,665	1,642,602,587
Investments in associates	105,898,466	68,700,510
Financial assets at amortized cost	6,498,626	6,499,763
Investment property	20,956,229	289,152,520
Tangible assets (property, plant and equipment)	3,559,594	570,200,464
Intangible assets	36,538	10,282,641
Other fixed assets	10,326	526,261
Goodwill	-	8,620,328
Investments	-	266,055
Total assets	2,548,555,055	2,870,534,353
EQUITY AND LIABILITIES		
Liabilities		
Trade liabilities	2,102,458	133,367,836
Dividends to be paid	15,494,323	15,586,380
Deferred tax liabilities	157,845,233	207,270,420
Borrowings	95,714	129,370,582
Investment grants	-	38,478,444
Provisions for other liabilities and charges	1,467,423	2,316,355
Other liabilities	5,286	2,492,333
Total liabilities	177,010,437	528,882,350
Equity		
Statutory share capital	52,000,000	52,000,000
IAS 29 on share capital	648,330,055	648,330,055
Reserves under Law 133/1996	2,105,675,691	2,105,675,691
The effect of applying IAS 29 to equity elements on retained earnings	(2,608,519,657)	(2,608,519,657)
Treasury shares	(4,748,190)	(4,748,190)
Losses from the repurchase of own shares	(124,659)	(124,659)
Benefits granted in equity instruments	595,000	-
Other reserves	-	(21,635,428)
Accumulated profit	1,411,115,877	1,186,668,064
Reserves from revaluation of tangible assets	97,794	62,597,610
Legal reserves	11,233,541	26,734,310
Differences from change of fair value for financial assets through other comprehensive income	755,885,621	808,753,426
	2,371,546,618	2,255,731,222
Non-controlling interests	3,546	85,920,781
Total equity	2,371,544,618	2,341,652,003
Total equity and liabilities	2,548,555,055	2,870,534,353

4. 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 status of compliance with the provisions of the Corporate Governance Code issued by Bucharest Stock Exchange Code was presented in the Board of Directors' annual report for 2017, available on company's website, in *Corporate Governance* section. SIF Banat-Crișana's statement on the application of corporate governance principles, prepared pursuant to the annex of the Regulation no. 2/2016, was presented in the Board of Directors' annual report for 2017, the document is available on company's website, in *Corporate Governance* section.

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.

The Ordinary General Meeting of the Shareholders held on April 20, 2017 elected as administrators for a four-year term, starting with 24.04.2017, the following: Mr. Bogdan-Alexandru Drăgoi, Mr. Radu Răzvan Străuț, Mr. Sorin Marica and Mr. Marcel Heinz Pfister. Following the secret vote cast by the shareholders in the Ordinary General Assembly on April 20, 2017, only four candidates met a vote of at least 50% plus one of the votes cast, a condition required by the Company's Articles of Association and the law, for decisions of the ordinary general meeting to be adopted. By the Endorsement no. 405 / 13.07.2017, the Financial Supervisory Authority endorsed the amendments occurred in SIF Banat-Crișana documents following the change in the composition of the Board of Directors of the company.

During 1–16 January, the composition of the Board of Directors was the following: Mr. Bogdan Alexandru Drăgoi - Chairman, Mr. Radu Răzvan Străuț - Vice Chairman, Mr. Sorin Marica - Member, Mr. Marcel Heinz Pfister - member.

The OGM of April 26, 2018 elected Mr. Ionel Marian CIUCIOI as administrator on the vacant seat in the Board of Directors, for a term equal to the remaining period until the expiry of the term of office of the administrators in office, respectively until 24.04.2021.

During April 26, June 30, 2018, the company was administered by a Board of Directors composed of five members: Bogdan-Alexandru DRĂGOI – Chairman – CEO (General Director), Radu-Răzvan STRĂUȚ – Vice-Chairman, Sorin MARICA – member, Marcel Heinz PFISTER – member, and Ionel Marian CIUCIOI – member (pending authorization).

During H1 2018, the Board of Directors of SIF Banat-Crișana met in 19 sessions, pursuant to the statutory provisions.

The presence of Board members at meetings held during H1 2018 was in accordance with the legal provisions. The Chairman of the Board chaired all the meetings.

During H1 2018, the Board of Directors issued a total of 65 resolutions concerning the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

Analysing the fulfilment of the 65 decisions taken by the Board of Directors results that they were fully executed.

The Audit Committee

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

During January 1 – June 8, 2018, the composition of the Audit Committee was as follows: Mr. Marcel PFISTER – chairman of the committee and Mr. Sorin MARICA - member. In the meeting held on June 8, 2018, the Board of Directors approved the following composition of the Audit Committee: Mr. Marcel PFISTER - Chairman of the Committee, Mr. Sorin MARICA - Member, Mr. Ionel Marian CIUCIOI - Member. Mr. Ionel Marian CIUCIOI will exercise his powers within the committee as of the date of his authorization by ASF as administrator.

The Nomination and Remuneration Committee

The Board of Directors created therein, with an advisory capacity, a Nomination and Remuneration Committee, comprised of non-executive directors. During January 1 – June 8, 2018, the composition of the Nomination and Remuneration Committee was as follows: Mr. Răzvan STRĂUȚ – chairman of the committee and Mr. Sorin MARICA - member. In the meeting held on June 8, 2018, the Board of Directors approved the composition of the Nomination and Remuneration Committee: Mr. Sorin MARICA - Chairman of the Committee, Mr. Marcel PFISTER - Member, Mr. Ionel Marian CIUCIOI - Member. Mr. Ionel Marian CIUCIOI will exercise his powers within the committee as of the date of authorization as administrator by ASF.

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 authorized in this position by the Authority.

Between January – May 2018, directors (executives) of the company were: Mr. Bogdan-Alexandru Drăgoi - CEO, Mrs. Theodora Sferdian - Deputy General Director, and Mr. Laurențiu Riviș - Director.

As at June 30, 2018, the composition of the executive team of SIF Banat-Crișana is the following: Mr. Bogdan-Alexandru Drăgoi – Chairman - CEO; Mr. Radu Răzvan Străuț – Vice-Chairman, Deputy General Director; Mr. Teodora Sferdian - Deputy General Director; Mr. Laurențiu Riviș - Director. The Financial Supervisory Authority, by Authorization no. 146/17.05.2018, authorized the changes occurred in SIF Banat-Crișana's documents following the change in the composition of the company's management, by the appointment of Radu Răzvan Străuț as Director of SIF Banat-Crișana, as per the Decision of the Board of Directors no. 1 of 25.01.2018.

Observance of shareholders' rights

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

Pursuant to art. 286¹ 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.

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.

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 e-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.

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. 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.

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.

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 2018. It was pursued to promote SIF Banat-Crișana in capital market events (either individually or together with BVB, intermediaries), to increase transparency and attract new investors / shareholders.

Transparency in communication

SIF Banat-Crișana considers of great importance the transparency in communication, convinced that public confidence is essential for proper activity of the company. SIF Banat-Crișana aims to ensure continuous reporting in an objective and integral manner by providing complete and accurate information on all important aspects of the activity and the results achieved.

Company's website (www.sif1.ro) 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.

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

In SIF Banat-Crișana there is operational an internal procedure, approved by the Board of Directors, 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.

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

SIF Banat-Crișana acknowledges its exposure to risks resulting from daily operations and those from the pursuit of achieving its strategic objectives. In view of these, SIF Banat-Crișana's policy on the management of significant risks provides a framework for identifying, assessing, monitoring and controlling these risks in order to maintain them at acceptable levels, based on the Company's risk appetite and its ability to cover, absorb or mitigate these risks.

Through its risk management system SIF Banat-Crișana assigns a central role to the *risk management function, policies and procedures* related to the management of significant and relevant risks for the investment strategy, *the measures, processes and techniques* related to the measurement and the management of the risks the Company relies on for portfolio it manages.

By Authorization no. 79/09.03.2018, Mrs. Adina Eleonora Hodăjeu has been endorsed by ASF as responsible person for risk management in SIF Banat-Crișana, registered in ASF Registry with number PFR13.2FARA / 020053.

An extensive review of the *management of significant risks policy* as well as the procedures on their identification, assessment, measurement and control was conducted during H1 2018.

The significant risks to which SIF Banat-Crișana is or may be exposed are the following:

- *Market risk* comprises the sub-categories: price / position risk, interest rate risk, foreign exchange risk and concentration risk.
- *Liquidity risk*.
- *Credit and counterparty risk*.
- *Operational risk* includes the sub-categories: risk related to technical resources / IT systems, professional risk, model / process risk, risk associated with outsourced activities.
- *Other risks* include sub-categories: reputational risk, strategic risk, regulatory risk, tax-related risk, business-related risk.

The strategy of management of significant risks assumed by the Board of Directors is based on risk management objectives and pursues three parameters: risk appetite, risk profile and risk tolerance.

The Board of Directors approved the classification of the *Company's overall risk at a MEDIUM level* in 2018, corresponding to an *average risk appetite*.

During H1 2018 there were not noticed exceedances of the risk limits at the level of the overall risk profile.

By managing the risk, both by prior checking of investments and by ex-post monitoring, the Company ensures that portfolio management is within the appropriate risk parameters.

No financial instrument financing operations (SFTs) were carried out by SIF Banat-Crișana during H1 2018 and the Company performed no transaction of *total return swap* type, as defined by EU Regulation 2365/2015.

Internal Control - Compliance

The activity of the Compartment for internal control / compliance was carried out during H1 2018 pursuant to the Plan for Investigation and control for the year 2018, as approved by the Board of Directors of SIF Banat-Crișana in the meeting held on January 30, 2018, of the provisions of Regulation no. 9 and no. 15/2004, the work procedures and internal regulations. By the ASF Authorization no. 80 / 09.03.2018 the representative of the internal control compartment was authorized as compliance officer / representative of the compliance compartment, the internal control function being transformed into the compliance checking function. The compliance / verification activities continued to be carried out in accordance with the approved Control Plan for 2018.

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 is carried out grounded on an audit program prepared in accordance with the objectives of the company, endorsed by the Audit Committee and approved by the Board of Directors. The activity of internal audit of SIF Banat-Crișana has been outsourced to the company New Audit SRL from Arad.

Company's activities are subject to internal audit 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.) Internal Audit 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.

During H1 2018, 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 2018, subject to the audit, are consistent with the policies, programs and management of the company, pursuant to the legislation and internal regulations.

At the consolidated entities

Subsidiaries of SIF Banat-Crișana are exposed to a various risk which are carefully monitored by each company by complying to the policies and procedures approved by their boards of directors. The policies and risk management systems are regularly reviewed to reflect the changes in the regulatory environment, market conditions and activities carried out.

The implemented risk management policies aim to identify and analyse the financial and operational risk the respective company is exposed to, as well as the analysis and correction of risk factors associated to the activity carried out. The companies use a variety of policies and procedures for the management and evaluation of the types of risk to which they are exposed to.

SAI Muntenia Invest SA establishes and maintains, on a permanent and operational basis, the risk management function. As registered AIFM, the new procedures that guided the risk management activity for SAI Muntenia Invest SA and the managed entities were implemented. Thus, the company has implemented a risk management system to adequately identify, assess, manage and monitor all relevant risks, in accordance with the provisions of Art. 30-37 of EU Regulation no. 231/2013.

There is an increased consideration at group level to strengthen the internal control systems and adjust the procedures to the ever-changing requirements of each entity.

5. EVENTS OCCURED AFTER THE DATE OF THE BALANCE SHEET

August 2018

- SIF Banat-Crișana published the half-yearly report as at June 30, 2018, prepared pursuant to ASF Regulation no. 5/2018, Law no. 24/2017, Regulation no. 15/2004, and ASF Norm no. 39/2015 and the condensed interim separate financial statements as at June 30, 2018 – unaudited.

September 2018

- By Authorization no. 236/19.09.2018, the Financial Supervisory Authority authorized the changes in SIF Banat-Crișana's Articles of Association as a result of the share capital reduction from RON 52,000,000 to RON 51,746,072.4, as per Resolution no. 1/26.04.2018 of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders.

This report is accompanied by the following annex:

ANNEX 1	Consolidated interim financial statements as at June 30, 2018 prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF – Financial Instruments and Investments Sector - unaudited
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The version prepared in Romanian of the consolidated report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crișana in the meeting held on September 28, 2018.

Bogdan-Alexandru DRĂGOI

Chairman and CEO