

SIF Banat-Crişana S.A.

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

Prepared pursuant to Rule 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
as at September 30, 2018**

<i>Denominated in RON</i>	<i>Note</i>	<u>Sept. 30, 2018</u>	<u>Sept. 30, 2017</u>
Income			
Dividend income	4	97,919,594	65,213,545
Interest income	5	3,133,997	2,254,104
Other operating revenues		219,612	141,718
Investment gains			
Gains on investment property		-	-
(Loss) Net gain from foreign exchange differences		106,945	63,165
Net profit / (Loss) from financial assets at fair value through profit and loss	6	(19,793,660)	8
Profit/(Loss) from sale of assets	7	(553,308)	(83,821)
Expenses			
Commissions expenses	8	(2,393,051)	(1,929,673)
Other operating expenses	9	(9,677,316)	(7,631,725)
Profit before tax		<u>68,962,812</u>	<u>58,027,321</u>
Income tax	10	(3,507,159)	(2,766,983)
Net profit for the period		<u>65,455,653</u>	<u>55,260,338</u>
Gain on transactions recognized in retained earnings acc. to IFRS 9		7, 14	71,323,643
Related tax			(9,199,856)
Net gain recognized in retained earnings			62,123,787
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (financial assets):			
Amount transferred to profit or loss		553,308	-351,232
Amount transferred to retained earnings (equity instruments)		(71,323,643)	
Change in fair value of the shares measured by other comprehensive income		68,305,090	197,389,837
Effect of the income tax related to them		8,363,057	(28,796,237)
Reserves from revaluation to fixed assets		-	-
Other comprehensive income		<u>5,897,812</u>	<u>168,242,368</u>
Total comprehensive income for the period		<u>133,477,252</u>	<u>223,502,706</u>
Earnings per share			
Basic		0.126	0.107
Diluted		0.126	0.107

The condensed interim financial statements were approved by the Board of Directors on November 5, 2018 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed statement of financial position as at September 30, 2018

<i>Denominated in RON</i>	<i>Note</i>	September 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents	11	94,836,227	11,320,217
Bank deposits	12	-	4,814,586
Financial assets at fair value through profit or loss	13	1,047,001,431	338
Financial assets at fair value through other comprehensive income	14	1,437,463,601	2,440,191,357
Financial assets at amortized cost	15	6,408,733	6,499,764
Investment property	16	20,042,164	20,042,164
Tangible assets (property, plant and equipment)		3,254,518	3,435,599
Other financial assets	17	2,881,252	1,627,078
Other assets		186,335	214,068
Total assets		2,612,074,260	2,488,145,171
Liabilities			
Dividends payable		15,451,243	15,586,380
Deferred income tax liabilities	18	160,186,042	176,433,120
Other financial liabilities	19	818,610	3,703,802
Other liabilities and deferred revenues		15,435	1,181,726
Total liabilities		176,471,330	196,905,028
Equity			
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		1,487,500	-
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		673,956,800	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		796,627,576	1,251,829,179
Total equity		2,435,602,930	2,291,240,143
Total liabilities and equity		2,612,074,260	2,488,145,171

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Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed Statement of Changes in Equity as at September 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
Balance at December 31, 2017	700,330,055	-4,748,190	-124,659	10,976,985	2,105,675,691	1,251,829,179	97,794	690,289,841	0	145,433,106	-2,608,519,658	2,291,240,143
Balance as at January 1, 2018 - restated	700,330,055	-4,748,190	-124,659	10,976,985	2,105,675,691	1,176,253,311	97,794	690,289,841	0	239,606,863	-2,608,519,658	2,309,838,033
Comprehensive income												
<i>Profit for the period</i>	-	-	-	-	-	-	-	-	-	65,455,653	-	65,455,653
<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	-	-	-	-	-	(71,323,643)	-	-	-	71,323,643	-	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	-	-	-	-	-	68,305,090	-	-	-	-	-	68,305,090
Revaluation of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Related deferred tax	-	-	-	-	-	(836,799)	-	-	-	(9,199,856)	-	(10,036,655)
Total comprehensive income for the period	-	-	-	-	-	(379,625,735)	-	-	-	503,903,132	-	124,277,397
Other reserves - own sources								69,553,194	-	(69,553,194)		0
Transactions with shareholders recognized directly in equity												
Dividends payable for 2017	-	-	-	-	-	-	-	-	-	-	-	-
Dividends written-off	-	-	-	-	-	-	-	-	-	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-	1,487,500	-	-	1,487,500
Total transactions with shareholders recognized directly in equity	0	0	0	-	-	-	-	-	1,487,500	-	-	1,487,500
Balance at September 30, 2018	700,330,055	-4,748,190	-124,659	10,976,985	2,105,675,691	796,627,576	97,794	759,843,035	1,487,500	673,956,801	-2,608,519,658	2,435,602,930

The condensed interim financial statements were approved by the Board of Directors on November 5, 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 September 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)	Reserves from revaluation of financial assets available for sale	Reserves from revaluation of fixed assets	Other reserves	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2017	739,183,919	(52,443,756)	(734,130)	10,976,985	2,105,675,691	982,963,061	97,794	608,927,140	204,087,976	(2,644,488,595)	1,954,246,085
Comprehensive income											
Profit for the period	-			-	-	-			55,260,338	-	55,260,338
Other comprehensive income											
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)
Total comprehensive income for the period	-	-	-	-	-	168,242,368	-	-	55,260,338	-	223,502,706
Other reserves – own sources								81,362,701	(81,362,701)		
Transactions with shareholders recognized directly in equity											
Dividends payable for 2016	-			-	-	-			-	-	-
Dividends written-off	-			-	-	-			-	-	-
Redemption of own shares		(1,348,190)	(77,065)								(1,425,255)
Total transactions with shareholders recognized directly in equity	-	(1,348,190)	(77,065)	-	-	-	-	-	-	-	(1,425,255)
Balance at September 30, 2017	739,183,919	(53,791,946)	(811,195)	10,976,985	2,105,675,691	1,151,205,429	97,794	690,289,841	177,985,613	(2,644,488,595)	2,176,323,536

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Chairman, CEO

Ștefan Doba
Economic Director

Condensed cash flow statement as at September 30, 2018

<i>Denominated in RON</i>	<i>Note</i>	<u>Sept. 30, 2018</u>	<u>Sept. 30, 2017</u>
Operating activities			
Net profit for the period		65,455,653	55,260,338
<i>Adjustments for:</i>			
Depreciation of tangible and intangible assets		216,354	151,049
Net (gain)/loss from disposal of tangible assets		4,557	-11,988
Gain from valuation of investment property		0	0
(Reversals) / Expenses on adjustments for impairment		0	0
Net profit from sale of assets (debt instruments)	7	553,308	83,821
(Net gain)/Net loss from financial assets at fair value through profit or loss		19,793,660	-8
Dividend income	4	-97,919,594	-65,213,545
Interest income	5	-3,133,997	-2,254,04
Expense with / (income from) foreign exchange differences financial assets		-9,627	0
Benefits granted in equity instruments		1,487,500	
Income tax	10	3,507,159	2,766,983
Changes in operating assets and liabilities			
Change in other assets (claims, etc.)		-1,210,182	-6,152,962
Change in other liabilities		-1,561,741	-3,548,254
Income tax paid		-25,588,823	-962,378
Net cash used in operating activities		<u>-38,405,774</u>	<u>-19,881,048</u>
Investment activities			
Payments for acquisition of shares in subsidiaries and other financial assets (shares, fund units, govt. bonds)	13, 14	-133,303,416	-126,885,076
Proceeds from sales of financial assets (shares, govt. bonds)		138,055,117	69,888,502
(Placements) / Proceeds from term deposits greater than three months		4,800,000	40,872,334
Proceeds from sale of assets at fair value through profit or loss account		16,000,255	11
(Payments) for purchase of assets at fair value through profit or loss account			
Proceeds / (Payments) from sale of assets measured at amortized cost		0	-78,682
Proceeds for sale of tangible assets and investment property		0	23,056
Payments for purchases of tangible assets		-43,006	-80,816
Dividends collected		92,006,564	58,866,340
Interest collected		4,406,270	4,098,939
Net cash from investment activities		<u>121,921,783</u>	<u>46,704,608</u>
Financing activities			
Dividends paid		0	-215,217
Repurchase of own shares		0	-1,425,255
Net cash used in financing activities		<u>0</u>	<u>-1,640,471</u>
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at January 1		11,320,217	16,372,090
Cash and cash equivalents at June 30		<u>94,836,227</u>	<u>41,555,179</u>

The condensed interim financial statements were approved by the Board of Directors on November 5, 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 September 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 September 30, 2018, are not audited or reviewed.

2. Basis of preparation

(a) Statement of compliance

Pursuant to Rule 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 Q3 ended on September 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 Rule 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 Rule).

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.

As per the requirements of Law no. 24/2017 and the ASF Regulation no. 5 on Issuers of Financial Instruments and Market Operations, the Company prepared and published the consolidated interim financial statements for the H1 2018 within 3 months of its end.

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.

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

(b) Presentation of the financial statements

The Company adopted a presentation based on liquidity in the condensed interim 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
- (iii) subsequently measured at *fair value through profit or loss (FVTPL)*;

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

- *The 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.

The main changes in accounting policies resulting from the quality of an investment entity in accordance with IFRS 10 are:

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 September 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 Rule 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
TOTAL DEBT INSTRUMENTS			356,748,822	(343,234)	-	356,405,588
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
TOTAL EQUITY INSTRUMENTS			2,103,841,287		18,957,169	2,122,798,456
Debt claims	L&R	FVTPL (mandatory)	1,627,078			1,627,078
TOTAL DEBT CLAIMS			1,627,078			1,627,078
TOTAL FINANCIAL ASSETS			2,462,217,187			2,480,831,122

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 September 30, 2018

During Q1 2018, the Company's management concluded that the Company meets the criteria for classification as an investment entity. Thus, according to IFRS 10, as of that date, the Company measures subsidiaries at fair value through profit or loss, except subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA).

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>	Sept. 30, 2018	Sept. 30, 2017
Banca Transilvania	27,065,775	9,717,065
BRD	22,329,415	9,939,313
Erste Group Bank AG	11,552,853	11,916,603
ROMGAZ	7,842,618	6,003,768
SAI Muntenia Invest SA	7,748,450	7,497,000
CONPET Ploiești	4,525,377	1,435,618
Biofarm București	4,347,695	3,890,043
SIF Moldova	2,532,496	2,265,997
BT Asset Management	2,000,000	2,000,000
SNTGN Transgaz	1,989,686	2,031,339
SIF Muntenia	1,392,285	1,604,940
SNP Petrom	717,316	537,987
IPROEB Bistrița	516,521	301,469
ELECTRICA S.A.	475,833	487,536
Antibiotice Iași	376,190	543,355
Gaz Vest	0	2,408,666
Comelf	87,451	199,965
PREBET AIUD	0	125,072
Hercules SA Satu Mare	79,791	123,409
Spumotim	24,156	30,995
Others	202,658	914,734
Total	97,919,594	65,213,544

5. Interest income

<i>denominated in RON</i>	Sept. 30, 2018	Sept. 30, 2017
Interest income on deposits and current accounts	503,681	190,171
Interest income on bonds measured at amortized cost	286,661	282,052
Interest income on assets measured through profit and loss	1,220,140	572,930
Interest income on assets measured through other comprehensive income (govt. and corporate bonds)	1,123,515	1,208,951
	3,133,997	2,254,104

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

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

<i>denominated in RON</i>	Sept. 30, 2018	Sept. 30, 2017
Profit / (Loss) from valuation / disposal of fund units	-39,143,586	
Profit / (Loss) from valuation of bonds (Vrancart)	172,717	
Profit / (Loss) from valuation of shares in subsidiaries and associates	19,177,235	
Gain / (Loss) from sale of shares held for short term	-26	8
Total	-19,793,660	8

Under IFRS 9, and as the Company has concluded that it meets the criteria of IFRS 10 to declare an investment entity, as at September 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 17.3 mn.

If the Company had applied IFRS 10 in 2017 as well, as at the September 30, 2017 the differences in fair value related to these holdings, which were favourable, in the amount of RON 80.4 mn, would have increased the net result as at September 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 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>	Sept. 30, 2018	Sept. 30, 2017
Gain / (Loss) from sale of govt. bonds	-553,308	-95,856
Gain / (Loss) from sale of shares		12,035
Total	-553,308	-83,821

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 until September 30, 2018, in the net amount of RON 71,323,643, 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 2018 govt. bonds were sold in the amount of RON 27.4 million with a loss of RON 0.5 million.

8. Fees and commissions expenses

<i>denominated in RON</i>	Sept. 30, 2018	Sept. 30, 2017
ASF commissions	1,774,394	1,494,785
Depository fees	355,685	307,265
Fees payable to SSIF	133,239	723
Registry fees	108,000	108,000
Other fees and commissions	21,733	18,000
Total	2,393,051	1,929,673

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

9. Other operating expenses

<i>denominated in RON</i>	Sept. 30, 2018	Sept. 30, 2017
Expenses with other taxes and fees and assimilated payments	183,948	208,769
Expenses with salaries and other personnel expenses	7,385,654	5,604,045
Amortization expenses	216,354	151,048
Expenditure on external services	1,891,360	1,667,863
Total	9,677,316	7,631,725

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

In the period ended on September 30, 2018, the average number of employees was of 35 (September 30, 2017: 36), and the number of employees recorded at the end of the reporting period was of 37 (September 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>	Sept. 30, 2017	Sept. 30, 2017
Current income tax		
Current income tax (16%)	0	975,812
Tax on dividend (0%, 5%)	3,507,159	1,787,223
Tax exemption on transactions with ownership greater than 10%		0
Deferred tax expense / (income)		
Financial assets available for sale		3,997
Financial assets at fair value through profit or loss		-49
Tangible assets / Investment property		0
Total income tax recognized in result of the period	3,507,159	2,766,983

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>	Sept. 30, 2018	Sept. 30, 2017
Profit before tax	68,962,812	58,027,321
Tax under statutory tax rate of 16% (2017: 16%)	11,034,050	9,284,371
Income tax effect of:		
Tax on dividend (0%, 5%)	3,507,159	1,787,223
Non-deductible expenses and similar items	4,155,034	1,064,503
Non-taxable income	-20,579,791	-9,352,367
Revenue related items	22,314,699	3,305
Costs related items		
Tax loss to be recovered	-1,109,699	
Deferred tax	-6,530,496	3,949
Amounts of sponsorship within legal limits and other deductions	-83,942	-24,000
Tax recognized in retained earnings	-9,199,856	
Income tax	3,507,159	2,766,984

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

11. Cash and cash equivalents

<i>denominated in RON</i>	Sept. 30, 2018	December 31, 2017
Cash in hand and other valuables	26,099	8,651
Current accounts in banks	15,578,527	1,111,566
Deposits at banks with original maturity less than 3 months	79,231,601	10,200,000
Cash and cash equivalents with maturity less than 3 months	94,836,227	11,320,217

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

12. Bank deposits

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

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

<i>denominated in RON</i>	September 30, 2018	December 31, 2017
Shares	750,162,408	338
Fund units	259,568,976	
Corporate bonds (including attached interest)	37,270,047	
Total	1,047,001,431	338

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. At the same time, as the Company met the classification criteria as an "investment entity", the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries that provide investment-related services that will continue to be consolidated.

The movement of the financial assets measured at fair value through profit and loss account as at September 30, 2018 is presented in the table below:

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds in subsidiaries	Total
January 1, 2018	338	-	-	338
January 1, 2018 - restated	95,026,202	230,404,039	36,989,473	362,419,714
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			107,857	107,857
Change in fair value	19,177,235	-36,843,798	172,717	-17,493,847
September 30, 2018	750,162,409	259,568,976	37,270,047	1,047,001,431

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

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.

As at September 30, 2018, the holdings in subsidiaries and associates were measured at fair value, the difference being a favourable one, amounting to RON 19,177,235.

During the period 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.

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

<i>denominated in RON</i>	September 30, 2018	December 31, 2017
Shares at fair value	1,397,498,403	2,079,884,448
Shares at cost		23,956,501
Fund units at fair value		230,404,038
Government securities (including attached interest)	35,061,538	64,044,407
Corporate bonds (including attached interest)	4,903,660	41,901,964
Total	1,437,463,601	2,440,191,358

The measurement of shares 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 certified evaluators. As at September 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 September 30, 2018, was established the fair value for the financial instruments valued at level 1 (quoted).

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

<i>denominated in RON</i>	Shares at fair value	Govt. bonds at fair value	Corporate bonds	Shares at cost	Fund units	Total
January 1, 2018	2,079,884,448	64,044,407	41,901,964	23,956,501	230,404,038	2,440,191,358
January 1, 2018 - restated	2,027,772,253	64,044,407	4,912,490	0	0	2,096,729,150
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	-111,649,280	-27,380,600				-139,029,880
Attached interest		-1,339,294	70,208			-1,269,086
Change in fair value	68,651,304	-262,975	-79,038			68,309,290
September 30, 2018	1,397,498,403	35,061,538	4,903,660	0	0	1,437,463,600

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 the current period, 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).

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

Sales of shares amounting to RON 111.6 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 71.3 mn were recognized in retained earnings.

In the first nine months of 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:

<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
January 1, 2017	1,815,185,159	24,550,341	64,499,755	103,690,723	0	2,007,925,978
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
December 31, 2017	2,079,884,449	23,956,501	230,404,038	64,044,408	41,901,964	2,440,191,358

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 S.A. 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, Prebet RON 1.4 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 that meet the requirements of IFRS 13 and the ANEVAR Valuation Standards, in line with best valuation practices. These techniques include: 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.

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

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

September 30, 2018

<i>denominated in RON</i>	<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	226,928,899	0	523,233,509	750,162,408
Financial assets at fair value through profit and loss - fund units			259,568,976	259,568,976
Financial assets at fair value through profit and loss - bonds		37,270,047		37,270,047
Financial assets at fair value through other comprehensive income - shares	1,310,261,205	19,861,842	67,375,357	1,397,498,404
Financial assets at fair value through other comprehensive income - govt. bonds	35,061,538			35,061,538
Financial assets at fair value through other comprehensive income - corporate bonds	4,903,660			4,903,660
Financial assets measured at amortized cost - corporate bonds	6,408,733			6,408,733
Investment property			20,042,164	20,042,164
Land and buildings			2,800,932	2,800,932
	<u>1,583,564,035</u>	<u>57,131,889</u>	<u>873,020,938</u>	<u>2,513,716,861</u>

December 31, 2017

<i>denominated in RON</i>	<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 the first nine months of 2018.

15. Financial assets measured at amortized cost

denominated in RON

	<u>Sept. 30, 2018</u>	<u>December 31, 2017</u>
Bonds	6,326,773	6,321,346
Interest attached related to bonds	81,960	178,418
Total	<u>6,408,733</u>	<u>6,499,764</u>

Outstanding securities (bonds) at September 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_{6 months} + a margin set at 5.979%;

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

16. Investment property

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

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>September 30, 2018</u>	<u>December 31, 2017</u>
Sundry debtors	3,957,384	1,575,659
Current income tax receivables	263,198	1,317,387
Other financial assets	78,279	151,641
Impairment for depreciation of sundry debtors	-1,417,610	-1,417,610
Total	2,881,252	1,627,078

18. Deferred tax liabilities

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

September 30, 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	-	988,457,530	-988,457,530
Tangible assets and investment property	-	12,705,224	-12,705,224
Total	0	1,001,162,754	1,001,162,754
Net temporary differences - 16% rate			(1,001,162,754)
Net temporary differences - 10% rate			0
Deferred tax liabilities			(160,186,041)

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)
Total	-	1,102,706,993	(1,102,706,993)
Net temporary differences - 16% rate			(1,102,706,993)
Net temporary differences - 10% rate			-
Deferred tax liabilities			(176,433,120)

Deferred tax liabilities in balance for the period ended September 30, 2018 in the amount of RON 160,186,041 (2017: RON 176,433,120) include:

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

- deferred income tax recognized directly through the decrease in equity amounting to RON 144,395,338 (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 15,790,703 recognized in the retained earnings.

19. Other financial liabilities

denominated in RON

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Payables to employees and related contributions	602,541	3,267,972
Taxes and fees	9,375	9,117
Internal suppliers	206,694	426,712
Total	<u>818,610</u>	<u>3,703,802</u>

20. Capital and reserves

(a) Share capital

As at September 30, the share capital of SIF Banat-Crişana 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 September 30, 2018 the number of shareholders was 5,755,918 (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.

The Extraordinary General Meeting of Shareholders of April 26, 2018, approved the reduction of SIF Banat-Crişana's share capital, as per art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.40, following the cancelation of 2,539,276 own shares repurchased by the Company in the buyback programs of 2016 and 2017.

The EGM of April 26, 2018, approved the execution of a buyback program for the repurchase of 17,460,724 own shares ("Program I") by the Company, to reduce its share capital.

The EGM of April 26, 2018, approved the execution of a buyback program for the repurchase of 1,400,000 own shares ("Program II") by the Company, for their 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.

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 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.

On September 28, 2018, SIF Banat-Crişana reported on the initiation, on October 2, 2018, of the Buyback Program II through daily transactions in the market, according to the resolution of the EGM no. 2 art. 2 of 26.04.2018

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>September 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
Restated capital	<u>700,330,055</u>	<u>700,330,055</u>

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

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

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

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

The effect of hyperinflation over the share capital amounting to RON 648,330,055 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 2,608,519,658 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 September 30, 2018, amounts to RON 10,976,985 (December 31, 2017: RON 10,976,985). In the financial year 2017 and as at September 30, 2018, 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 the first nine months of 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>	September 30, 2018	September 30, 2017
Profit attributable to ordinary shareholders	65,455,653	55,260,338
Weighted average number of ordinary shares	517,460,724	517,980,246
Basic earnings per share	0.126	0.107

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

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

22. Contingent assets and liabilities

(a) Litigations

As at September 30, 2018 the Legal Office of the Company reported 87 litigations pending in Courts. The Company had legal standing in 75 lawsuits, and passive legal standing in 12 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.

(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

September 30, 2018

- As at September 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 (elected by the OGM of April 26, 2018 and undergoing an authorization procedure by ASF).
- As at September 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 September 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 September 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.

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

Transactions with related parties during the interim reporting period:

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

- recording and collecting dividend income from:
 - SAI Muntenia: RON 7,748,450
 - Biofarm SA: RON 4,347,695
 - IAMU SA: RON 2,113,027
- proceeds from Vrancart SA, interest on corporate bonds in the amount of RON 1,112,284;
- 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 110,686, representing the rent and operating expenses for the rented space, and to the company Gaz Vest SA Arad the amount of RON 30,721 representing natural gas.

24. Events after the interim period

- SIF Banat-Crișana informed the investors, in accordance with the provisions of ASF Regulation no. 5/2018, of art. 2 of the Delegate Regulation (EU) 1052/2016 and Regulation (EU) 596/2014, by means of current reports published weekly during October 8 - 29, upon the transactions in for the buyback of its own shares (symbol SIF1) as per the Resolution of the EGM of 26.04.2018.

- **October 12, 2018** - The Financial Supervisory Authority has issued the Registration Certificate of Financial Instruments under the number AC-168-4/10.10.2018 regarding the reduction of the company's share capital. The share capital of the company was reduced from RON 52,000,000 to RON 51,746,072.40, divided into 517,460,724 shares with a nominal value of RON 0.10, following the cancellation of 2,539,276 own shares, as per Resolution no. 1/April 26, 2018 of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders.

- **October 25, 2018** - The Financial Supervisory Authority (ASF) issued the Authorization no. 245/25.10.2018 approving the changes in SIF Banat-Crișana's documents following the change in the composition of company's management, by the appointment of Mr Ionel Marian Ciucioi as administrator (member of the Board of Directors) of the Company, as per Resolution of the OGM no. 2 of 26.04.2018.

The composition of SIF Banat-Crișana's Board of Directors following this authorization: Bogdan-Alexandru Drăgoi – Chairman and CEO; Radu Răzvan Străuț – Vice-Chairman, Deputy General Director; Sorin Marica – non-executive member; Marcel Heinz Pfister – non-executive member; Ionel Marian Ciucioi – non-executive member.

- **October 25, 2018** - The Company informed the shareholders that the execution of the buyback program by daily transactions in the market launched on October 2, 2018 was suspended on October 29, 2018. Any information on the implementation of the buyback programs approved by the EGMS of April 26, 2018, will be communicated to shareholders and investors in due time, according to the regulations in force.