



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

---

**SIF BANAT-CRIȘANA**

---

**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 Norm no. 39/2015

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

## CONTENTS

<b>GENERAL INFORMATION</b>	3
<b>MAIN FINANCIAL AND OPERATIONAL INFORMATION</b>	4
<b>1. ANALYSIS OF THE ACTIVITY OF SIF BANAT-CRIȘANA</b>	5
Net asset value	5
Analysis of the portfolio	6
<b>2. THE SHARES ISSUED BY SIF BANAT-CRIȘANA</b>	16
<b>3. CORPORATE GOVERNANCE</b>	18
<b>4. FINANCIAL RESULTS AS AT JUNE 30, 2018</b>	28
<b>5. OTHER SIGNIFICANT INFORMATION</b>	32
<b>6. ANNEXES</b>	
<b>Annex 1</b> Condensed interim financial statements as at June 30, 2018, 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	
<b>Annex 2</b> Net asset statement as at June 30, 2018, prepared pursuant to Regulation no. 15/2004 (Annex 16)	
<b>Annex 3</b> Detailed statement of investments as at June 30, 2018, pursuant to Regulation no. 15/2004 (Annex 17)	
<b>Annex 4</b> Amendments to the Articles of Association in H1 2018	
<b>Annex 5</b> Authorizations issued by ASF in H1 2018 concerning changes in leadership structure	
<b>Annex 6</b> Statement of the responsible persons	

## 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 52,000,000 – subscribed and paid-in capital</li> <li>▪ 520,000,000 shares issued</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 AFIAA Register PJR07.1AFIAA/020007/09.03.2018</li> <li>▪ Number in ASF SIIR Register PJR09SIIR/020002/2006</li> <li>▪ Legal Entity Identifier (LEI Code) 254900GAQ2XT8DPA7274</li> </ul>
MAIN ACTIVITY	<p>Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funding (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499):</p> <ul style="list-style-type: none"> <li>▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force;</li> <li>▪ management of investment portfolio and exercising all of the rights related to the instruments in which investments are made;</li> <li>▪ risk management;</li> <li>▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force.</li> </ul>
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – 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>30.06.2017</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
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

<b>FINANCIAL PERFORMANCE [RON mn]</b>			
	<b>30.06.2017</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
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

<b>FINANCIAL INDICATORS [%]</b>			
	<b>30.06.2017</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
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

<b>PERFORMANCE OF SHARES AND NET ASSET</b>			
	<b>30.06.2017</b>	<b>31.12.2017</b>	<b>30.06.2018</b>
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

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

<b>SHAREHOLDING STRUCTURE</b> 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%
<b>TOTAL</b>	<b>5,757,406</b>	<b>100%</b>

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

CONTACT Investor Relations: **email** investitori@sif1.ro **tel** +40257 304 446

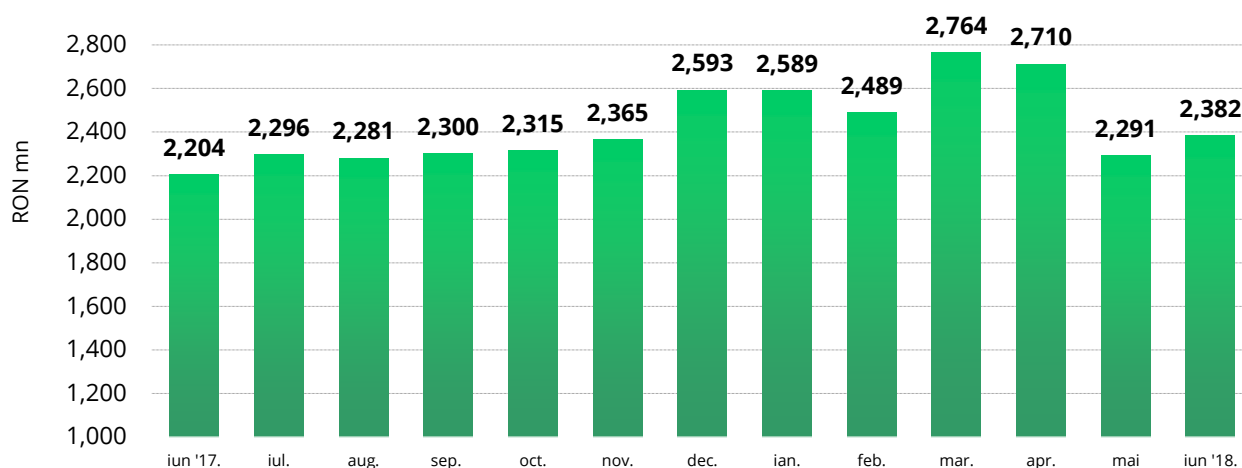
# 1. ANALYSIS OF THE ACTIVITY OF SIF BANAT-CRIȘANA

## Net Asset Value

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 RON 2,593.06 mn at 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 4.2541 as at June 30, 2017.

### NET ASSET VALUE

June 2017 - June 2018



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 and ASF 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, as per the regulations in force.

Net assets statement as at June 30, 2018, 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. 113-122 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.

## Analysis of the portfolio

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, bonds 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.

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.

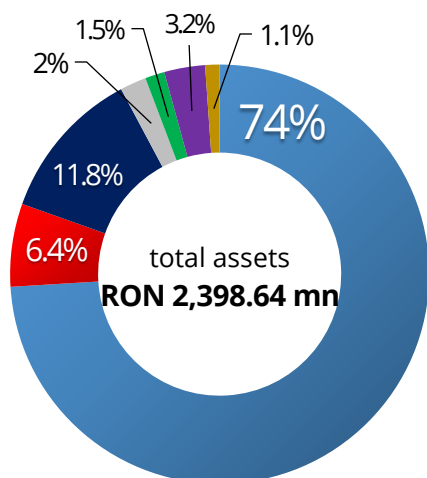
## Portfolio structure

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

**ASSETS UNDER MANAGEMENT as at June 30, 2018**

asset class breakdown (weight in total assets)



- listed shares: 74%  
value **RON 1,775.86 mn** (Dec. 2017: RON 2,061.13 mn)
- unlisted shares: 6.4%  
value **RON 153.54 mn** (Dec. 2017: RON 166.55 mn)
- unlisted non-UCITS securities: 11.8%  
value **RON 282.44 mn** (Dec. 2017: RON 230.40 mn)
- corporate bonds: 2%  
value **RON 48.56 mn** (Dec. 2017: RON 48.53 mn)
- govt. bonds: 1.5%  
value **RON 35.95 mn** (Dec. 2017: RON 65.47 mn)
- bank deposits and current account: 3.2%  
value **RON 75.63 mn** (Dec. 2017: RON 16.13 mn)
- receivables and other assets: 1.1%  
value **RON 26.66 mn** (Dec. 2017: RON 25.32 mn)

*values calculated pursuant to the provisions of ASF Regulation no. 9/2014 (art. 113-122) and ASF Regulation no. 10/2015; the amounts for fixed income financial instruments include interest receivables*

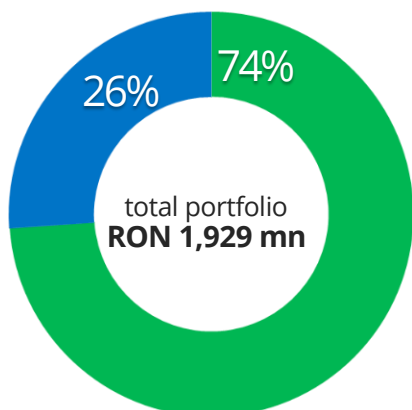
Total assets value<sup>1</sup> of SIF Banat-Crișana, calculated as per ASF regulations as at June 30, 2018, was of **RON 2,398.64 million**, down 8% as compared to the value recorded at the end of 2017, when it reached RON 2,613.54 million. Compared to that date, the value of listed shares declined by 13.8%, following the trend of the capital market.

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

The detailed statement of SIF Banat-Crișana's investments as at June 30, 2018, prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented as annex to this report.

**STOCK PORTFOLIO**

geographical exposure



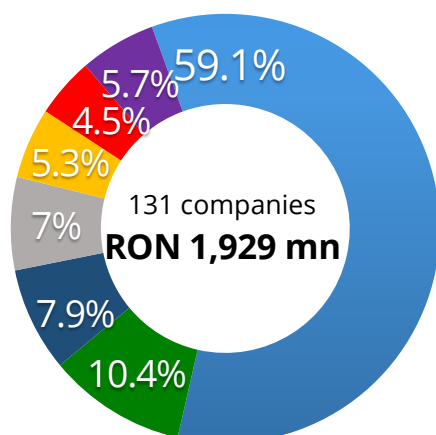
- Romania: 74%  
**RON 1,426.52 mn** (Dec. 31, 2017: RON 1,382 mn) value of holdings in 129 companies (Dec. 31, 2017: 137)
- foreign: 26%  
**RON 502.87 mn** (Dec. 31, 2017: RON 845.66 mn value of holdings in 2 companies (Dec. 31, 2017: 2): Austria (1 company – Erste Bank), Cyprus (1 company – SIF Imobiliare)

*values calculated 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*

<sup>1</sup> calculated pursuant to the provisions of ASF Regulation no. 9/2014 (art. 113-122) and ASF Regulation no. 10/2015

## STOCK PORTFOLIO

breakdown by sector

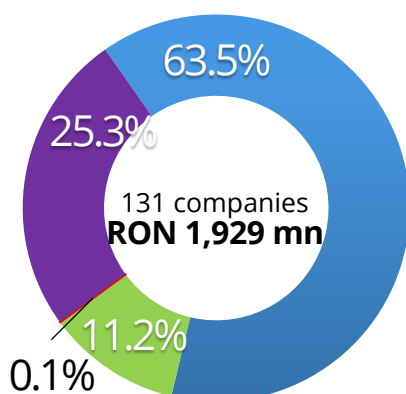


- financial-banking: 59.1%  
stakes in **14** companies worth **RON 1,140.74 mn**  
(Dec. 31, 2017: RON 1.193 mn)
- commerce – real-estate: 10.4%  
stakes in **15** companies worth **RON 201.18 mn**  
(Dec. 31, 2017: RON 447.85 mn)
- energy-utilities: 7.9%  
stakes in **10** companies worth **RON 151.70 mn**  
(Dec. 31, 2017: RON 109.91 mn)
- cardboard and paper: 7%  
stakes in **5** companies worth **RON 135.15 mn**  
(Dec. 31, 2017: RON 157.53 mn)
- tourism and public-food services: 5.3%  
stakes in **4** companies worth **RON 102.91 mn**  
(Dec. 31, 2017: RON 110.23 mn)
- pharmaceuticals: 4.5%  
stakes in **2** companies worth **RON 86.91 mn**  
(Dec. 31, 2017: RON 74.44 mn)
- other industries: 5.7%  
stakes in **81** companies worth **RON 110.81 mn**  
(Dec. 31, 2017: RON 134.72 mn)

*values calculated 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



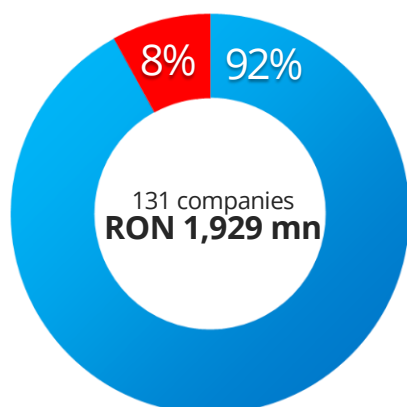
- up to 5%  
stakes **up to 5%** in **47** companies  
worth **RON 1,224 mn** (Dec. 31, 2017: RON 1,281 mn)
- 5-33%  
stakes **between 5 - 33%** in **70** companies  
worth **RON 216 mn** (Dec. 31, 2017: RON 159 mn)
- 33-50%  
stakes **between 33-50%** in **3** companies  
worth **RON 1.04 mn** (Dec. 31, 2017: RON 1.06 mn)
- above 50%  
**majority stakes, above 50%**, in **11** companies  
worth **RON 488 mn** (Dec. 31, 2017: RON 785 mn)

*values calculated 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: 92%

**RON 1,775.86 mn** (Dec. 31, 2017: RON 2,061 mn) value of stakes held in 46 companies (Dec. 31, 2017: 49)

■ unlisted companies: 8%

**RON 153.54 m** (Dec. 31, 2017: RON 166.55 mn) value of stakes held in 85 companies (Dec. 31, 2017: 90)

*values calculated 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*

Presentation of the largest holdings in the portfolio

**TOP 10 COMPANIES IN SIF BANAT-CRIȘANA PORTFOLIO** as at June 30, 2018

Company	sector	Value of holding* as at June 30, 2018 [RON]	% of NAV
Banca Transilvania	banking - financial	462,312,480	19.41%
Erste Group Bank AG	banking - financial	345,766,224	14.51%
BRD - Groupe Société Générale	banking - financial	178,635,321	7.50%
SIF Imobiliare Plc	financial services applicable to real estate	157,108,192	6.60%
Vrancart	cardboard and paper	123,906,569	5.20%
Biofarm	pharmaceuticals	79,631,467	3.34%
SIF Moldova	other financial intermediations	69,896,897	2.93%
SNGN Romgaz	energy - utilities	58,701,762	2.46%
SIF Hoteluri	tourism and public food services	57,277,631	2.40%
Conpet	energy - utilities	50,646,600	2.13%
<b>TOTAL</b>		<b>1,583,883,142</b>	<b>66.49%</b>

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

**1. BANCA TRANSILVANIA**

Results of the bank (RONm)	Q1 2018	T1 2017	Δ
NII	518.2	456.3	13.6%
Net fee and commission income	153.0	129.4	18.2%
Net income from transactions	54.6	50.5	8.0%
Net banking income	735.8	581.9	26.4%
Operating expenses	349.9	295.3	12.8%
CoR	54.3	5.9	
Net result (a.m.)	366.0	246.2	+48.7
ROE	21.47%	23.62%	
Loans/Deposits	62.3%	61.8 %	
NIM	3.64%	3.56 %	
Cost/Income	49.76%	51.04 %	
NPL	6.35%	6.0 %	

As at June 30, 2018, SIF Banat-Crișana held a stake of 4.44% of Banca Transilvania's share capital.

Gross profit at group level Q1 2018 of RON 389m (+ 45.7% yoy), positively influenced by F&C revenue growth of 18% yoy and from NII of 14.8% yoy, in the context of a positive contribution of the cost of risk with 51m and operating expenses increase by 18%, and personnel by 16%.

Total assets of the group assets reached RON 60.1bn on March 18, up 0.5% QoQ.

CAR level rose to a comfortable 18.15% rate without the Q1 2018 result (above the minimum of 14% indicated in the dividend policy), respectively 19.23% including the quarterly profit.

Banca Transilvania, market symbol TLV and ISIN ROTLVAACNOR1, is listed on the Bucharest Stock Exchange and is traded on the Main segment, the Premium category.

## 2. ERSTE GROUP BANK AG

Results at group level (EURm)	Q1 2018	T1 2017	Δ
NII	1,082.6	1,051.3	2.97%
Net fee and commission income	478.6	457.7	4.57%
Net income from transactions	11.3	48.6	-76.7%
Operational result	586.6	599,2	-2.1%
Operating income	1,651.6	1,617,5	2.1%
Operating expenses	-1,065.0	-1,018.3	4.6%
CoR	54.4	-65.8	
Net result (a.m.)	332.6	262.2	+26.8%
CET1	12.6%	13.4%	
ROE	10.4%	8.7%	
Loans/Deposits	91.5%	92.4%	
NIM	2.27%	2.33%	
Cost/Income	64.5%	63.0%	
NPL	3.7%	4.0 %	

As at June 30, 2018, SIF Banat-Crișana held a stake of 0.48% of Erste Bank's share capital.

The Group reported a quarterly net profit of EUR 333m (+ 27% YoY and flat QoQ), surpassing the estimates of the analysts.

Operating result decreased 2.1% yoy, negatively influenced by result from transactions (-78% yoy to EUR 11m, vs. 49m in Q1 2017) and the increase of operating expenses. The net interest margin has dropped further.

Lending increased 7.4% yoy, with growth in the Czech Republic and Slovakia of 15%, while deposits grew at an annual rate of 7%.

Erste Group Bank AG shares, market symbol EBS, are listed on the stock exchanges in Vienna, Prague and Bucharest.

## 3. BRD - GROUPE SOCIÉTÉ GÉNÉRALE

Results at group level (RONm)	Q1 2018	T1 2017	Δ
NII	465	408	14.2%
Net fee and commission income	184	175	5.2%
Net income from transactions	75	67	10.8%
Net banking income	724	650	11.4%
Operating expenses	385	384	0.2%
CoR	153	124	
Net result (a.m.)	411	328	25.5%
ROE	22.0%	19.3%	
Loans/Deposits	68.6%	69.3%	
NIM	3.3%	3.2%	
Cost/Income	53.0%	59.1%	
NPL	6.2%	10.3%	

As at June 30, 2018, SIF Banat-Crișana owns 1.95% of the share capital of BRD-Groupe Société Générale.

BRD-GSG posted a net profit of RON 392.4m for Q1 2018 vs RON 306.9m in 2017, + 27.8% yoy, positive impact having net cost of risk (RON +150m vs. 130m yoy), as well as the increase with 13.2% of operating revenues, while keeping operating expenses at the same level.

ROE at bank level reached 22% vs. 19.3% for Q1 2017.

NIM improved to 3.40%, while NPL continued to decline.

BRD-Groupe Société Générale, market symbol BRD and ISIN ROBRDBACNOR2, is listed on the BVB/BSE, traded in the Main segment, the Premium category.

#### 4. SIF IMOBILIARE PLC

	2013*	2014*	2015*	2016*
<b>Revenues</b> [EUR mn]	2.13	5.19	12.35	10.38
<b>Gross profit</b> [EUR mn]	-0.46	13.32	8.61	4.47
<b>Net profit</b> [EUR mn]	-0.5	13	6.37	4.35

\* published consolidated financial statements

SIF Imobiliare Plc is an important company in SIF Banat-Crișana's portfolio, the stake of 99.99% of its social capital weights 6.60% in SIF Banat-Crișana's net asset value.

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 independent auditor of SIF Imobiliare Plc is Evoserve Auditors Limited incorporated in Cyprus.

The holding SIF Imobiliare Plc, registered in Cyprus, was established in August 2013 as an investment vehicle by incorporating 18 companies from SIF Banat-Crișana's portfolio having activities in the real estate sector, to unify the management, increase rates of return for the companies in the portfolio and to seize the opportunities arising in the market.

The holding SIF Imobiliare Plc has optimized its activity by restructuring the management and the activities of the companies held in the portfolio. Thus, it was implemented a resource planning system - ERP Atlantis at companies' level, the integration of all internal information at subsidiaries level into a single platform, aiming to ensure data transparency within the group and facilitate decision-making process to improve the efficiency and effectiveness of the business.

The analyses of business opportunities were carried on, aiming to improve the performance of SIFI's global portfolio, as well as rationalization and review of operational processes at affiliates level, to increase their efficiency, and achieving a quantum leap on performance measures such as return of investments, cost reduction and improving the quality of services.

In 2016, SIF Imobiliare Plc increased its social capital by EUR 2.99 mn in cash by shareholders' contribution, for the development of activity with investments in agriculture.

In 2017 it was continued the portfolio restructuring, by finalizing two merging projects, SIFI B One Bucharest (absorbent) merged with SIFI CS Retail Bucharest, Urban SA Lugoj and Agrorent SA Arad as absorbed companies and Cora SA Hunedoara (acquiring) merged with Central SA Petroșani (absorbed).

#### 5. VRANCART S.A. ADJUD

	2015	2016	2017	Q1 2018*
<b>Turnover</b> [RON mn]	209.8	227.1	260.0	70.7
<b>Operating profit</b> [RON mn]	21.8	23.8	26.7	4.0
<b>Net profit</b> [RON mn]	18.2	20.2	22.3	3.0
<b>Dividends</b> [RON mn]	13.8	14.0	11.3	-

\*individual statements; source: Company report submitted to BVB

SIF Banat-Crișana owns 75.06% of the share capital of Vrancart SA as at June 30, 2018. The Vrancart group includes the companies: Giant Tg. Mureș (100%) and Rom Paper Brașov (85%).

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.

According to company's report, turnover increased by + 19.6% in Q1 2018, but operating and net profit is below the 2017 levels mainly due to rising prices of scrap paper by 45% in Q1 2018 as compared to Q1 2017.

The main aspects of the company's life in 2018 concerned: the election of the Board of Directors for a four-year term of office, the continuation of investments in technological upgrades, the convening of the GMS for the approval of the merger with Giant SRL.

As an event after the reporting period, Vrancart announced the acquisition of the last 15 percent of Rom Paper SRL's shares, reaching a 100% stake.

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

## 6. BIOFARM

	2015	2016	2017	Q1 2018*
<b>Turnover</b> [RON mn]	149.3	152.1	170.2	43.4
<b>Operating profit</b> [RON mn]	31.5	35.0	43.0	14.1
<b>Net profit</b> [RON mn]	27.2	29.5	36.0	11.8
<b>Dividends</b> [RON mn]	15.7	16.7	18.7	-

\* source: Company report submitted to BVB

As at June 30, 2018, SIF Banat-Crișana holds a stake of 23.22% of the share capital of Biofarm.

Company founded in 1921, Biofarm is one of the leading Romanian drug manufacturer and no. 1 producer of dietary supplements in Romania. Over the years, Biofarm aimed to differentiate from market competitors through continuous strategies for improving its product portfolio, resulting in continuous growth in both turnover and financial results.

In Q1 2018, turnover rose +15.1% and net profit recorded +29.6% upsurge.

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

## 7. SIF MOLDOVA

	2015	2016	2017	Q1 2018*
<b>Net profit</b> [RON mn]	100.3	123.3	164.7	0.3
<b>Dividends</b> [RON mn]	46.2	45.6	49.8	-

\* source: Company report submitted to BVB

SIF Banat-Crișana held, as at June 30, 2018, a stake of 4.99% of SIF Moldova's share capital.

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

The company carried out during 20.06 – 10.07.2018 a public tender offer for the purchase of 11,000,000 own shares at a price of RON 1.818 / share, for the purpose of reducing the share capital.

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

## 8. SNGN ROMGAZ S.A.

	2015	2016	2017	Q1 2018*
<b>Turnover</b> [RON mn]	4,052.6	3,411.9	4,585.2	1,482,3
<b>Operating profit</b> [RON mn]	1,454.0	1,258.7	2,178.6	586,4
<b>Net profit</b> [RON mn]	1,194.2	1,024.6	1,854.7	501,2
<b>Dividends</b> [RON mn]	1,040.6	2,220.3	1,923.3	n/a

\* financial statements for Q1 2018, source: Company report submitted to BVB

As at June 30, 2018, SIF Banat-Crișana holds a stake of 0.41% of the share capital of SNGN Romgaz.

With more than 6,000 employees, Romgaz is the largest natural gas producer and supplier in Romania, with a market share of over 42% of total domestic consumption of natural gas in 2018, respectively owns over 90% of Romania's underground storage capacities. Romgaz records annual revenues of over RON 4 bn, with an average net return of over 30% - 45%. Romgaz's main business segments are: exploration, production and supply of natural gas, underground storage of natural gas, and electricity production.

In 2018, natural gas production slightly increased as compared to 2017, but as a result of higher temperatures recorded since the beginning of 2018, consumption stagnated and even diminished during the current year.

The management of the company, by improving the sales structure on the two market segments, and by a strict management of the deposit and natural gas portfolio, has managed to achieve a higher return on operating profitability over the past 2 years.

Company's majority shareholder is Romanian State, through the Ministry of Energy, with a holding of 70%, the average liquidity on BVB goes above RON 3.8 mn daily.

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

## 9. SIF HOTELURI

	2014	2015	2016	2017	Q1 2018*
<b>Turnover</b> [RON mn]	11.5	11.98	20.02	20.72	4.47
<b>Operating profit</b> [RON mn]	-0.8	-9.44	3.71	-0.22	-1.26
<b>Net profit</b> [RON mn]	0.2	-9.59	3.67	-1.16	-1.54
<b>EBITDA</b>	4.13	0.30	8.95	4.88	0

\* financial statements for Q1 2018, source: Company report submitted to BVB

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

The company SIF Hoteluri resulted from the change of Calipso's company name in 2014, and it is listed on BVB with the ticker CAOR.

In late October 2015, SIF Hoteluri completed the merger by absorption of the other five companies, majority held, with activity in hospitality, taking their entire assets.

With the completion of the merger, the establishment of an integrated management system to improve the financial performance of the acquired units and creating more value for the shareholders was envisioned. In March 2018, following the resignation of the Chairman – CEO of the company, a new management team was elected, who reviewed the company's business opportunities in order improve its performance.

The most important asset of the Company's portfolio is DoubleTree by Hilton hotel in Oradea providing tourist services at the highest level. In August 2016, the hotel has been reclassified to 4-stars in the light of the new business strategy and the higher potential on this market segment, and the expected results began to confirm starting 2016 (revenues over RON 12 mn and increase of occupancy rate to 57% (2015: 49%). Further on, the effects of the reclassification are obvious: in 2017, an increase of revenues to over RON 13 million and of the occupancy rate to 59.56%.

## 10. CONPET

	2015	2016	2017	Q1 2018*
<b>Turnover</b> [RON mn]	381.4	381.6	376.7	91.0
<b>Operating profit</b> [RON mn]	69.5	80.3	83.1	12.8
<b>Net profit</b> [RON mn]	63.2	71.5	74.4	11.5
<b>Dividends</b> [RON mn]	63.2	228.6	69.6	na

\* financial statements for Q1 2018, source: Company report submitted to BVB

As at June 30, 2018, SIF Banat-Crișana holds a stake of 6.45% in the share capital of Conpet.

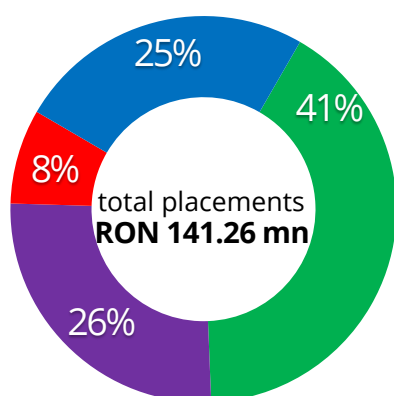
Conpet is the national transporter of oil and its derivatives via pipelines and railways. With nearly 1,700 employees, the company operates a network of over 3,800 km of pipelines under a concession agreement with ANRM. The company's main clients are OMV Petrom and Lukoil. Established more than 110 years ago, activating under various names and organizational forms, CONPET S.A. continues the activity of the first crude oil transporter in Romania.

Income generated by the company stood in Q1 2018 compared to the same period of the previous year, while operating expenses increased due to conjunctural circumstances. On the one hand, the increase in personnel expenses, on the other hand the increase in energy prices and the increase of gas prices were the determinants that affected the recent results of the company. The net result for the first three months of 2018 slightly exceeds the budgeted figures but shows a decrease compared to Q1 2017 as a result of the cost increase. The company has a stable, solid patrimonial structure.

The majority shareholder of the company is the Romanian State through the Ministry of Energy, with a holding of 58.72%. The daily average liquidity of the issuer on BVB/BSE is of RON 0.5 mn, with a maximum volatility limit of +/- 15%.

CONPET, market symbol COTE, is listed on BVB/BSE, currently being traded on the Main segment, Premium category. The Issuer is included in 7 BVB indices.

### PORTOFOLIO OF FIXED INCOME FINANCIAL INSTRUMENTS



- bank deposits in RON  
**RON 57.96 mn** (Dec. 31, 2017: RON 15 mn)
- corporate bonds in RON  
**RON 36.87 mn** (Dec. 31, 2017: RON 36.87 mn)
- corporate bonds in EUR  
equivalent of **RON 11.22 mn** (Dec. 31, 2017: RON 11.21 mn)
- govt. bonds  
**RON 35.21 mn** (Dec. 31, 2017: 62.12)

values calculated as at 30.06.2018 pursuant to ASF Reg. no 9/2014 and no. 10/2015; weight in portfolio of fixed income financial instruments, amounts do not include interest receivables

## Acquisitions and disposals of assets

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

- direct investments amounting to RON 398,400 lei for the increase of the share capital in subsidiaries (Central);
- acquisitions of listed shares, amounting to RON 48,319,057 (Conpet);
- fund units of the Alternative Investments Fund of the open-end type Certinvest Shares, in the amount of RON 74,500,000;
- fund units of the Star Value closed-end Investment Fund, amounting to RON 9,999,992.

Assets disposed during H1 2018 include:

- sales of shares listed on foreign markets in a total amount of RON 98,827,726, with a profit of RON 63,390,956;
- sales of shares listed on foreign markets in the total amount of RON 4,934,672, with a loss of RON 98,704;
- the sale of govt. bonds denominated in RON for a total amount of RON 27,380,601, with a loss of RON 553,508;
- the partial redemption of fund units issued by the Optim Invest Investment Fund, with a loss of RON 2,491,314 (compared to the fair value on March 31, 2018), respectively a gain of RON 2,259,130 (compared to the subscription value).

## 2. THE SHARES ISSUED BY BANAT-CRIȘANA

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

Total number of issued shares (June 30, 2018)	<b>520,000,000</b>
Outstanding shares (June 30, 2018)	<b>517,460,724</b>
Nominal value	<b>RON 0.1000 / share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category, listed since November 1, 1999</b>
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.

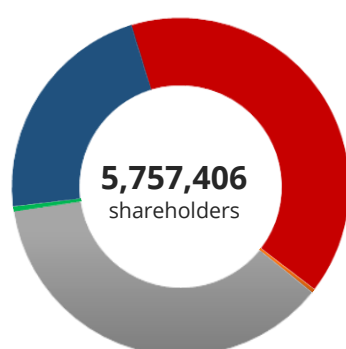
Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments.

Following the public tender offers from 2016 and 2017, SIF Banat-Crișana holds at the date of this report, 2,539,276 own shares, that are to be cancelled, for the reduction of the share capital, as per the decision of the EGM held on April 26, 2018.

The procedure for authorizing the reduction of the share capital is pending approval of the Financial Supervisory Authority. Details regarding the share capital reduction approved by the EGM of April 26, 2018 are included in *Cap. 5. Other significant information*.

### SHAREHOLDERS' STRUCTURE

as per holdings, on June 30, 2018



■ 40.15%  
Romanian individuals  
(5,755,215 shareholders)

■ 0.36%  
non-resident individuals  
(2,005 shareholders)

■ 36.89%  
Romanian legal entities  
(154 shareholders)

■ 22.11%  
non-resident legal entities  
(31 shareholders)

■ 0.49%  
treasury stock  
(following the public tender offers from 2016 and 2017, the company holds 2,539,276 own shares)



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

Liquidity for SIF1 was noticeably low during H1 2018, with a total of 5,643,423 shares traded, representing 1.085% of total shares issued (1.091% of outstanding shares), the total value of shares traded during H1 2018 was worth of RON 15,464,494.

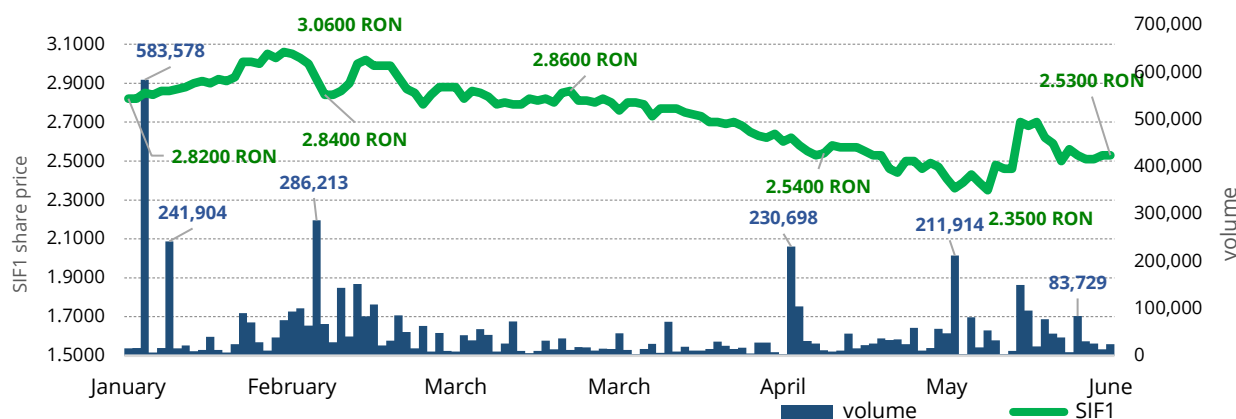
A single transaction was concluded on the “DEAL” market, with 410,000 shares, worth of RON 1.19 mn.

During H1 2018, the price of SIF1 was on a downward trend, following the course of BET-FI index, from RON 2.8200 (the closing price on January 3rd, the first trading session of the year) to RON 2.5300, the closing price on June 29, down 10.28%.

The highest price for the period, of RON 3.0600 per share was reached during the trading session of January 31, and the lowest, when the price dropped to RON 2.3500 per share, was recorded in the trading session of June 7, the spread between the highest and the lowest price for the period was of 30%. The average price of the period was of RON 2.7403 per share.

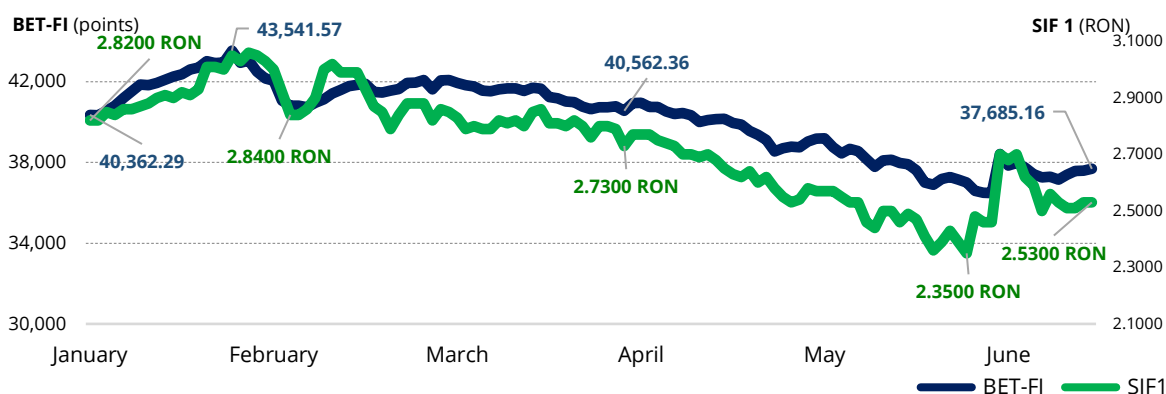
As at June 29, 2018, market capitalization for SIF1 calculated using the closing price was of RON 1,315.6 mn (RON 1,309.2 mn calculated only for the outstanding shares).

### SIF1 PRICE AND VOLUME IN H1 2018



highlighted values were recorded at the closing of trading day

### SIF1 vs. BET-FI PERFORMANCE IN H1 2018



highlighted values were recorded at the closing of trading day

### 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 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.

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

#### **Changes in the composition of the Board of Directors during H1 2018**

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.

In accordance with the provision of Art. 137<sup>2</sup> of Law no. 31/1990 on trading companies and Art. 7 par. (1) of the Company's Articles of Association, the Board of Directors, in the meeting of January 16, 2018, approved the appointment of Mr. Ionel-Marian CIUCIOI as provisional administrator of SIF Banat-Crișana until the assembly of the general meeting shareholders, being authorized in this capacity by ASF Endorsement no. 99 / 04.04.2018.

The OGM of April 26, 2018 elected 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.

The Company has taken the necessary steps for the authorization by ASF of Mr. Ionel Marian CIUCIOI

as administrator (member of the Board), the authorization was not issued until the date of this report.

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).

The activity of the Board of Directors during H1 2018

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.

Of the 65 resolutions issued by the Board of Directors during the period under review:

- 20 resolutions had well defined objective, requiring its fulfilment;
- 45 were resolutions for the approval of procedures, mandatory reports and activity reports, of which: (i) 13 resolutions for the approval of internal regulations and working procedures; (ii) 11 resolutions for the approval of mandatory annual, quarterly and half-yearly periodic reports submitted to ASF, BVB, MFP; (iii) 21 resolution for the approval of the activity reports issued by company's compartments.

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.

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.

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 authorization as administrator by the Financial Supervisory Authority.

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.

The existence of a Nomination and Remuneration Committee within the Board of Directors is a requirement for all listed companies, the purpose of the body being to assist the BoD by establishing the principles for selecting candidates for the Board, selecting candidates for election or re-election as a member of the Board, submitting proposals on the remuneration of directors and members of the Board and submitting proposals subject to the decision of the Board.

Concerning the coordination of the remuneration activity, the Committee shall periodically review and submit to Board the policy on the remuneration of administrators and 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 the Financial Supervisory Authority.

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 2018**

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.

SIF Banat-Crișana's Board of Directors, in the meeting of January 25, 2018, according to the provisions of art. 7 par. (15) of Company's Articles of Association decided to maintain the decisions of the Board of Directors dated 24.04.2017, reconfirming the appointment of Radu Răzvan Străuț, Vice-Chairman of the Board of Directors, as Deputy General Director of SIF Banat-Crișana and the delegation of the management of the company under art. 143 of Law no. 31/1990.

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.

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.

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.

**The permanent risk management function** has a cardinal role in defining the risk policy, monitoring and measuring risks, ensuring ongoing compliance of the level of risk with the Company's risk profile assumed by the Board of Directors. The person in charge of the administration has access to all relevant information and provides up-to-date information on the basis of which prompt remedial actions could be taken, if necessary.

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.

**The policy on the management of significant risks** of SIF Banat-Crișana comprises all the elements necessary for the operations of risk management related to each investment position in terms of their proper identification, assessment, management and monitoring, including the use of appropriate crisis simulation procedures. The company has implemented a documented *pre-investment verification procedure*, which monitors whether the investment / disinvestment process is conducted in accordance with the investment strategy, objectives and risk profile assumed.

An extensive review of the *management of significant risks policy* as well as the procedures on their identification, assessment, measurement and control was conducted in the first part of 2018. Thus, the revised and newly prepared documents were approved by the Board of Directors by Decision no. 1 / 02.21.2018.

The main risks for the Company

By nature of the object of activity, the Company is exposed both to the risks associated with the financial instruments and to the markets on which it has exposures, as well as to certain operational risks, which can materialize in loss of capital or low investment performance in relation to the assumed risks.

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

1. *Market risk* comprises the sub-categories: price / position risk, interest rate risk, foreign exchange risk and concentration risk.
2. *Liquidity risk*.
3. *Credit and counterparty risk*.
4. *Operational risk* includes the sub-categories: risk related to technical resources / IT systems, professional risk, model / process risk, risk associated with outsourced activities.
5. *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 risk profile** has the role of determining the size of each significant risk and the overall risk level, based on relevant, qualitative and quantitative indicators. It is assessed annually and monitored in relation to the objectives for the level of risk set.

**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.

The risk of exceeding the legal limits of prudential holdings

The investment policy of SIF Banat-Crișana is subordinated to the limits imposed by the ASF regulations. At present, the company has a *diversified investment policy* characteristic to Other Collective Investment Organizations (AOPC, or non-UCITS) in accordance with the provisions of CNVM Regulation no. 15/2004, which allow that the portfolio of assets to be classified in the **MEDIUM RISK** category.

During H1 2018, SIF Banat-Crișana's portfolio of assets fell within the holding limits specified in the ASF / CNVM Regulation no. 15/2004.

## Leverage

The Company ensures that its overall exposure to the financial instruments in the managed portfolio does not exceed the total value of the assets managed.

SIF Banat Crișana's policy is not to actively use leverage in the portfolio management process, or to use methods to increase portfolio exposure.

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

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.

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/compliance checking activity conducted in H1 2018, were addressed the following:

- 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 manner of complying with the provisions of the procedure of insider information regime, personal transactions and managing / avoiding conflicts of interest;
- 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 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.

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 audits missions carried out in the first half 2018 addressed:

- compliance with document archiving procedures;
- transactions with securities, compliance with short-term investment policy and approved work procedures;
- human resource management, compliance with the Collective Labour Contract, internal regulation and approved procedures;
- observance of the procedure regarding conflicts of interest, respectively conflicts of interest involving the members of SIF Banat-Crișana's management and certain categories of employees.

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.

#### Observance of shareholders' rights

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

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 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 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: 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 2018, the Board of Directors convened the ordinary general meeting of shareholders (OGM) and the extraordinary general meeting of shareholders (EGMS) for April 26 (27), 2018.

**The OGM held on April 26, 2018:** The ordinary general meeting of shareholders (OGM) gathered statutorily on the first call on April 26, 2018, with the direct participation, or by representative or by correspondence of shareholders holding 174,705,993 shares, representing 33.76% of the share capital. The resolution of the OGM was submitted to ASF, BVB and communicated to the investors by the Current Report of April 26, 2018, available on company's website, [www.sif1.ro](http://www.sif1.ro)

The OGM held on April 26, 2018, approved the resolutions submitted by the Board of Directors concerning:

- the separate financial statements for 2017;
- appropriation of 2017 profit in the amount of RON 69,553,195, to *Other reserves*, to support a share repurchase program;
- the consolidated financial statements for 2017;
- the discharge from liability of the Board of Directors for the financial year 2017;
- Budget and Activity Plan for 2018;
- 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 Mr. Ionel Marian CIUCIOI as administrator on the vacant seat in the Board of Directors, with a term of office equal to the term remaining until the expiry of the current administrators, i.e. 24.04.2021;
- the date of September 21, 2018 as registration date (September 20, 2018 as ex-date) as per the provisions of art. 86 par. 1 of Law 24/2017, of CNVM Regulation no. 6/2009 and CNVM Regulation no. 1/2006.

**The EGMS held on April 26, 2018:** The extraordinary general meeting of shareholders (EGM) gathered statutorily on April 26, 2018 at the first call, with the direct participation, or by representative or by correspondence of shareholders holding 177.078.546 shares, representing 34.22% of the share capital. The resolution of the EGM was submitted to ASF, BVB and communicated to the investors by the Current Report of April 26, 2018, available on company's website, [www.sif1.ro](http://www.sif1.ro)

The EGMS held on April 26, 2018 approved the resolutions submitted by the Board of Directors concerning:

- the reduction of company's share capital, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of 2,539,276 own shares acquired by the company, in the buyback programs;
- carrying out a buyback program ("Program I") to reduce the company's share capital, for a maximum number of shares that may be repurchased of 17,460,724 shares at most; with the minimum price per share of RON 1; and a maximum price per share of RON 4.81; with the program duration of maximum 18 months after publication of the decision in the Official Gazette of Romania, Part IV, and the shares acquired under the Program I to be paid from sources permitted by law;
- carrying out a buyback program ("Program II") for the distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors, for a maximum number of shares that may be repurchased of 1,400,000 shares at most; with the minimum price per share of RON 1 and the maximum price per share of RON 4.81; with the duration of the program of maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; and the shares acquired under the Program II to be paid from sources permitted by law;
- the use of the shares purchased under Program II for the redemption of own shares for their distribution free of charge to members of the company's management (administrators, directors)



- in a "Stock Option Plan", in compliance with applicable law;
- the date of May 16, 2018 as registration date (May 15, 2018 as ex-date) as per the provisions of art. 86 par. 1 of Law 24/2017, 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. 517/25.04.2018.

**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 2018:**

- February 15* - Presentation of the preliminary financial results for 2017;
- April 26 (27)* - General Meeting of Shareholders for the approval of the separate and consolidated financial statements for 2017;
- April 27* - Presentation of 2017 Annual Report – separate and consolidated financial statements for 2017;
- May 15* - Presentation of the quarterly report – financial results for Q1 2018;
- August 14* - Presentation of the half yearly report and individual financial results for H1 2018;
- September 28* - Presentation of the half-yearly report and consolidated financial statements for H1 2018;
- November 6* - Presentation of the quarterly report and financial results for Q3 2018.

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

In May 23 and 24, 2018, SIF Banat-Crișana participated, represented at top-management level by Mr. Bogdan Drăgoi, Chairman - CEO at the "CEE Investor Days" conference organized in New York by the stock exchanges from Bucharest, Warsaw and Prague in collaboration with the Wood & Company independent brokerage firm. In the two days of the event, 34 companies from Poland, the Czech Republic and Romania met with 84 institutional investors representing the largest 59 investment houses in the US.

Also, SIF Banat-Crișana was a partner of several events organized by various media companies, such as the meeting with the economic press organized by the editor of "Piața Financiară" magazine in February 2018 in Predeal, the conference "The Future of the Romanian Capital Market" organized by the publisher of "Bursa" daily newspaper, or "The New Market 2018", organized by the editor of the business daily magazine [wall-street.ro](http://wall-street.ro), both took place in Bucharest in March.

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

**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 26, 2018, decided not to distribute dividends, allocating the net profit for the 2017 financial year, in the amount of RON 69,553,195, to *Other reserves*, to support a program for the repurchase of own shares.

The payment of the dividends for the financial year 2014 continued during H1 2018, made under the ASF Regulation no. 3/2015 through the Central Depository and Banca Transilvania as paying agent. SIF Banat-Crișana has fulfilled all legal formalities for informing the shareholders regarding the payment of dividends, the payment procedure being available on Company's website.

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

### **Financial reporting**

Pursuant to ASF Norm no. 39/2015 for the approval of the Accounting Regulations compliant to IFRS applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) in the Financial Instruments and Investment Sector, starting with the annual financial statements for the financial year 2015, SIF Banat -Crișana applies the International Financial Reporting Standards adopted by the European Union ("IFRS") as official accounting regulations.

SIF Banat-Crișana has prepared separate and consolidated financial statements as at December 31, 2017 in accordance with IFRS and ASF Norm no. 39/2015. These were audited by PricewaterhouseCoopers Audit SRL and approved by OGM of April 26, 2018 and are available on Company's website [www.sif1.ro](http://www.sif1.ro).

During Q1 2018, the management of SIF Banat-Crișana reanalysed the criteria for the classification of the company as an investment entity and the situation of the exemption from the preparation of consolidated financial statements, taking into account the provisions of IFRS 10 "Consolidated financial statements".

Based on the analysis conducted, the Company's management ascertained that the Company meets the requirements to be classified as an investment entity. As such, from 2018, the Company will apply the IFRS 10 consolidation exception applicable to investment entities, except for subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). Thus, in accordance with IAS 27 and IFRS 10, from the date that the Company's management has concluded that the Company meets the criteria for classification as an "investment entity", the Company values all its subsidiaries at fair value through profit or loss, with the exception of subsidiaries providing investment-related services, that will continue to be consolidated. Under these circumstances, the Company will prepare 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. 5/2018 on Issuers of Financial Instruments and Market Operations, the Company will prepare and submit the consolidated interim financial statements for H1 2018 within 3 months of its end.

### 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.

## 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 2018, SIF Banat-Crișana financially supported the organizing the event "International Finance and Banking Conference - FI BA 2018" in March in Bucharest, 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, 2018

SIF Banat-Crișana has prepared condensed interim separate financial statements as at June 30, 2018 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 1 to this report.

The condensed interim separate financial statements as at June 30, 2018, 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 2018:

### 4.1. Separate statement of financial position

<b>Separate statement of financial position</b>		
<i>denominated in RON</i>	<b>30/06/2018</b>	<b>31/12/2017</b>
<b>Assets</b>		
Cash and cash equivalents	75,662,465	11,320,217
Bank deposits	-	4,814,586
Financial assets at fair value through profit and loss	1,046,691,884	338
Financial assets at fair value through other comprehensive income	1,415,585,468	2,440,191,357
Financial assets at amortized cost	6,498,626	6,499,764
Investment property	20,042,164	20,042,164
Tangible assets (property, plant and equipment)	3,311,977	3,435,599
Other assets	5,467,432	1,841,146
<b>Total assets</b>	<b>2,573,260,016</b>	<b>2,488,145,171</b>
<b>Liabilities</b>		
Dividends payable	15,494,323	15,586,380
Deferred income tax liabilities	158,011,790	176,433,120
Other liabilities, deferred income, provisions for risks and expenses	988,149	4,885,528
<b>Total liabilities</b>	<b>174,494,262</b>	<b>196,905,028</b>
<b>Equity</b>		
Statutory share capital	52,000,000	52,000,000
The effect of applying IAS 29 on the share capital	648,330,055	648,330,055
Own shares (including losses from redemption)	(4,872,849)	(4,872,849)
Benefits in equity instruments	595,000	-
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	(2,608,519,657)	(2,608,519,657)
Accumulated profit	656,222,700	145,433,105
Legal reserves, reserves from revaluation of tangible assets	11,074,779	11,074,779
Other reserves	759,843,036	690,289,841
Fair value assets valued through other comprehensive income	778,417,002	1,251,829,179
<b>Total equity</b>	<b>2,398,765,755</b>	<b>2,291,240,143</b>
<b>Total liabilities and equity</b>	<b>2,573,260,016</b>	<b>2,488,145,171</b>

*Cash and cash equivalents* include all liquid investments of the Company in term deposits, current accounts and cash in hand. Their level is significantly higher as compared to 2017-year end, as dividends from portfolio companies were collected in the first six months of 2018, liquidity directed in short-term money market placements.

*Financial assets at fair value through profit or loss* comprises the Company's holdings in the deconsolidated subsidiaries starting with the financial year 2018 (in accordance with IFRS 10), associates (in accordance with IAS 27), investments in fund units issued by closed-end investment funds and alternative open-ended funds and the company's placements in fixed income instruments issued by subsidiaries.

*Financial assets at fair value through other comprehensive income* include the Company's investments in financial assets in respect of which the Company's management has chosen the irrevocable option to reflect their fair value changes in other items of comprehensive income. This category includes: listed and unlisted shares, holdings in subsidiaries that will be further consolidated by SIF Banat-Crișana

(SAI Muntenia and Administrare Imobiliare SA) and investments in govt. securities denominated in RON and bonds denominated in euro (issued by Impact SA).

*Financial assets at amortized cost* as at 30 June 2018 represent the company's placements in bonds denominated in euro issued by banking companies (Banca Transilvania). The difference in value of this category as compared to the end of 2017 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, 2018 is of RON 20 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 decrease of this item as compared to the end of the previous year is mainly due to the reclassification in the retained earnings of previously recognized amounts in other equity (fair value differences - fund units, sold shares - Erste) and, consequently, the recognition of a current tax on profit and diminishing deferred income tax.

*Equity* weight the most in the liability structure. The growth is the effect of the inclusion in the other comprehensive income the amounts resulted 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>30/06/2018</b>	<b>30/06/2017</b>
<b>Income</b>		
Dividend income	78,752,410	39,730,571
Interest income	1,861,764	1,625,138
Other operating revenues	180,677	74,879
<b>Investment gains</b>		
(Loss) / Net gain from foreign exchange differences	92,770	(1,214)
Net profit from sale of assets	(553,308)	(62,672)
Net Profit/(Loss) from financial assets at fair value through profit and loss	(20,200,830)	9
Gain on investment property	-	-
<b>Expenses</b>		
Commissions expenses	(1,649,491)	(1,233,402)
Other operating expenses	(6,176,293)	(4,743,534)
<b>Profit before tax</b>	<b>52,307,699</b>	<b>35,389,775</b>
Income tax	(1,517,266)	(2,088,649)
<b>Net profit for the period</b>	<b>50,790,433</b>	<b>33,301,127</b>
<b>Gain on transactions recognized in retained earnings acc. to IFRS 9</b>	<b>70,186,930</b>	
<b>Related tax</b>	<b>(11,132,023)</b>	
<b>Net gain from transactions recognized in retained earnings</b>	<b>59,054,907</b>	
<b>Items that are or may be reclassified to profit or loss</b>		
Fair value reserve (financial assets at fair value through other comprehensive income)		
Amount transferred to profit or loss	553,308	(351,232)
Amount transferred to retained earnings	(70,186,930)	
Changes in fair value of assets at fair value through other items of comprehensive income	45,453,165	197,389,837
The effect of the income tax related to them	13,799,861	(28,796,237)
<b>Other comprehensive income</b>	<b>(10,380,596)</b>	<b>168,242,368</b>
<b>Total comprehensive income for the period</b>	<b>99,464,745</b>	<b>201,543,495</b>

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

*Dividend income* rose in H1 2018, from higher dividends distributed by issuers in the portfolio (BRD) and recording in advance, as compared to the same period last year of dividends distributed by Banca Transilvania.

*Interest income* includes interest on bank deposits, corporate and government bonds. In H1 2018, the volume of interest income is higher than that of the corresponding period of the previous year, as the Company reallocated a significant portion of available liquidity to government or corporate bonds, at yields higher than the amounts invested in bank deposits.

*The Other Operating revenues* category includes, as a rule, the Company's proceeds from rents, the recovery of court fees and other occasional revenues. In H1 2018, the amounts received are higher as compared to H1 2017.

The impact of *investment gains* realized in H1 2018 is unfavourable and is, mostly, the effect of the fair value measurement of assets included in the *fair value through profit or loss* category (shares in deconsolidated subsidiaries and associates, bonds issued by Vrancart, fund units in closed-end funds and open-ended alternative funds). Please note that for most assets in this category, the Company records a surplus over their cash purchase cost but, given the mandatory reclassification under IFRS 9 and IFRS 10, accruals existing at 31 December 2017, were included in retained earnings.

*Commissions expenses* include fees payable to regulatory agencies, the depositary and the stock exchange, the largest share is that of 0.0078% of the net assets, the monthly commission paid to ASF. 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 increase as compared to the first six months of the previous year is mainly due to the personnel expenses.

For H1 2018, SIF Banat-Crișana SA recorded a gross profit of **RON 52,307,699**, 47.8% higher than H1 2017, and a net profit of **RON 50,790,433**, an upsurge of 52.5% compared to H1 2017.

#### 4.3 Cash flow statement

<b>Cash flow statement</b>		
<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Operating activities</b>		
Net profit for the period	50,790,433	33,301,127
<i>Adjustments for:</i>		
Amortization of tangible and intangible assets	139,888	99,495
Net (gain) / Loss from disposal of tangible assets	4,557	14,913
Gain from valuation of investment property	-	-
(Reversals) / Expenses on adjustments for impairment	-	-
Net profit from sale of assets	553,308	62,672
(Net gain)/Net loss from financial assets at fair value through profit or loss	20,200,831	(9)
Dividend income	(78,752,410)	(39,730,571)
Interest income	(1,861,766)	(1,625,138)
Expenses with / (income from) other provisions and adjustments	(3,370)	-
Income tax	1,517,266	2,088,649
<b>Changes in operating assets and liabilities related to operating activities</b>		
Change in other assets	(1,132,641)	137,530
Change in other liabilities	(802,489)	(2,098,345)
Income tax paid	(25,588,823)	-
<b>Net cash from / (used in) operating activities</b>	<b>(34,935,216)</b>	<b>(7,749,678)</b>
<b>Investment activities</b>		
Payments for acquisition of shares in subsidiaries and other financial assets (shares, fund units, bonds)	(133,183,428)	(128,742,899)
Proceeds from sale of financial assets (shares, bonds)	136,544,019	69,415,700
(Placements)/Proceeds from deposits with term greater than three months	4,800,000	40,872,333
Net proceeds/(payments) from sale of assets at fair value through profit or loss	16,000,255	-
Proceeds/(payments) for purchase of assets valued at amortized cost	-	(17,365)
Payments for purchases of tangible assets (property, plant and equipment)	(25,899)	(55,188)
Dividends collected	71,686,360	32,884,660
Interest collected	3,456,155	3,636,799
<b>Net cash flow proceeds / (used in) investment activities</b>	<b>99,277,463</b>	<b>17,994,040</b>

<b>Cash flow statement</b>		
<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Financing activities</b>		
Dividends paid	-	-
<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>64,342,248</b>	<b>10,244,362</b>
Cash and cash equivalents at January 1st	11,320,217	16,372,090
<b>Cash and cash equivalents at June 30th</b>	<b>75,662,465</b>	<b>26,616,452</b>

The increase in H1 2018, as compared to the corresponding period of the previous year, of the net cash used in operating activities is mainly attributable to payments made as income tax payable by the Company as a result of the adoption of IFRS 9 and transactions carried out in the first six months of the year.

During H1 2018, investment activity generated a higher cash surplus as compared to H1 2017. 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 2017, but the funding sources for these payments were different. If H1 2017 these purchases were financed from 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 financial assets (Erste shares, government bonds, redemption of fund units), and dividends collected.

As at June 30, 2018 *Cash and cash equivalents* show a significant upsurge compared to the same period of the previous year, mainly due to directing the cash surplus from investment activity to short-term money placements.

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 and Timișoara, following the closing-down of its branch-offices in 2008 (Timișoara) 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 20,042,164 as at June 30, 2018 (December 31, 2017: RON 20,042,164).

The net book value as at June 30, 2018, of tangible assets in the construction category is of RON 2,780,454, the amount of wear (determined on linear depreciation) is of 26.3%. 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, 2018, was of 34, of which 30 working at the headquarters in Arad and 4 at Bucharest branch.

The structure of employees' education of is as follows: 82% have higher education, while 18% secondary education.

The employment relationships are regulated by the Individual Labour Contracts and by the Collective Labour Contract. In H1 2018, the amendment for the prolongation of validity with one year for the Collective Labour Contract was registered at the Territorial Labour Inspectorate in Arad. There were no conflicting aspects throughout the first half of 2018 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 2017 was completed, and the objectives for 2018 were set out.

### Litigations

As at June 30, 2018, as documented in the records of SIF Banat-Crișana's Legal Dept., the Company was involved in 92 litigations. The Company had locus standi in 77 disputes, passive capacity to stand trial in 15 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 process of implementing the legal provisions concerning alternative investment fund managers (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.

In March 2018, the course of authorizing the Company as Alternative Investment Fund Manager (AIFM) by the Financial Supervisory Authority was completed, as well as the authorization of the persons holding the key functions of risk management and compliance officer. At the same time, the Company's Articles of Association have been endorsed in accordance with the AIFM legislation.

On March 9, 2018, the Financial Supervisory Authority transmitted to SIF Banat-Crișana the following documents:

- Authorization no. 78/09.03.2018 through which SIF Banat-Crișana is authorized as Alternative Investment Fund Manager (AIFM);
- Endorsement no. 76/09.03.2018 approving the amendments to the SIF Banat-Crișana's Articles of Association;
- Authorization no. 79/09.03.2018 authorizing Mrs. Adina-Eleonora HODĂJEU holding the key function of risk management for SIF Banat-Crișana;
- Authorization no. 80/09.03.2018 authorizing Mr. Ioan-Eugen CRISTEA in the key function of compliance officer for SIF Banat-Crișana;



- Decision no. 332/09.03.2018 withdrawing Mr. Ioan-Eugen CRISTEA the authorization as Representative of Internal Control Compartment for SIF Banat-Crișana.

### Amendments to the constitutive documents

By Endorsement no. 76 / 09.03.2018 ASF approved the amendments made in the Articles of Association, according to the EGM Decision no. 2 of 25.04.2016, regarding the completion of the object of activity of the company for the authorization of SIF Banat-Crișana as AIFM;

By Endorsement no. 99 / 04.04.2018 ASF approved the amendments made in SIF Banat-Crișana's documents (including the Articles of Association) following the appointment of Mr. Ciucioi Ionel Marian as provisional administrator.

### The buyback programs approved by EGM of April 26, 2018

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

#### **Program I**

The Company will repurchase shares under the Program to reduce its share capital; the maximum number of shares that may be repurchased is of 17,460,724 shares at most; the minimum price per share: RON 1; the maximum price per share: RON 4.81; the duration of the: maximum of 18 months after publication of the decision in the Official Gazette of Romania, Part IV; the shares acquired under the Program I will be paid from sources permitted by law.

#### **Program II**

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

The EGM of April 26, 2018 approved the use of the shares purchased under Program II for the redemption of own shares for their distribution free of charge to members of company's management (administrators, directors) in a "Stock Option Plan", in compliance with applicable law, the Board of Directors being empowered to take all necessary measures and to fulfil all the formalities required for the approval and implementation of the "Stock Option Plan".

On May 21, 2018, the company announced by means of a current report and a "Disclosure document" prepared according to CNVM Regulation no. 1/2006 (Annex no. 21), that the Board of Directors approved the "Stock Option Plan", by which 1,400,000 SIF1 shares were offered to the Company's administrators and directors.

The vesting (transfer of shares) will be made when the conditions in the "Stock option plan" are met and the option is exercised by each beneficiary, after a term of 12 months has passed since the signing of the payment agreements.

The shares that are the object of the offer will be repurchased by SIF Banat-Crișana, in accordance with the resolution of the EGM of April 26, 2018.

The Board of Directors of SIF Banat-Crișana will take the necessary steps to implement and carry out the buyback programs within the term and in compliance with the conditions approved by the extraordinary general meeting of shareholders. The Company will appropriately inform the investors

about the implementation of the buyback programs, in compliance with the applicable legal framework.

#### The reduction of the share capital

The EGM of SIF Banat-Crișana, held on April 26, 2018 approved the reduction of the share capital of SIF Banat-Crișana, pursuant to art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of 2,539,276 own shares acquired by the company, in the buyback programs. Subsequently to the reduction, the share capital of SIF Banat-Crișana will have a value of RON 51,746,072.4, divided into 517,460,724 shares with a value of RON 0.10/share.

The Article 3 par. (1) of Company's Articles of Association shall be amended as a result of the reduction of the share capital and shall read as follows: *"The share capital of the company amounts to RON 51,746,072.4 and is divided into 517,460,724 shares of RON 0.10 each, allotted to shareholders as it 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 April 26, 2018, the company's request being still pending resolution. Until the date of this report, ASF did not issue the necessary endorsement to implement the operation of share capital reduction.

#### Events after the reporting period

There were none.

## 6. ANNEXES

- Annex 1** Condensed interim financial statements as at June 30, 2018, prepared 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 - unaudited
- Annex 2** Net asset statement as at June 30, 2018, prepared pursuant to Regulation no. 15/2004 (Annex 16)
- Annex 3** Detailed statement of investments as at June 30, 2018, pursuant to Regulation no. 15/2004 (Annex 17)
- Annex 4** Amendments to the Articles of Association in H1 2018
- Annex 5** Authorizations issued by ASF in H1 2018 concerning changes in leadership structure
- Annex 6** Statement of the responsible persons

The half-yearly report was approved by the Board of Directors of SIF Banat-Crișana in the meeting held on August 13, 2018.

**Bogdan-Alexandru DRĂGOI**  
Chairman and CEO

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