

**SIF Banat-Crişana S.A.**

**Condensed interim separate financial statements  
as at June 30, 2018**

Prepared pursuant to 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**

*FREE TRANSLATION  
from Romanian which is the official and binding version*

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**Condensed Statement of profit or loss and other comprehensive income  
for the first semester ended June 30, 2018**

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Income</b>			
Dividend income	4	78,752,410	39,730,571
Interest income	5	1,861,764	1,625,138
Other operating revenues		180,677	74,879
<b>Investment gains</b>			
Gains on investment property		-	-
(Loss) Net gain from foreign exchange differences		92,770	(1,214)
Net profit / (Loss) from financial assets at fair value through profit and loss	6	(20,200,830)	9
Profit/(Loss) from sale of assets	7	(553,308)	(62,672)
<b>Expenses</b>			
Commissions expenses	8	(1.649.491)	(1,233,402)
Other operating expenses	9	(6.176.293)	(4,743,534)
<b>Profit before tax</b>		<u><b>52,307,699</b></u>	<u><b>35,389,775</b></u>
Income tax	10	(1,517,266)	(2,088,649)
<b>Net profit for the period</b>		<u><b>50,790,433</b></u>	<u><b>33,301,127</b></u>
<b>Gain on transactions recognized in retained earnings acc. to IFRS 9</b>	7, 14	70,186,930	
<b>Related tax</b>		(11,132,023)	
<b>Net gain recognized in retained earnings</b>		<b>59,054,907</b>	
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Fair value reserve (financial assets):			
Amount transferred to profit or loss		553,308	(351,232)
Amount transferred to retained earnings (equity instruments)		-70,186,930	
Change in fair value of the shares measured by other comprehensive income		45,453,165	197,389,837
Effect of the income tax related to them		13,799,861	(28,796,237)
Reserves from revaluation to fixed assets		-	-
<b>Other comprehensive income</b>		<u><b>(10,380,596)</b></u>	<u><b>168,242,368</b></u>
<b>Total comprehensive income for the period</b>		<u><b>99,464,745</b></u>	<u><b>201,543,495</b></u>
<b>Earnings per share</b>			
Basic		0.098	0.062
Diluted		0.098	0.062

The condensed interim financial statements were approved by the Board of Directors on August 13, 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Ștefan Doba  
Economic Director

## Condensed statement of financial position as at June 30, 2018

Denominated in RON

	Note	June 30, 2018	December 31, 2017
<b>Assets</b>			
Cash and cash equivalents	11	75,662,465	11,320,217
Bank deposits	12	-	4,814,586
Financial assets at fair value through profit or loss	13	1,046,691,884	338
Financial assets at fair value through other comprehensive income	14	1,415,585,468	2,440,191,357
Financial assets at amortized cost	15	6,498,626	6,499,764
Investment property	16	20,042,164	20,042,164
Tangible assets (property, plant and equipment)		3,311,977	3,435,599
Other financial assets	17	5,322,057	1,627,078
Other assets		145,375	214,068
<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	18	158,011,790	176,433,120
Other financial liabilities	19	982,862	3,703,802
Other liabilities and deferred revenues		5,287	1,181,726
<b>Total liabilities</b>		<b>174,494,262</b>	<b>196,905,028</b>
<b>Equity</b>			
Statutory share capital	20	52,000,000	52,000,000
The effect of applying IAS 29 on the share capital	20	648,330,055	648,330,055
Own shares	20	(4,748,190)	(4,748,190)
Losses from the redemption of own shares		(124,659)	(124,659)
Benefits granted in equity instruments		595,000	-
Reserves set-up from the application of Law no. 133/1996		2,105,675,691	2,105,675,691
The effect of applying IAS 29 to equity elements on retained earnings		(2,608,519,657)	(2,608,519,657)
Accumulated profit		656,222,700	145,433,105
Other reserves		759,843,036	690,289,841
Reserves from revaluation of tangible assets		97,794	97,794
Legal reserves	20	10,976,985	10,976,985
Differences from the change in fair value of financial assets measured by other items of 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>

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Bogdan-Alexandru Drăgoi  
Chairman, CEO

Ștefan Doba  
Economic Director

## Condensed Statement of Changes in Equity as at June 30, 2018

Denominated in RON

	Inflated share capital	Own shares	Losses from the redemption of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Changes from revaluation of financial assets through other comprehensive income	Reserves from revaluation of fixed assets	Other reserves	Benefits granted in equity instruments	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
<b>Balance at December 31, 2017</b>	<b>700,330,055</b>	<b>-4,748,190</b>	<b>-124,659</b>	<b>10,976,985</b>	<b>2,105,675,691</b>	<b>1,251,829,179</b>	<b>97,794</b>	<b>690,289,841</b>	<b>0</b>	<b>145,433,106</b>	<b>-2,608,519,658</b>	<b>2,291,240,143</b>
<b>Balance as at January 1, 2018 - restated</b>	<b>700,330,055</b>	<b>-4,748,190</b>	<b>-124,659</b>	<b>10,976,985</b>	<b>2,105,675,691</b>	<b>1,176,253,311</b>	<b>97,794</b>	<b>690,289,841</b>	<b>0</b>	<b>239,606,863</b>	<b>-2,608,519,658</b>	<b>2,309,838,033</b>
<b>Comprehensive income</b>												
<i>Profit for the period</i>	-	-	-	-	-	-	-	-	-	50,790,433	-	50,790,433
<i>Other comprehensive income</i>												
Reserve from revaluation of assets available for sale transferred to profit or loss	-	-	-	-	-	553,308	-	-	-	-	-	553,308
Reserve from revaluation of financial assets transferred to retained earnings acc. to IFRS 9	-	-	-	-	-	(70,186,930)	-	-	-	70,186,930	-	0
Change in fair value related to subsidiaries	-	-	-	-	-	(376,323,691)	-	-	-	376,323,691	-	0
Change in reserve from revaluation of financial assets through other comprehensive income	-	-	-	-	-	45,453,165	-	-	-	-	-	45,453,165
Revaluation of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Related deferred tax	-	-	-	-	-	2,667,838	-	-	-	(11,132,023)	-	(8,464,185)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(397,836,310)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>486,169,031</b>	<b>-</b>	<b>88,332,722</b>
Other reserves – own sources								69,553,194	-	(69,553,194)		0
<b>Transactions with shareholders recognized directly in equity</b>												
Dividends payable for 2017	-	-	-	-	-	-	-	-	-	-	-	-
Dividends written-off	-	-	-	-	-	-	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-	595,000	-	-	595,000
<b>Total transactions with shareholders recognized directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>595,000</b>	<b>-</b>	<b>-</b>	<b>595,000</b>
<b>Balance at June 30, 2018</b>	<b>700,330,055</b>	<b>-4,748,190</b>	<b>-124,659</b>	<b>10,976,985</b>	<b>2,105,675,691</b>	<b>778,417,001</b>	<b>97,794</b>	<b>759,843,035</b>	<b>595,000</b>	<b>656,222,700</b>	<b>-2,608,519,658</b>	<b>2,398,765,755</b>

The condensed interim financial statements were approved by the Board of Directors on August 13, 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Ștefan Doba  
Economic Director

## Condensed Statement of Changes in Equity as at June 30, 2018

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

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Chairman, CEO

Ștefan Doba  
Economic Director

## Condensed cash flow statement as at June 30, 2018

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Operating activities</b>			
Net profit for the period		50,790,433	33,301,127
<i>Adjustments for:</i>			
Depreciation 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		0	0
(Reversals) / Expenses on adjustments for impairment		0	0
Net profit from sale of assets (debt instruments)	10	553,308	62,672
(Net gain)/Net loss from financial assets at fair value through profit or loss		20,200,831	-9
Dividend income	7	-78,752,410	-39,730,571
Interest income	8	-1,861,766	-1,625,138
Expense with / (income from) foreign exchange differences financial assets		-3,370	0
Income tax		1,517,266	2,088,649
<b>Changes in operating assets and liabilities</b>			
Change in other assets (claims, etc.)		-1,132,641	137,530
Change in other liabilities		-802,489	-2,098,345
Income tax paid		-25,588,823	-
<b>Net cash used in operating activities</b>		<u><b>-34,935,216</b></u>	<u><b>-7,749,678</b></u>
<b>Investment activities</b>			
Payments for acquisition of shares in subsidiaries and other financial assets (shares, fund units, govt. bonds)	10,2	-133,183,428	-128,742,899
Proceeds from sales of financial assets (shares, govt. bonds)		136,544,019	69,415,700
(Placements) / Proceeds from term deposits greater than three months		4,800,000	40,872,333
Proceeds from sale of assets at fair value through profit or loss account		16,000,255	0
(Payments) for purchase of assets at fair value through profit or loss account			
Proceeds / (Payments) from sale of assets measured at amortized cost		0	-17,365
Proceeds for sale of tangible assets and investment property		0	
Payments for purchases of tangible assets		-25,899	-55,188
Dividends collected		71,686,360	32,884,660
Interest collected		3,456,155	3,636,799
<b>Net cash from investment activities</b>		<u><b>99,277,463</b></u>	<u><b>17,994,040</b></u>
<b>Financing activities</b>			
Dividends paid		0	0
Repurchase of own shares		0	0
<b>Net cash used in financing activities</b>		<u><b>0</b></u>	<u><b>0</b></u>
<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 1		11,320,217	16,372,090
<b>Cash and cash equivalents at June 30</b>		<u><b>75,662,465</b></u>	<u><b>26,616,452</b></u>

The condensed interim financial statements were approved by the Board of Directors on August 13, 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Ștefan Doba  
Economic Director

## **Selected explanatory notes to the condensed financial statements as at June 30, 2018**

### **1. Reporting entity**

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

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

The main activity of the company:

- carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force;
- management of investment portfolio and exercising all of the rights related to the instruments in which investments are made;
- risk management;
- other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force.

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

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

The Interim financial statements, condensed, prepared for the first semester ended June 30, 2018, are not audited or reviewed.

### **2. Basis of preparation**

#### **(a) Statement of compliance**

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

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

These condensed interim financial statements for H1 ended on June 30, 2018, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the separate financial statements for 2017 prepared in accordance with Norm no. 39/2015 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF of Financial Instruments and Investments Sector (The Norm).

Pursuant to Regulation no. 1606/2002 of the European Parliament and the EU Council of July 19, 2002, and Law no. 24/2017 on issuers of financial instruments and market operations, the company is required to prepare and submit to the Financial Supervisory Authority (ASF) annual consolidated financial statements pursuant to IFRS, within 4 months from the end of the financial year. The Company prepared and published consolidated financial statements for the financial year 2017.

During Q1 2018, the Company reanalysed the criteria for the classification of as an investment entity and ascertained that the requirements are met, 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, except for 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



## **Selected explanatory notes to the condensed financial statements as at June 30, 2018**

Instruments and Market Operations, the Company will prepare and submit the consolidated interim financial statements for H1 2018 within 3 months of its end.

### **(b) Presentation of the financial statements**

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

### **(c) Basis of measurement**

The condensed interim financial statements are prepared on a fair value basis convention, for the financial assets and liabilities, at fair value through profit or loss or by other comprehensive income.

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

### **(d) Functional and presentation currency**

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

### **(e) Use of estimates and judgements**

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

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

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

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

### **(f) Changes in the accounting policies**

The accounting policies adopted are consistent with those used in the previous year, updated as a result of applying IFRS 9 and IFRS 10.

## **3. Significant accounting policies**

The accounting policies used in these condensed interim financial statements are the consistent with those of the separate financial statements prepared as at December 31, 2017, changed with the provisions of IFRS 9 "Financial Instruments" in force starting January 1, 2018, and the amendments to IFRS 10 "Consolidated financial statements".

The disclosure of investments in the Company's financial statements is in accordance with both the requirements of IFRS 9 and the requirements of IFRS 10 (after 1 January 2018) regarding the classification and measurement of financial instruments held by the Company.

Main changes in accounting policies resulting from the application of IFRS 9 are:

- *Financial assets are classified into three measurement categories:*

- (i) subsequently measured at *amortized cost*,
- (ii) subsequently measured at *fair value through other comprehensive income (FVOCI)*, and

## **Selected explanatory notes to the condensed financial statements as at June 30, 2018**

(iii) subsequently measured at *fair value through profit or loss* (FVTPL);

- *Classification of debt instruments* is determined by the entity's business model for the management of financial assets and contractual cash flows representing only principal and interest payments (SPPI). If a debt instrument is held to be cashed, it can be valued at the amortized cost if it also meets the SPPI requirement.

- *Debt instruments that meet the SPPI requirement*, held in a portfolio by an entity, both to collect cash flows of assets and to sell assets, may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI should be measured at FVTPL (e.g.: derivatives). Embedded derivatives are no longer separate from financial assets, but will be included in the assessment of the SPPI status.

- *Investments in equity instruments* are measured at fair value. The management may make an irrevocable choice to present changes in fair value in other comprehensive income, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

- *Elimination of impairment testing* of equity instruments (shares);

- *Recognition in retained earnings of gain from transactions* of share sales measured at fair value through other items of comprehensive income.

- For shares that were accounted for under IAS 39 at cost as at December 31, 2017 the Company has developed a methodology for determining fair value by dividing these investments in shares the following categories: (i) holdings where there are market comparatives – will be measured using fair value techniques (ii) holdings in companies where there is no market comparatives, measured using the method approved by ASF, i.e. a percentage of the net assets of these companies, reduced by a discount for minority holding and a discount for the lack of liquidity.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward unchanged in IFRS 9. The key change is that an entity should disclose the effects of changes in the credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- *IFRS 9 introduces a new model for recognizing impairment losses* - for the projected credit loss model (ECL). There is a "three-step" approach, which is based on changing the quality of the financial asset from the initial recognition. In practice, the new rules mean that entities will have to experience an immediate loss of 12 months ECL on the initial recognition of financial assets that are not impaired (or expected loss over the life of trade receivables). If there has been a significant increase in credit risk, depreciation is measured using the expected lifetime loss rather than for the next 12 months. The model includes operational simplifications for both leasing and commercial receivables.

- *Hedge accounting requirements have been modified to align the accounting more closely with risk management*. The Standard provides entities with an accounting policy option between applying IFRS 9 hedge accounting requirements and continuing to apply IAS 39 for all hedging instruments, as this standard currently does not deal with macro-accounting.

Investments held by the Company as an investment entity will be presented as follows:

*i) Investments in subsidiaries* excluded from consolidation are measured at fair value through profit or loss as per IFRS 9;

*ii) Investments in subsidiaries (SAI Muntenia and AISA)* included in the scope of consolidation will be measured as per IFRS 9 and measured at fair value through other items of comprehensive income.

*iii) Investments in associates* are measured at fair value through profit or loss, as per IFRS 9;

*iv) Investments in equity instruments (other than in subsidiaries and associates)* - at fair value through other items of comprehensive income;

*v) Investments in debt instruments (bonds)*

Government and corporate bonds will be classified and measured as per IFRS 9, after business model analysis and SPPI test execution:

## Selected explanatory notes to the condensed financial statements as at June 30, 2018

- Government and corporate bonds - at fair value through other elements of comprehensive income, as a result of documenting the business model *"Hold to collect & sell"* and passing the SPPI test;
- Corporate bonds issued by subsidiaries and associates - at fair value through profit or loss, consistently treated with the method of valuation of subsidiaries and associates, as per the provisions of IFRS 10, paragraph 31, and the Company's business model, in line with the exit strategy for those investments; and
- Corporate bonds other than those issued by subsidiaries and associates - at amortized cost consistent with those detailed in Section B.1 (iv) *"Investments in debt instruments (bonds)"*.

### vi) Investments in fund units

Fund units will be classified at fair value through profit or loss, and those are ineligible for the irrevocable choice to present them in other items of comprehensive income. Under IFRS 9, even if investments in such instruments can be assimilated to equity investments for accounting purposes, they do not meet the definition of equity as set out in IAS 32. Thus, the financial instruments that give the holder the right to place the instruments back to the issuer in return for a consideration in cash or in another financial asset represent a financial liability of the issuer. Moreover, the respective investments representing debt instruments as per IFRS 9, it is unlikely that these investments will pass the SPPI test.

#### Comparative financial information

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

Starting January 1, 2018, the Company applies IFRS 9 Financial Instruments. This Standard provides that if an entity prepares interim financial statements in accordance with IAS 34 Interim Financial Reporting, the entity does not need to apply the provisions of this Standard for interim periods prior to the date of initial application if this is impracticable (as defined in IAS 8).

In accordance with the transitional provisions of IFRS 9, the Company has decided not to reverse prior periods.

Changes as compared to 2017 to the classification and measurement of financial instruments held by the Company as a result of the application of IFRS 9 as of January 1, 2018 are presented in the table below:

Category of assets	Classification under		Final balance Dec. 31, 2017 (IAS 39)			Initial balance Jan. 1, 2018 (IFRS 9)
	IAS 39	IFRS 9		Revaluation Other	Reclassification Mandatory	
Cash and cash equivalents (including bank deposits)	L&R	Amortized cost	16,134,803			16,134,803
Debt instruments (govt. and corporate bonds)	AFS	FVTOCI	67,163,649	(343,234)		66,820,415
Debt instruments (fund units and corporate bonds)	AFS	FVTPL (mandatory)	267,129,024			267,129,024
Debt instruments (corporate bonds)	HTM	Amortized cost	6,321,346			6,321,346
<b>TOTAL DEBT INSTRUMENTS</b>			<b>356,748,822</b>	<b>(343,234)</b>	<b>-</b>	<b>356,405,588</b>
Equity instruments (speculative)	HFT	FVTPL (mandatory)	338			338
Equity instruments (associated)	AFS	FVTPL	95,025,865			95,025,865
Equity instruments (total shares including subsidiaries)	AFS	FVTOCI	2,008,815,084		18,957,169	2,027,772,253
<b>TOTAL EQUITY INSTRUMENTS</b>			<b>2,103,841,287</b>		<b>18,957,169</b>	<b>2,122,798,456</b>
Debt claims	L&R	FVTPL (mandatory)	1,627,078			1,627,078
<b>TOTAL DEBT CLAIMS</b>			<b>1,627,078</b>			<b>1,627,078</b>
<b>TOTAL FINANCIAL ASSETS</b>			<b>2,462,217,187</b>			<b>2,480,831,122</b>

Following the adoption of IFRS 9 as of January 1, 2018, the fair value reserve for the financial assets available for sale (fund units) was recognized in the retained earnings.

For shares that under IAS 39 were accounted for at cost at December 31, 2017, the Company has developed a fair value measurement methodology during the transition to IFRS 9.

## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

### 4. Dividend income

Please note that in accordance with IFRS 9 and due to the fact that the Company has opted to measure participations by other comprehensive income, dividends from these shareholdings are recognized as income unless they are a substantially recovery of the cost of investment. Dividend income is recorded as gross value. The tax rates for dividends for H1 2018 from resident and non-resident companies were 5% and zero (2017: 5% and zero). The breakdown of dividend income on the main counterparties is shown in the table below:

<i>Denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Banca Transilvania	27,065,775	-
BRD	22,329,415	9,939,313
Erste Group Bank AG	11,552,853	11,916,603
SAI Muntenia Invest SA	7,748,450	7,497,000
CONPET Ploiești	4,525,377	1,435,618
BT Asset Management	2,000,000	2,000,000
SNTGN Transgaz	1,989,686	2,031,339
SNP Petrom	717,316	537,987
ELECTRICA S.A.	475,833	487,536
Gaz Vest	-	2,408,666
Iproeb	-	301,469
Comelf	87,451	199,965
PREBET AIUD	-	125,072
Hercules SA Satu Mare	79,791	123,409
Spumotim	24,156	30,995
Others	156,307	695,599
<b>Total</b>	<b><u>78,752,410</u></b>	<b><u>39,730,572</u></b>

### 5. Interest income

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Interest income on deposits and current accounts	137,122	177,307
Interest income on bonds measured at amortized cost	190,005	186,767
Interest income on assets measured through profit and loss	744,020	306,180
Interest income on assets measured through other comprehensive income (govt. and corporate bonds)	790,617	954,884
	<b><u>1,861,764</u></b>	<b><u>1,625,138</u></b>

### 6. Profit/(Loss) from valuation of assets through profit and loss

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Profit / (Loss) from valuation / disposal of fund units	-16,449,116	
Profit / (Loss) from valuation of bonds (Vrancart)	461,941	
Profit / (Loss) from valuation of shares in subsidiaries and associates	-4,213,629	
Gain / (Loss) from sale of shares held for short term	-26	9
<b>Total</b>	<b><u>-20,200,831</u></b>	<b><u>9</u></b>

## Selected explanatory notes to the condensed financial statements as at June 30, 2018

Under IFRS 9, and as the Company has concluded that it meets the criteria of IFRS 10 to declare an investment entity, as at June 30, 2018, the Company measured the holdings in fund units, shares and bonds in subsidiaries and associate entities, through profit and loss account, resulting a decrease in value of RON 17.7 mn.

If the Company had applied IFRS 10 in 2017 as well, at the end of H1 2017 the differences in fair value related to these holdings, which were favourable, in the amount of RON 26.4 mn, would have increased the net result as at June 30, 2017 with this amount, and would have diminished the position of other comprehensive income, the total comprehensive income for the period remaining unchanged.

During H1 2018, fund units were redeemed by closed-end investment fund Optim Invest in the amount of RON 18.5 mn, with RON 2.5 mn below the current book value, respectively RON 2.3 mn above the subscription value.

### 7. Net profit /(loss) from sale of assets

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Gain / (Loss) from sale of govt. bonds	-553,308	-95,856
Gain / (Loss) from sale of shares		33,184
<b>Total</b>	<b>-553,308</b>	<b>-62,672</b>

Please note that under IFRS 9 and due to the fact that the Company has opted to measure holdings through other items of comprehensive income, gain from sale of shares during H1 2018, in the net amount of RON 70,186,930, is reflected in retained earnings. Given that this amount is relevant to the understanding of the Company's financial performance, that amount is presented on a separate line in the condensed statement of profit or loss.

During H1 2018 govt. bonds were sold in the amount of RON 27.4 million with a loss of RON 0.5 million.

During H1 2017 were sold shares held in Fondul Proprietatea and govt. bonds that were classified as available for sale.

### 8. Fees and commissions expenses

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
ASF commissions	1,205,077	965,944
Depository fees	226,680	182,142
Fees payable to SSIF	133,239	716
Registry fees	72,000	72,000
Other fees and commissions	12,495	12,600
<b>Total</b>	<b>1,649,491</b>	<b>1,233,402</b>

### 8. Other operating expenses

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Expenses with other taxes and fees and assimilated payments	93,610	115,379
Expenses with salaries and other personnel expenses	4,542,597	3,475,691
Amortization expenses	139,888	99,495
Expenditure on external services and other expenses	1,400,197	1,052,970
<b>Total</b>	<b>6,176,293</b>	<b>4,743,534</b>

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

## Selected explanatory notes to the condensed financial statements as at June 30, 2018

In the period ended on June 30, 2018, the average number of employees was of 35 (June 30, 2017: 36), and the number of employees recorded at the end of the reporting period was of 34 (June 30, 2017: 37).

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

### 10. Income tax

<i>denominated in RON</i>	June 30, 2017	June 30, 2017
<b>Current income tax</b>		
Current income tax (16%)	-1,354,570	1,317,387
Tax on dividend (0%, 5%)	2,871,835	769,510
Tax exemption on transactions with ownership greater than 10%		0
<b>Deferred tax expense / (income)</b>		
Financial assets available for sale		1,801
Financial assets at fair value through profit or loss		-49
Tangible assets / Investment property		0
<b>Total income tax recognized in result of the period</b>	<b>1,517,266</b>	<b>2,088,649</b>

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

Reconciliation of profit before tax with expense on income tax in the profit and loss account:

<i>denominated in RON</i>	June 30, 2018	June 30, 2017
<b>Profit before tax</b>	<b>52,307,699</b>	<b>35,389,775</b>
<b>Tax under statutory tax rate of 16% (2016: 16%)</b>	8,369,232	5,662,364
<b>Income tax effect of:</b>		
Tax on dividend (0%, 5%)	2,871,835	769,510
Non-deductible expenses and similar items	4,091,828	816,192
Non-taxable income	-13,733,891	-5,139,372
Revenue related items	16,481,372	2,203
Costs related items	-147,033	
Deferred tax	-5,200,112	1,752
Amounts of sponsorship within legal limits and other deductions	-83,942	-24,000
Tax recognized in retained earnings	-11,132,023	
<b>Income tax</b>	<b>1,517,266</b>	<b>2,088,649</b>

### 11. Cash and cash equivalents

<i>denominated in RON</i>	June 30, 2018	December 31, 2017
Cash in hand and other valuables	35,801	8,651
Current accounts in banks	17,633,191	1,111,566
Deposits at banks with original maturity less than 3 months	57,993,473	10,200,000
<b>Cash and cash equivalents with maturity less than 3 months</b>	<b>75,662,465</b>	<b>11,320,217</b>

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

## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

### 12. Bank deposits

<i>denominated in RON</i>	June 30, 2018	December 31, 2017
Bank deposits with maturity greater than 3 months	-	4,800,000
Attached interest on deposits		14,586
<b>Cash and cash equivalents with maturity greater than 3 months</b>	<b>-</b>	<b>4,814,586</b>

### 13. Financial assets measured at fair value through profit and loss account

<i>denominated in RON</i>	June 30, 2018	December 31, 2017
Shares	726,771,544	338
Unit funds	282,443,709	
Corporate bonds (including attached interest)	37,476,631	
<b>Total</b>	<b>1,046,691,884</b>	<b>338</b>

Following the application of IFRS 9 as of January 1, 2018, the holdings in associates, fund units and bonds held at related parties have been reclassified as assets at fair value through profit and loss.

The movement of the financial assets measured at fair value through profit and loss account during H1 2018 is presented in the table below:

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds in subsidiaries	Total
<b>January 1, 2018</b>	<b>338</b>	-	-	<b>338</b>
<b>January 1, 2018 - restated</b>	<b>95,026,202</b>	<b>230,404,039</b>	<b>36,989,473</b>	<b>362,419,714</b>
Acquisitions		84,499,992		84,499,992
Reclassifications of assets measured at fair value through other items of comprehensive income	635,959,310			635,959,310
Sales	-338	-18,491,257		-18,491,595
Attached interest			25,217	25,217
Change in fair value	-4,213,629	-13,969,065	461,941	-17,720,754
<b>June 30, 2018</b>	<b>726,771,545</b>	<b>282,443,709</b>	<b>37,476,631</b>	<b>1,046,691,884</b>

At the end of Q1 2018, the Company ascertained that it meets the criteria to declare an investment entity and thus reclassified its holdings in subsidiaries from assets measured through other items of comprehensive income to assets measured at fair value through profit and loss. The fair value of these holdings at the date of reclassification amounted to RON 635,959,310.

On June 30, 2018, the holdings in subsidiaries and associates were measured at fair value, the difference being unfavourable in the amount of RON 4,213,629.

In H1 2018 fund units were purchased in the amount of RON 84,499,992, out of which RON 74.5 million in Certinvest Shares Fund and RON 10 million in Star Value closed-end investment fund.

Sales of fund units include the redemption of fund units by Optim Invest fund.

## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

### 14. Financial assets measured at fair value through other comprehensive income

<i>denominated in RON</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Shares at fair value	1,376,423,221	2,079,884,448
Shares at cost	-	23,956,501
Unit funds at fair value	-	230,404,038
Government securities (including attached interest)	34,258,840	64,044,407
Corporate bonds (including attached interest)	4,903,407	41,901,964
<b>Total</b>	<b>1,415,585,468</b>	<b>2,440,191,358</b>

The measurement at fair value was done by multiplying the number of shares held as at the reporting date with the closing price on the last trading day of the reporting period or the price determined by other valuation methods, respectively valuation performed by valuers. As at June 30, 2018, the category of shares that are classified as measured at fair value includes mainly the value of shares held in Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD-Groupe Société Générale (December 31, 2017: Erste Group Bank AG, Banca Transilvania, SIF Imobiliare Plc, BRD-Groupe Groupe Société Générale).

As at June 30, 2018, the fair value for all financial instruments was established.

The movement of financial assets measured at fair value through other comprehensive income in the reporting period ended June 30, 2018 is presented in the table below:

<i>denominated in RON</i>	<b>Shares at fair value</b>	<b>Govt. bonds at fair value</b>	<b>Corporate bonds</b>	<b>Shares at cost</b>	<b>Fund units</b>	<b>Total</b>
<b>January 1, 2018</b>	<b>2,079,884,448</b>	<b>64,044,407</b>	<b>41,901,964</b>	<b>23,956,501</b>	<b>230,404,038</b>	<b>2,440,191,358</b>
<b>January 1, 2018 - restated</b>	<b>2,027,772,253</b>	<b>64,044,407</b>	<b>4,912,490</b>	<b>0</b>	<b>0</b>	<b>2,096,729,150</b>
Acquisitions	48,683,436	0				48,683,436
Reclassifications in assets measured at fair value through other profit and loss	-635,959,310					-635,959,310
Sales	-110,339,859	-27,380,600				-137,720,459
Attached interest		-1,601,216	-768			-1,601,984
Change in fair value	46,266,701	-803,750	-8,315			45,454,635
<b>June 30, 2018</b>	<b>1,376,423,221</b>	<b>34,258,841</b>	<b>4,903,407</b>	<b>0</b>	<b>0</b>	<b>1,415,585,468</b>

The decrease of the volume of these financial assets as at January 1, 2018 as compared to 2017 year-end is due to the reclassification, under IFRS 9 Financial Instruments, of fund Units, of shares held in associated entities and bonds purchased from a subsidiary, into the category of assets measured at fair value through profit or loss account.

Purchases of shares during H1 2018, amounting to RON 48.7 mn, mainly include the acquisition of Conpet shares (RON 48.3 mn) and shares of Central SA Cluj (RON 0.4 mn).

Sales of shares amounting to RON 110.4 mn include mainly the sale of shares in Erste Bank (RON 98.8 mn), Compa (RON 1.9 mn), Celhart Donaris (RON 1.7 mn), Hora Reghin (RON 1.5 mn), SIF Moldova (RON 1.3 mn), Bermas (RON 1.3 mn), Silvarom (RON 1.3 mn), Hercules (RON 1.1 mn), etc.

The gains from transactions amounting to RON 70.2 mn were recognized in retained earnings.

In H1 2018, government bonds were sold amounting to RON 27.4 mn.

The movement in 2017 of financial assets available for sale is shown in the table below:



## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

<i>denominated in RON</i>	Shares at fair value	Shares at cost	Fund units at fair value	Govt. bonds at fair value	Corporate bonds	Total
<b>January 1, 2017</b>	<b>1,815,185,159</b>	<b>24,550,341</b>	<b>64,499,755</b>	<b>103,690,723</b>	<b>0</b>	<b>2,007,925,978</b>
Acquisitions 2017	21,350,207	0	94,999,951	39,996,019	41,749,985	198,096,162
Sales 2017	-8,075,842	-460,904	0	-76,378,341		-84,915,087
Attached interest				-1,203,363	274,508	-928,855
Set-up of adjustments impairment losses	-31,836	-132,936	4,077,417			3,912,645
Change in fair value	251,456,761	0	66,826,915	-2,060,631	-122,529	316,100,515
<b>December 31, 2017</b>	<b>2,079,884,449</b>	<b>23,956,501</b>	<b>230,404,038</b>	<b>64,044,408</b>	<b>41,901,964</b>	<b>2,440,191,358</b>

Acquisitions of shares in 2017, in a total amount of RON 21,350,207 mainly include purchases on the "deal" market amounting to RON 8.4 mn (Intercontinental Bucharest), direct acquisition of SAI Muntenia shares amounting to RON 0.03 mn and the completion of the share capital increase operation of Vrancart SA with the amount of RON 12.9 mn.

Disposals of shares in total amount of RON 8,536,746 include the book value of the securities sold (Fondul Proprietatea RON 2.8 mn, Turism Felix RON 2.5 mn, Şantierul Naval RON 0.8 mn, Nuclearelectrica RON 0.5 mn, etc.).

In 2017 fund units were purchased in the amount of RON 95 mn, of which in Active Plus closed-end investment fund amounting to RON 60 mn) and Optim Invest closed-end investment fund amounting to RON 35 mn.

During 2017, government securities were purchased in the amount of RON 40 mn.

Purchases of corporate bonds during 2017, amounting to RON 41.7 mn include bonds issued by Vrancart in the amount of RON 36.8 mn and Impact bonds amounting to RON 4.9 mn.

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

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

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

The fair value of the financial instruments for which there is no active market (Level 2 and 3) and those that are not traded is determined by external valuers and authorized valuers within the Valuation department of the Company, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price and using the method approved by ASF namely a percentage of the net assets of these companies, reduced by a discount for minority ownership and a discount for lack of liquidity.

Valuation techniques are used consistently, there are no changes in their application.

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

## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

### June 30, 2018

*denominated in RON*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss - shares	203,538,036	0	523,233,509	726,771,545
Financial assets at fair value through profit and loss – fund units			282,443,709	282,443,709
Financial assets at fair value through profit and loss - bonds		37,476,631		37,476,631
Financial assets at fair value through other comprehensive income - shares	1,287,876,602	19,861,842	68,684,778	1,376,423,222
Financial assets at fair value through other comprehensive income – govt. bonds	34,258,840			34,258,840
Financial assets at fair value through other comprehensive income – corporate bonds	4,903,407			4,903,407
Financial assets measured at amortized cost – corporate bonds	6,498,626			6,498,626
Investment property			20,042,164	20,042,164
Land and buildings			2,259,358	2,259,358
	<u>1,537,075,512</u>	<u>57,338,473</u>	<u>896,663,518</u>	<u>2,491,077,502</u>

### December 31, 2017

*denominated in RON*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss	338	-	-	338
Financial assets available for sale at fair value – shares	1,506,589,226	8,976,610	564,318,611	2,079,884,447
Financial assets available for sale at fair value – fund units	-	-	230,404,039	230,404,039
Financial assets available for sale at fair value – govt. bonds	64,044,407	-	-	64,044,407
Financial assets available for sale at fair value – corporate bonds	4,912,490	36,989,473	-	41,901,964
Investments held to maturity	6,499,764	-	-	6,499,764
Investment property			20,042,164	20,042,164
Land and buildings	-	-	2,883,532	2,883,532
	<u>1,582,046,226</u>	<u>45,966,083</u>	<u>817,648,345</u>	<u>2,445,660,655</u>

There have been no transfers between levels of fair value during H1 2018.

### 15. Financial assets measured at amortized cost

*denominated in RON*

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Bonds	6,323,245	6,321,346
Interest attached related to bonds	175,381	178,418
<b>Total</b>	<u>6,498,626</u>	<u>6,499,764</u>

Outstanding securities (bonds) at June 30, 2018 include:

- corporate bonds issued by Banca Transilvania denominated in EURO, amounting to RON 6.3 mn, purchased in May 2013, convertible into Banca Transilvania shares, with maturity in May 2020, and an annual variable interest rate based on EURIBOR<sub>6 months</sub> + a margin set at 5.979%;

## Selected explanatory notes to the condensed financial statements *as at June 30, 2018*

### 16. Investment property

<i>denominated in RON</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
<b>Balance at January 1</b>	<b>20,042,164</b>	<b>19,466,667</b>
Entries		
Transfer from tangible assets		
Exits		-281,324
Changes in fair value		856,821
<b>Balance at the end of period</b>	<b>20,042,164</b>	<b>19,466,667</b>

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

### 17. Other financial assets

<i>denominated in RON</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Sundry debtors	5,668,820	1,575,659
Current income tax receivables	1,015,985	1,317,387
Other financial assets	54,861	151,641
Impairment for depreciation of sundry debtors	-1,417,610	-1,417,610
<b>Total</b>	<b>5,322,057</b>	<b>1,627,078</b>

### 18. Deferred tax liabilities

Deferred tax assets and liabilities at June 30, 2018 and December 31, 2017 are generated by the elements detailed in the following tables:

#### H1 2018

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit or loss	0	-	0
Financial assets at fair value through other comprehensive income	-	974,868,455	-974,868,455
Tangible assets and investment property	-	12,705,224	-12,705,224
<b>Total</b>	<b>0</b>	<b>987,573,679</b>	<b>-987,573,679</b>
Net temporary differences - 16% rate			(987,573,679)
Net temporary differences - 10% rate			0
<b>Deferred tax liabilities</b>			<b>(158,011,789)</b>

#### 2017

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at fair value through profit or loss	-	-	-
Financial assets available for sale	-	1,090,001,769	(1,090,001,769)
Tangible assets and investment property	-	12,705,224	(12,705,224)
<b>Total</b>	<b>-</b>	<b>1,102,706,993</b>	<b>(1,102,706,993)</b>
Net temporary differences - 16% rate			(1,102,706,993)
Net temporary differences - 10% rate			-
<b>Deferred tax liabilities</b>			<b>(176,433,120)</b>

Deferred tax liabilities in balance for the period ended June 30, 2018 in the amount of RON 158,011,789 (2017: RON 176,433,120) include:

## Selected explanatory notes to the condensed financial statements as at June 30, 2018

- deferred income tax recognized directly through the decrease in equity amounting to RON 140,890,702 (2017: RON 154,031,379), being wholly generated by reserves for financial assets measured at fair value through other comprehensive income (FVOCI)

- the deferred tax related mainly to the differences from inflation of the financial assets and the impairment adjustments, amounting to RON 17,121,087 recognized in the retained earnings.

### 19. Other financial liabilities

*denominated in RON*

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Payables to employees and related contributions	601,542	3,267,972
Taxes and fees	9,499	9,117
Internal suppliers	371,820	426,712
<b>Total</b>	<b><u>982,862</u></b>	<b><u>3,703,802</u></b>

### 20. Capital and reserves

#### (a) Share capital

The share capital of SIF Banat-Crişana as per the Articles of Association amounts to RON 52,000,000, divided into 520,000,000 shares with the nominal value of RON 0.1 and it is the result of direct subscriptions to the share capital of the company, by converting into shares the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As at June 30, 2018 the number of shareholders was 5,764,374 (December 31, 2017: 5,760,880).

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

All shares are ordinary shares, were subscribed and fully paid as June 30, 2018 and December 31, 2017. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

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

Following the approval by the General Meeting of Shareholders of October 2016, in September 2017 were repurchased a total of 539,276 shares, with the value of which to be reduced the share capital.

During 2017, the share capital was reduced by 28,849,268 shares with a value of RON 2,884,927.

Following the resolution of EGM of April 26, 2018, the Board approved the "Stock-Option Plan" by which were offered to administrators and directors of the Company a total of 1,400,000 SIF1 shares.

The shares that are the object of the offer are to be repurchased SIF Banat-Crişana, as per the resolution of the EGM of April 26, 2018.

Vesting (transfer) of shares will be made when the conditions of the "Stock-option Plan" are met and each beneficiary exercise his/her option, after a period of 12 months from signing the payment agreements.

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

*denominated in RON*

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Statutory share capital	52,000,000	52,000,000
The effect of applying IAS 29 on share capital	648,330,055	648,330,055
<b>Restated capital</b>	<b><u>700,330,055</u></b>	<b><u>700,330,055</u></b>

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

The reserve for the initial portfolio was set up under the application of Law no. 133/1996, as the difference between the portfolio value and the subscribed capital contribution to the company. These reserves are treated as an initial contribution (share premium) and are not used when selling the financial

## Selected explanatory notes to the condensed financial statements as at June 30, 2018

assets. Reconciliation of the reserve related to the initial portfolio according to IFRS with the reserve according to the accounting regulations applicable up to the date of application FSA Norm no. 39/2015 is presented in the following table:

<i>denominated in RON</i>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Reserves from the application of Law no. 133/1996	145,486,088	145,486,088
The effect of applying IAS 29 on reserves set up following the application of Law no. 133/1996	1,960,189,603	1,960,189,603
<b>Reserves set-up from the application of Law no. 133/1996</b>	<b><u>2,105,675,691</u></b>	<b><u>2,105,675,691</u></b>

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

### **(c) Differences from changes in fair value of financial assets measured through other comprehensive income**

This reserve comprises cumulative net changes in the fair values of financial assets measured through other comprehensive income from the date of their classification in this category to the date they have been derecognized or impaired.

Reserves are recorded net of related deferred tax.

### **(d) Legal reserves**

Pursuant to the legal requirements, the Company set-up legal reserves in the amount of 5% of recorded profit according to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as at June 30, 2018, amounts to RON 10,976,985 (December 31, 2017: RON 10,976,985). The Company has no longer set-up legal reserves from the distributed profit, as these reached the upper limit of 20% of the share capital, as per the Articles of Association.

Legal reserves cannot be distributed to shareholders.

### **(e) Dividends**

During H1 2018 there was no approval of dividend distribution. In 2017, it was not approved the distribution of dividends from the profit of the financial year 2016.

## 21. Earnings per share

The calculation of basic earnings per share was made based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

<i>denominated in RON</i>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Profit attributable to ordinary shareholders	50,790,433	33,301,127
Weighted average number of ordinary shares	517,460,724	518,000,000
<b>Basic earnings per share</b>	<b><u>0.098</u></b>	<b><u>0.064</u></b>

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

## 22. Contingent assets and liabilities

### **(a) Litigations**

As at June 30, 2018 the Legal Office of the Company reported 92 litigations pending in Courts. The Company had legal standing in 77 lawsuits, and passive legal standing in 15 lawsuits.

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

## **Selected explanatory notes to the condensed financial statements as at June 30, 2018**

### **(b) Other liabilities**

not the case

### **23. Related parties**

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

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

#### **Key management personnel**

*June 30, 2018*

- As at June 30, 2018, the Board of Directors of SIF Banat-Crişana was comprised of 5 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, Marcel Heinz Pfister and Ionel Marian Ciucioi.
- As at June 30, 2018, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director, Laurențiu Riviș – Director.

*December 31, 2017*

- As at December 31, 2017, the Board of Directors of SIF Banat-Crişana was comprised of 4 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, and Marcel Heinz Pfister.
- As at December 31, 2017, the members of the executive team of SIF Banat-Crişana were: Bogdan-Alexandru Drăgoi – CEO (General Director), Teodora Sferdian - Deputy General Director and Laurențiu Riviș – Director.

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

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

#### **Subsidiaries**

As at June 30, 2018 and December 31, 2017, the Company held stakes in 11 companies. The reduction in the number of subsidiaries included in the scope of consolidation is the result of the classification of the Company as an investment entity, after which the subsidiaries performing investment services for the Company (SAI Muntenia and AISA) remained in the scope of consolidation and the other subsidiaries were deconsolidated.

#### **Associated entities**

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

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises significant influence;
- b. 9 (December 31, 2017: 10) entities that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- c. 15 entities in insolvency / liquidation / bankruptcy.

#### **Transactions with related parties during the interim reporting period:**

During the first half of 2018, the Company made the following transactions with affiliated parties:

- proceeds from SAI Muntenia dividends in the amount of RON 7,748,450;
- proceeds from Vrancart SA, interest on corporate bonds in the amount of RON 718,803;
- participation in the share capital increase at Central SA Cluj with the amount of RON 398,400;
- paid to the company Administrare Imobiliare SA (the management company of SIF Imobiliare) the total amount of RON 74,340, representing the rent and operating expenses for the rented space, and to the company Gaz Vest SA Arad the amount of RON 30,660 lei representing natural gas.

**Selected explanatory notes to the condensed financial statements *as at June 30, 2018***

**24. Events after the period of interim report**

There were none.