



SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

SIF BANAT-CRIȘANA

CONSOLIDATED HALF YEAR REPORT

JANUARY 1 – JUNE 30, 2019

prepared pursuant to ASF regulation no. 5/2018, Law no. 24/2017, Regulation no. 15/2004 and ASF Rule no. 39/2015

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ANNEX 1	Condensed interim consolidated financial statements for the year ended June 30, 2019, prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) – Financial Instruments and Investments Sector – unaudited

1. GENERAL INFORMATION ON SIF BANAT-CRIȘANA GROUP

1.1 PRESENTATION OF THE GROUP

This report presents SIF Banat-Crișana's consolidated financial results as at June 30, 2019, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and ASF Rule no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF from the Financial Instruments and Investments Sector.

The Company's consolidated financial statements prepared for the first half of 2019 include the Company and its subsidiaries (hereinafter referred to as "Group"). For the first half of 2019, the Group comprises SIF Banat-Crișana (parent company), SAI Muntenia Invest S.A. and Administrare Imobiliare S.A.

1.2 ENTITIES INCLUDED IN THE CONSOLIDATION

Subsidiaries

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

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

The list of investments in subsidiaries as at June 30, 2019 and December 31, 2018 is as follows:

No.	Company name	Percentage held (%)	
		June 30, 2019	December 31, 2018
1	(SIF Imobiliare PLC Nicosia)	99.99	99.99
2	(SIF SPV TWO)	99.99	99.99
3	SAI Muntenia Invest SA Bucharest	99.98	99.98
4	(Napomar SA Cluj-Napoca)	99.43	99.43
5	(SIF Hoteluri SA Oradea)	99.00	99.00
6	(Azuga Turism SA Bucharest)	98.94	98.94
7	Administrare Imobiliare SA	97.40	97.40
8	(Silvana SA Cehu Silvaniei)	96.28	96.28
9	(Iamu SA Blaj)	76.70	76.70
10	(Vrancart SA Adjud)	75.06	75.06
11	(Somplast SA Bistrița)	70.75	70.75
12	(Central SA Cluj)	67.08	67.08
13	(Uniteh SA Timișoara)*	36.34	36.33
14	(Ario SA Bistrița) - bankruptcy	93.64	93.64

* Majority shareholder of Uniteh SA is SIF Imobiliare Plc, with a stake of 50.20%

The subsidiaries shown in brackets in the table above were excluded from the consolidation starting January 1, 2018, following the application of IFRS 10 provisions concerning the investment entities.

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

In order to remove the subsidiaries from consolidation, the Company proceeded to: (i) derecognise the assets (including any goodwill) and the debts of the consolidated subsidiaries and the carrying amount of non-controlling interests in these subsidiaries, (ii) reclassification to profit or loss or retained earnings of values recognized in other comprehensive income for

deconsolidated subsidiaries and (iii) recognition of any difference resulting in profit or loss in the profit or loss attributable to the Company.

The impact of the elimination from the consolidation of the subsidiaries is presented in the consolidated financial statements as at December 31, 2018, in *Note 3 to the consolidated financial statements*.

Associated entities

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

The number of entities in which the Company holds stakes between 20% and 50% as at June 30, 2019 is of 22 (December 31, 2018: 25), of which:

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

- 7 entities (December 31, 2018: 9) that do not qualify as associates because the Company does not exercise significant influence in those companies;

- 13 entities (December 31, 2018: 13) in insolvency / liquidation / bankruptcy.

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

Transactions excluded on consolidation

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

The accounting policies disclosed in the consolidated financial statements as at December 31, 2018 (and in condensed form in the consolidated financial statements as at June 30, 2019) have been consistently used over all the periods presented in the consolidated financial statements and have been consistently applied by all entities within the Group.

2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP

2.1 INFORMATION OF THE ACTIVITY OF SIF BANAT-CRIȘANA

COMPANY NAME	Societatea de Investiții Financiare Banat-Crișana S.A. (hereinafter referred to as "SIF Banat-Crișana" or "the Company")
COMPANY TYPE	<ul style="list-style-type: none">▪ closed-end investment company self-managed, with a diversified investment policy investment policy, endorsed by the Financial Supervisory Authority by Endorsement no. 258 / 14.12.2005 and as AIFM with Authorization no. 78/09.03.2018, equivalent to closed-ended AIF▪ set-up as a joint stock company in November 1996 pursuant to the provisions of Law no. 133/1996 for the conversion of the Private Property Funds (FPP) into Financial Investment Companies (SIF)▪ Romanian legal entity with private capital
SHARE CAPITAL	<ul style="list-style-type: none">▪ RON 51,746,072.40 – subscribed and paid-in capital▪ 517,460,724 shares issued; 517,371,068 outstanding shares▪ RON 0.10 per share nominal value
REGISTRATIONS	<ul style="list-style-type: none">▪ Number in Trade Register J02/1898/1992▪ Tax Identification Code RO 2761040▪ Number in ASF Register PJR07.1AFIAA / 020007 / 09.03.2018▪ Number in ASF Register SIIRS PJR09SIIR / 020002 / 02.02.2006▪ Legal Entity Identifier (LEI) 254900GAQ2XT8DPA7274
MAIN ACTIVITY	Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funding (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499): <ul style="list-style-type: none">▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force▪ management of investment portfolio and exercising all of the rights related to the instruments in which investments are made▪ risk management▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB or BSE) - Premium category - market symbol SIF1
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit S.R.L. for the financial years 2016 – 2018 Deloitte Audit SRL starting with the financial year 2019
DEPOSITARY BANK	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	Arad , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
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KEY FINANCIAL AND OPERATIONAL INFORMATION FOR SIF BANAT-CRIȘANA

FINANCIAL POSITION [RON mn]			
	30.06.2018	31.12.2018	30.06.2019
Total assets, of which	2,573.26	2,452.94	2,698.89
Total financial assets	2,544.44	2,427.11	2,674.07
Equity	2,398.77	2,321.42	2,553.43
Total current liabilities	16.48	1.62	3.93
FINANCIAL PERFORMANCE (IFRS) [RON mn]			
	30.06.2018	31.12.2018	30.06.2019
Income	80.79	114.88	102.54
Gain on investment	(20.66)	(16.05)	21.03
Expenses	7.83	17.93	8.37
Gross profit	52.31	80.89	115.20
Net profit for the year	50.79	77.19	107.45
FINANCIAL INDICATORS [%]			
	30.06.2018	31.12.2018	30.06.2019
ROE (net profit / equity)	2.12	3.32	4.21
ROA (net profit / total assets)	1.97	3.15	3.98
Gross profit margin (gross profit / total income)	50.86	37.49	81.27
SHARES AND NET ASSET PERFORMANCE			
	30.06.2018	31.12.2018	30.06.2019
Share price (end of period, in RON)	2.5300	2.0400	2.2200
Net asset value* / share (RON)	4.6035	4.3067	4.8363
Accounting net asset / share (RON)	4.6130	4.4863	4.9345
Nominal value of share (RON)	0.1	0.1	0.1
Number of issued shares	520,000,000	517,460,724	517,460,724
Number of outstanding shares	517,460,724	517,371,068	517,371,068
<i>* calculated acc. to ASF regulations</i>			
OPERATIONAL DATA			
	30.06.2018	31.12.2018	30.06.2019
Number of employees, year end	34	34	34
Number of branch offices	1	1	1
SHAREHOLDING STRUCTURE as at December 31, 2018			
	number of shareholders	stake	
Romanian individuals	5,750,166	40.34%	
Non-resident individuals	2,037	0.34%	
Romanian legal entities	150	37.98%	
SIF Banat-Crișana (treasury stock) *	1	0.02%	
Non-resident legal entities	25	21.33%	
TOTAL	5,752,379	100%	

* own shares repurchased as per Resolution no.2 art. 2 of EGM of April 26, 2018

MILESTONES OF SIF BANAT-CRIȘANA'S ACTIVITY IN H1 2019

Portfolio management

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

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

The strategic allocations by asset classes and within each class are based on assessments of the individual attractiveness of investment opportunities, under the existing conditions on the macroeconomic and market environment.

Investments are performed over a specified period, complying to the regulated prudential terms, under appropriate risk monitoring and control, to ensure a steady balance of risk and expected return. The investment decision-making process is formalized through internal procedures and the levels of competence approved by the company's Board of Directors.

SIF Banat-Crișana has under management a complex portfolio, consisting of the following main categories of financial instruments: shares, bonds fund units. The company applies an exit strategy tailored to the specificity of each investment, defined based on the applied strategy, investment objectives and the conditions (that trigger) of the exit transaction.

The differentiated approach addressed by the Company for each of its shareholding aims at capitalizing on an aggregate return, generated by dividend gain and capital gain.

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

The strategy for asset allocation aims to maximize the performance of the portfolio under the prudential conditions established by the prudential provisions set by Capital Market Law no. 297/2004 and Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories. **Throughout H1 2019, the assets under Company's management were within the legal limits allowed.**

Lines of action in portfolio management:

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

SIF Banat-Crișana's net asset value (NAV), key performance indicator for the activity of the Company, was of **RON 2,502 million** at the end of H1 2019, 12% higher as compared to the value recorded for 2018-year end, of RON 2,228 million and 5% up as compared to H1 2018. Net asset value per share (NAV/S) was of **RON 4.8363** at the end of H1 2019, as compared to RON 4.3067, at 2018 year-end and respectively 4.6036 as at June 30, 2018.

Total assets value¹ of SIF Banat-Crișana as at June 30, 2019, was of **RON 2,506.12 million**, up 12,39% as compared to the value recorded at the end of 2018, when it reached RON 2,229.80 million. Compared to that date, the value of listed shares rose 7.96%.

The value of the stock portfolio (listed and unlisted shares) accounted for **77.78%** of SIF Banat-Crișana's total assets as at June 30, 2019, amounting to **RON 1,949.19 million**.

Throughout H1 2019, the calculation of net asset value was performed under the provisions of art. 113-122 of ASF Regulation no. 9/2014, ASF Regulation no. 10/2015 and ASF Regulation no. 2/2018.

Acquisitions and disposals of assets during H1 2019

During H1 2019, the following purchases of financial assets were made:

- acquisitions of listed shares, amounting to RON 49,560,642, of which in subsidiaries RON 1,503 (Uniteh) and associated entities RON 44,423,496 lei (Biofarm);
- fund units of Optim Invest Closed Fund, amounting to RON 8,499,912 lei;
- corporate bonds (SIFI BH Retail SA), amounting to RON 70,713,000 (RON equivalent of EUR 15,000,000 at the date of acquisition).

Assets disposed during H1 2019 include:

- sales of shares listed on foreign markets in a total amount of RON 93,881,872, with a gain of RON 50,222,166;
- sales of listed and unlisted shares on the domestic markets in a total amount of RON 9,450,445, with a gain of RON 2,593,696;
- early redemption of 6,400 SIFI BH Retail SA bonds, amounting to 12,800,000 euros (equivalent to RON 60,962,560 at the exchange rate of the redemption date), with an accrued interest of 248,285 euro (equivalent to RON 1,182,507 at the exchange rate on the date of redemption);
- partial redemptions of fund units, with a total redemption value of RON 20,668,827, with RON 787,121 below the fair value as of December 31, 2018.

Detailed information on SIF Banat-Crișana's activity during H1 2019 is presented in the Half-Year Report for January 1 - June 30, 2019, and in the Condensed Interim Financial Statements as at June 30, 2019².

2.2 INFORMATION ON THE ENTITIES INCLUDED IN THE CONSOLIDATION

SAI MUNTENIA INVEST SA Bucharest

SIF Banat-Crișana stake as at 31.12.2018: 99.98%

IFRS indicators

(RON)	H1 2019	2018	H1 2018
Total assets	13,172,440	20,838,038	19,611,575
Equity (own capital)	8,334,977	18,705,172	15,464,583
Total revenues	8,886,818	18,079,074	8,840,657
Net Profit / Loss	3,189,805	6,684,826	3,444,237

Societatea de Administrare a Investițiilor (Investment Management Company) Muntenia Invest SA ("SAI Muntenia Invest SA") was established in 1997, as a joint stock company, and entered in SIF Banat-Crișana's portfolio in 2013.

The main activity of the Company is the management of undertakings for collective investment in

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

² <http://www.sif1.ro/wp-content/en/periodical-reports/2019/H1-2019/H1-2019-Report.pdf>; <http://www.sif1.ro/wp-content/en/periodical-reports/2019/H1-2019/interim-financial-statements-H1-2019.pdf>

transferable securities (Romanian acronym: OPCMV) established in Romania or in another member state and the activity of managing alternative investment funds (Romanian acronym: FIA) in compliance with the provisions of the relevant legislation. SAI Muntenia Invest is registered in the ASF Register as AIFM since December 2017.

SAI Muntenia has no subsidiaries, branches or places of business.

As at 30.06.2019 the subscribed and paid-up share capital of SAI Muntenia Invest is of RON 1,200,000 divided into 120,000 shares with a nominal value of RON 10. During the reporting period the value of the share capital of SAI Muntenia Invest did not change. SAI Muntenia Invest must comply with the requirements regarding the initial capital allocation, in accordance with the provisions of art. 8 of the GEO no. 32/2012 and the requirements regarding own funds, in accordance with the provisions of art. 22 paragraph (4) of ASF Regulation no. 9/2014.

During H1 2019, the activity of SAI Muntenia Invest was carried out in compliance with the provisions of Law no. 31/1990 on trading companies, Capital Market Law no. 297/2004, Law no. 74/2015 regarding the managers of alternative investment funds, of ASF Regulation no. 9/2014, also in accordance with the provisions of its articles of incorporation and its internal regulations.

The current activity of SAI Muntenia Invest SA carried out during H1 2019 was the management of SIF (Financial Investment Company) Muntenia and FDI (open-end investment fund) Plus Invest.

The management of the portfolio of financial assets and the financial investments made for SIF Muntenia are carried out compliant to the legal provisions, the provisions of the management contract concluded between the Company and SIF Muntenia, of the constitutive act of SIF Muntenia and the Management Program approved by the General Meeting of SIF Muntenia Shareholders. Detailed information on the administration of SIF Muntenia in the first semester of 2019 can be found in the reports published according to the legislation in force¹.

The open investment fund PLUS Invest operates under the authorization issued by ASF in 2014 and it is registered in the ASF Register. FDI Plus Invest has as its primary objective the long-term growth of the capital invested, using an integrated asset allocation and an optimization of the investment structure. Inflationary protection and low yield volatility are also objectives of the fund. Detailed information on the administration of FDI Plus Invest, during H1 2019, can be found in the reports published according to the legislation in force².

SAI Muntenia Invest does not meet the criteria for the classification as an investment entity in accordance with IFRS 10.

According to data provided by the Association of Fund Managers (AAF) as at 30.06.2019, SAI Muntenia Invest's market share was of 3.10% of the total assets managed by AAF members.

Auditor of the company is KPMG Audit S.R.L.

Administrare Imobiliare SA Bucharest

SIF Banat-Crişana stake as at 30.06.2019: 97.398%

IFRS indicators*

(RON)	H1 2019	2018	H1 2018
Total assets	49.586.246	43.884.297	1.322.463
Equity (own capital)	40.642.912	40.045.462	(295.073)
Total revenues	2.054.973	2.497.444	1.133.128
Net Profit / Loss	572.126	123.596	(130.345)

* restated data under IFRS for consolidation purposes

¹ <http://www.sifmuntenia.ro/en/investors-section/financial-results/financial-results-according-ifs/ifrs-individual/ifrs-individual-2017-copy-3-copy/>

² <http://munteniainvest.ro/index.php?opt=FDI>

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

In 2013, the company changed its name to Administrare Imobiliare SA and its headquarters is moved to Bucharest. In the same year, the company is incorporated into the holding SIF Imobiliare Plc., with a shareholding of 98.9% of its share capital.

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

As per its Articles of Incorporation, besides its main activity, AISA could provide other secondary activities, such as: 4110 real estate development (promotion), 6810 purchase and sale of own real estate properties, 6820 - Renting and sub-renting own or rented real estate properties.

In December 2018, as an investment opportunity in the real estate field emerged, takes place a capital increase of AISA, with cash contribution, to capitalize the company and to attract financing sources to capitalize on opportunities appeared on the real estate market. SIF Banat-Crișana is co-opted as shareholder the cash contribution being of RON 40.12 million. Following this transaction, SIF Banat-Crișana becomes a shareholder with a stake of 97.4% in the share capital of AISA while the participation of SIF Imobiliare Plc decreases to 2.6%.

The investment projects (amounting to RON 44.5 million) intended by AISA at the time of the increase of the share capital were completed during H1 2019 and materialized in the purchase of a three storey building, with an usable area of 1,542.05 sqm, related land of 630.56 sqm land in undivided share and an undivided area of the common spaces of 138.2 sqm located in Bucharest, Serghei Vasilievici Rahmaninov Str. No. 46-48, Sector 2 and a land of 30,447 sqm (with 17,646 sqm of constructions) located in Bucharest, Șos. Vergului no. 59, Sector 2.

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

The auditor of the company is JPA Audit și Consultanță S.R.L.

3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 30.06.2019

The consolidated financial statements were prepared as per ASF Rule no. 39/2015 for the approval of Accounting Regulations applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) in the Sector of Financial and Investment Instruments.

3.1 BASES OF PRESENTATION OF CONSOLIDATED STATEMENTS

The Group has adopted a presentation based on liquidity in the consolidated statement of financial position and a presentation of revenues and expenses by their nature in the consolidated statement of comprehensive income.

During Q1 2018, based on the information available as at December 31, 2017, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met. As per IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries providing investment-related services, that will further be consolidated. In May 2019, the Company reviewed the analysis regarding the fulfilment of the classification criteria as an investment entity, concluding that they are met and that it will apply the exception provided by IFRS 10 regarding the investment entities also for the financial statements for the financial year 2019.

3.2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(extract from the accompanying consolidated financial statements)

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Income		
Dividend income	85,737,938	71,003,960
Interest income	3,368,159	1,998,476
Other operating revenues	10,729,522	10,159,334
Investment gains		
Net gain on foreign exchange differences	1,050,783	93,190
Net Gain / (Loss) from financial assets at fair value through profit or loss	19,941,711	(11,685,363)
Gain / Loss from sale of assets	-	(553,308)
Expenses		
Interest expenses	(198,233)	(6,277)
Commission expenses	(1,645,436)	(1,649,701)
Operating expenses	(12,929,533)	(12,289,395)
Profit before tax	106,054,911	57,070,916
Income tax expenses	(8,405,118)	(2,199,570)
Profit for the period	97,649,793	54,871,346
Profit is attributed to:		
Parent company	97,634,269	54,872,091
Non-controlling interests	15,524	(745)
Other comprehensive income	134,960,052	55,589,857
Total other comprehensive income for the period	232,609,845	110,461,203
Result per share		
Basic	0.189	0.106
Diluted	0.189	0.106

Significant changes of revenues, expenses and other items of comprehensive income compared to the similar period of the previous year are due mainly to the impact of the financial performance of the parent company, performance influenced by:

- the growth of the income from dividends collected from the shareholdings;
- the favourable impact of the differences in value recognized for financial assets at fair value through profit and loss (deconsolidated subsidiary shares, associates and fund units).

Structurally, Group's revenues in H1 2019 are the result of the dividends collected from the parent company's shareholdings (86% of the total operating revenues), respectively the revenues obtained by the subsidiaries from the investment management activity (11% is the administration fee).

Operating expenses comprise the total operating expenses incurred by the Group's investment management activity. Their level stood at about the same amount as for H1 2019. Their structure and details are presented in the notes to the consolidated financial statements accompanying this report.

Other comprehensive income includes both gains on transactions recognized directly in equity (retained earnings) and the effect of fair value measurement of the Group's securities portfolio. Both the gain from transactions and the change in the fair value of financial assets are mostly attributable to the parent-company. The favourable progress of this component over the previous year is the effect of the growth in the fair value of portfolio of financial assets at fair value through other comprehensive income listed on stock exchange (stakes in banks and energy companies), during the first half of 2019.

3.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(extract from the accompanying consolidated financial statements)

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	178,750,756	71,692,346
Bank deposits	2,502,333	21,830,010
Financial assets at fair value through profit and loss	1,165,595,570	1,105,989,676
Financial assets at fair value through other comprehensive income	1,252,362,446	1,190,434,235
Financial assets at amortized cost	6,602,842	6,505,683
Investment property	65,706,238	21,122,392
Tangible assets (property, plant and equipment)	3,730,735	3,539,223
Rights to use the underlying assets in a leasing contract	2,742,122	-
Other financial assets	6,133,087	7,160,019
Other assets	201,209	256,337
Total assets	2,684,327,338	2,428,529,921
Liabilities		
Dividends to be paid	-	5,495
Other financial liabilities	4,951,705	2,739,935
Borrowings	11,362,550	3,428,853
Deferred tax liabilities	141,614,893	129,776,548
Other accrued liabilities and deferred income	10,401	13,757
Provisions for risks and expenses	1,305,025	1,305,025
Total liabilities	159,244,573	137,269,613
Equity (capital)		
Statutory share capital, including the applying of IAS 29	696,910,186	696,910,186
Own (treasury) shares, including losses from repurchase	(224,045)	(224,045)
Benefits granted in equity instruments	3,570,000	2,380,000
Accumulated profit	747,832,171	682,583,149
Other reserves	852,475,011	775,288,784
Differences from change of fair value for financial assets through other comprehensive income	712,423,635	622,243,796
Other own capital	(488,963,341)	(488,967,239)
Total	2,524,023,617	2,290,214,631
Non-controlling interests	1,059,148	1,045,677
Total equity	2,525,082,765	2,291,260,308
Total equity and liabilities	2,684,327,338	2,428,529,921

Significant changes in patrimonial items over the previous year are due to:

- structural changes in the assets of the parent company, effect of:
 - investment activity from the first 6 months of 2019, by divesting from certain investments measured by other comprehensive income (EBS shares) and reinvesting in fixed income instruments (bonds) respectively assets measured by profit and loss (BIO shares);
 - directing the amounts from dividends to monetary investments;
 - registering the favourable fair value differences for the portfolio of financial assets on as at March 31 and June 30.
- investment property of subsidiaries (Administrare Imobiliare S.A.)

3.4 PRESENTATION ON SEGMENTS

During H1 2019, the Group operated on a single segment, namely the financial activity (2018: one segment – financial activity). In the financial activity was included the activity of 3 companies (2018: 3).

4. DESCRIPTION OF MAIN RISKS FOR THE GROUP

The most significant financial risks the Group is exposed to are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and the price risk of equity instruments.

The Group uses a variety of policies and procedures for managing and valuing the types of risk to which it is exposed, both at the parent company and subsidiary levels. These policies and procedures are detailed in the sub-chapters dedicated to each type of risk under *Note 7* of the attached Consolidated Financial Statements as at June 30, 2019.

4.1 Financial risks

Market risk

Market risk is the risk that changes in market prices, such as price of shares, interest rates and exchange rates to have impact on Group's revenues or the value of financial instruments held. Market risk of equity instruments represent the risk that the value of such instrument to vary following the changes of prices on the market, either due to factors specific to the issuer's activity or factors affecting all instruments traded on the market.

The market risk of equity instruments arises from the Group's investments in shares classified as financial assets at fair value through other comprehensive income, namely financial assets at fair value through profit and loss and from investments in fund units held in closed funds (through their holdings in shares). Entities in which the Group holds shares operate in various industries. The objective of market risk management is to control and manage market risk exposures in acceptable parameters, to optimize returns. The Group's strategy for market risk management is driven by its investment objective, and market risk is managed in accordance with its policies and procedures.

The Group is exposed to the following market risk categories:

Price risk is the risk of losses both on balance sheet and off-balance sheet positions due to asset price developments.

The Group is exposed to the risk that the fair value of the financial instruments held may fluctuate as a result of changes in market prices, whether due to factors specific to the issuer's activity or factors impacting all instruments traded on the market.

A positive 10% change in the price of financial assets at fair value through profit or loss (shares subsidiaries, associates, fund units, corporate bonds) would lead to a profit increase after tax, of RON 110,752,165 (December 31, 2018: RON 105,013,170), a negative variation of 10% having an equal net impact of the opposite sign.

A positive 10% change in prices of other financial assets at fair through other comprehensive income, investments in securities and corporate bonds would lead to an increase in equity, net of profit tax, of RON 105,960,424 (December 31, 2018: RON 100,775,500), a negative variation of 10% having an equal net impact of the opposite sign.

Interest rate risk is the risk that the Group's revenues or expenses, or the value of the Group's assets or liabilities fluctuate following the changes in market interest rates.

The interest rate risk is composed of the fluctuation risk recorded in the value of a certain financial instrument as a result of the variation of the interest rates and the risk of the differences between the maturity of the interest-bearing financial assets and that of the interest-bearing debt.

For interest-bearing financial instruments of the Group, the policy is to invest in profitable financial instruments with maturity above one year. With respect to fixed interest-bearing assets or marketable assets, the Group is exposed to the risk that the fair value of future cash flows related

to financial instruments will fluctuate as a result of changes in market interest rates. The Group does not use derivative financial instruments to protect against interest rate fluctuations.

Impact on the Group's net profit of a change of $\pm 1.00\%$ in the interest rate on variable-yield assets and liabilities denominated in other currencies corroborated by a change of $\pm 1.00\%$ in the interest rate on assets and liabilities carrying liabilities variable interest rate and denominated in RON is of RON 1,331,095 (December 31, 2018: RON 1,098,052).

Currency risk is the risk of loss or not achieving the expected profit due to unfavourable fluctuations in the exchange rate. The Group invests in financial instruments and performs transactions denominated in currencies other than its functional currency and is thus exposed to the risk that the exchange rate of the domestic currency in relation to another currency will have adverse effects on fair value or future cash flows of that portion of the financial assets and liabilities denominated in another currency.

The Group performed transactions in the reporting periods in both the Romanian currency (Leu) and in foreign currency.

Financial assets and liabilities exposed to exchange rate risk (in RON)	June 30, 2019
Cash and cash equivalents	71,596,280
Bank deposits	-
Financial assets at fair value through profit or loss *	32,751,532
Financial assets at fair value through other comprehensive income **	228,311,298
Investments measured at amortized cost	6,602,842
TOTAL	339,261,952
Loans	3,981,401
Total liabilities	3,981,401
Net financial assets	335,280,551

* in the financial assets at fair value through profit or loss are included the euro bonds issued by SIFI BH Retail and the foreign currency holdings of closed-end investment funds, in proportion to the Group's holding in their net assets.
 ** in the financial assets at fair value through other comprehensive income in EUR are included the investments held abroad, namely Austria - Erste Bank and the corporate bonds issued by Impact.

Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet an obligation or financial engagement in which it has entered in a relationship with the Group, resulting thus in a loss for the Group.

The Group is exposed to credit risk as a result of investments in corporate bonds, current accounts and bank deposits and other receivables. The management of the Group closely and consistently monitors the exposure to credit risk so that it does not suffer losses as a result of the concentration of credit in a particular sector or business.

Below we present the financial assets with exposure to credit risk:

<i>denominated in RON</i>	June 30, 2019
Current accounts	74,321,380
Bank deposits	106,850,000
Bonds issued by financial institutions (at amortized cost)	6,602,842
Corporate bonds (at fair value through other comprehensive income)	4,981,254
Corporate bonds (at fair value through profit or loss)	48,851,003
Other financial assets	6,133,087
Total	247,739,565

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations arising from short-term financial liabilities that fall due by cash or other financial means, or that such obligations are extinguished in an unfavourable manner for the Group.

The Group monitors the evolution of the liquidity level in order to be able to pay its obligations at the date when they become due and continuously analyses the assets and liabilities, depending on the remaining period up to the contractual maturities.

The structure of assets and liabilities was analysed based on the remaining period from the balance sheet date to the contractual maturity date as at June 30, 2019 and is presented in the table below:

<i>denominated in RON</i>	Accounting value	Under 3 months	between 3 and 12 months	Over 1 year	Without pre-established maturity
Total financial assets	2,611,947,035	187,910,181	6,705,308	53,185,745	2,364,145,800
Total financial liabilities	16,314,255	5,074,887	7,654,227	3,585,141	-
Excess liquidity	2,595,632,780	182,835,294	(948,919)	49,600,604	2,364,145,800

Other risks

By the nature of its activity, the Group is exposed to various types of risks associated with the financial instruments and the market it invests. The main types of risks to which the Group is exposed are:

- taxation risk;
- business environment risk;
- operational risk.

Taxation risks

Since 1 January 2007, following the accession of Romania to the European Union, the Group has had to comply with the European Union's regulations and, as a result, has prepared itself to apply the changes brought about by European legislation. The group has implemented these changes, but their implementation remains open to fiscal audit for 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations may vary and there is a risk that in certain situations the tax authorities will adopt a different position from that of the Group. From the corporate tax point of view, there is a risk that the tax authorities will interpret the accounting treatment that is determined by the transition to IFRS as a basis for accounting.

Moreover, the Romanian Government has various agencies authorized to carry out the audit (control) of companies operating in Romania. These controls are similar to tax audits in other countries and can cover not only tax issues but also other legal and regulatory issues of interest to these agencies. The Group may be subject to tax controls as new tax regulations are issued.

Business environment risks

SIF Banat-Crişana's management cannot predict all the effects of the international economic developments impacting on the financial sector in Romania but considers that in H1 2019 it has adopted the necessary measures for the sustainability and development of the Company under the conditions existing on the financial market, by the monitoring of cash flows and adequacy of investment policies.

The Eurozone economy has seen a significant recovery in recent years, both in terms of GDP growth (with annualized increases of more than 1.5%) and the gradual reduction of unemployment and the return of inflation to the target set by ECB (2%). However, the ECB has

maintained both the benchmark interest rate in the historical absolute low (0%) and the commitment to fully re-invest the amounts collected at the maturity of the purchased financial instruments in the quantitative easing program, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB.

Recently, both the ECB and the Federal Reserve (which reduced the reference interest rate by 0.25% in the meeting held on July 31, 2019 and by 0.25% at the meeting on September 18, 2019) reiterated the readiness to intervene through monetary stimulus measures if the pace of economic activity does not ensure convergence to the expected inflation target. Thus, these exceptional measures and the availability of maintaining them in the foreseeable future signal the persistence of risks despite the positive developments in the recent years.

Operational risk

Operational risk is the risk of incurring direct or indirect losses resulting from shortfalls or deficiencies in the Group's procedures, personnel, internal systems, or external events that may impact on its operations. Operational risks arise from all Group activities.

The Group's objective is to manage operational risk to limit its financial losses, not to damage its reputation and to achieve its investment objective to generate benefits for the investors.

Capital adequacy

The management's policy on capital adequacy focuses on maintaining a solid capital base to support the Group's continued development and investment objectives.

The Group's equity includes its share capital, various types of reserves, retained earnings and minority interests. The equity (own capital) amounted to RON 2,525,082,765 on June 30, 2019.

5. THE MARKET OF SECURITIES ISSUED BY THE GROUP

CHARACTERISTICS OF SIF BANAT-CRIȘANA SHARES

Total number of shares issued (June 30, 2019)	517,460,724
Outstanding shares (June 30, 2019)	517,371,068
Nominal value	RON 0.1000 /share
Type of shares	common, ordinary, registered, dematerialized, indivisible
Trading market	Regulated spot market of Bucharest Stock Exchange (BVB or BSE) , Premium category, listed since November 1, 1999
Symbol on BVB (ticker)	SIF1
ISIN code	ROSIFAACNOR2
International identifier	Bloomberg BBGID: BBG000BMN388 (SIF1:RO)

Shares issued by SIF Banat-Crișana grant all shareholders equal rights.

Pursuant to art. 286¹ par. (1) of Capital Market Law no. 297/2004, as amended by Law no. 11/2012, any person may acquire under any title or may hold, alone or together with the persons acting in concert with such person, shares issued by the Company, but not more than 5% of the share capital. The voting right is suspended for the shares held by shareholders that exceed this limit, pursuant to art. 286¹ par. (2) of Law no. 297/2004 and CNVM/ASF Instruction no. 6/2012 issued in application of art. 286¹ of Law no. 297/2004.

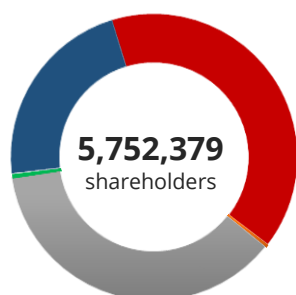
Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments.

At the date of this report, SIF Banat-Crișana holds 89,656 own shares, purchased in October 2018 in the buyback program approved by EGM Resolution no. 2 art. 2 of April 26, 2018.

As at June 30, 2019, SIF Banat-Crișana has 5,752,379 shareholders, according to the data reported by Depozitarul Central SA Bucharest, the company that keeps the shareholders registry.

SHAREHOLDERS' STRUCTURE

as per holdings, as at June 30, 2019



■ 40.34%
Romanian individuals
(5,750,166 shareholders)

■ 0.34%
non-resident individuals
(2,037 shareholders)

■ 37.98%
Romanian legal entities
(150 shareholders)

■ 21.33%
non-resident legal entities
(25 shareholders)

■ 0.02%
treasury stock
(following the acquisitions
made in 2018, the company
holds 89,656 own shares)

SIF1 shares on Bucharest Stock Exchange (BVB/BSE)

The liquidity of the SIF1 title was higher compared to the similar period of 2018, in H1 2019, a number of 17,824,557 shares were traded, representing 3.445% of the total shares issued, worth of RON 38,662,270.

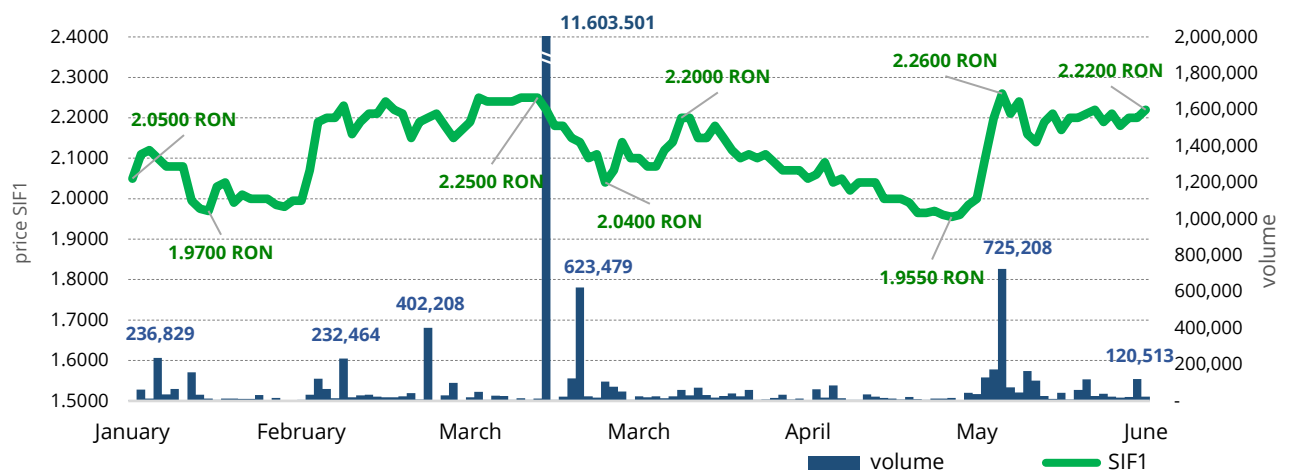
On the "DEAL" market there were 3 transactions, a total of 6,884,294 shares were transferred, totalling RON 14.09 million.

In the first half of 2019, the price of SIF1 shares was between RON 1.9500 and RON 2.2500, up YTD by 8%. Compared to the constantly increasing trend of the BET-FI index whose component it is, the SIF1 movement was characterized by wide positive price changes at the beginning of February and the end of May, of the 122 trading days, 50 days had with positive changes (a maximum of +5.8% on February 5) and 45 days with negative variations (a minimum of -4.09% on January 14)

The highest price SIF1 title was traded in H1 2019 was of RON 2,2700 per share, in the trading session of March 4, and the lowest price was of RON 1,8150 per share, during the trading session of January 15, the spread between the highest and lowest prices of the period was of 16%. The average price of the period was of RON 2,1690 per share.

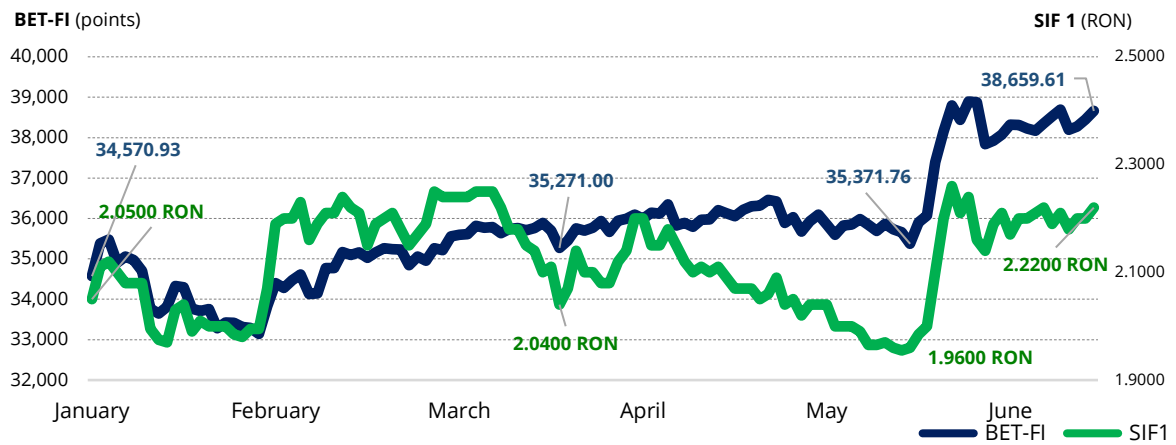
On June 28, 2019 (the last trading day of H1 2019), the market capitalization for the SIF1 title, calculated at the closing price, was of RON 1,148.76 million (RON 1,148.56 million for the outstanding shares).

SIF1 PRICE AND VOLUME IN H1 2019



highlighted values were recorded at the closing of trading day

SIF1 vs. BET-FI PERFORMANCE IN H1 2019



highlighted values were recorded at the closing of trading day

The two subsidiaries included in the consolidation, SAI Muntenia Invest SA and Administrare Imobiliare SA, do not have their shares listed on an organized capital market or an alternative trading system.

6. CORPORATE GOVERNANCE

SIF Banat-Crișana is committed to maintaining and developing the best practices of corporate governance, thus ensuring an efficient decision-making process, leading to the long-term viability of the business, achieving the objectives of the company and creating sustainable value for all stakeholders (shareholders, management, employees, partners and authorities).

During H1 2019, the Board of Directors approved the revision of SIF Banat-Crișana's *Corporate Governance Regulation*, the document being available for consultation on the company's website at www.sif1.ro, in the *Corporate Governance* section.

The level of implementation by SIF Banat-Crișana of the principles and recommendations of the Corporate Governance Code issued by BVB was presented in the BoD annual report for 2018, the document being available on company's website, in the *Corporate Governance* section.

Company Administration and Management

Pursuant to the provisions of Company's Articles of Association, SIF Banat-Crișana is administrated under a unitary system, apt to ensure Company's efficient operation, in accordance with the objectives of good corporate governance and the protection of the shareholders' legitimate interests.

The Board of Directors

SIF Banat-Crișana is administered by the Board of Directors (i.e. administrators) comprised of five members, elected by the ordinary general meeting of shareholders for a mandate of four years, with the possibility of being re-elected.

The Board of Directors has decision-making powers regarding the administration of the Company in the period between the general meetings of shareholders, except for the decisions that the law or company's Articles of Association provide exclusively for the general meeting of shareholders. The functions of the Board of Directors are detailed in Company's Internal Regulations and are presented in the Corporate Governance Regulation of SIF Banat-Crișana.

The Board elects from among its members a chairman and a vice-chairman. As per the Articles of Association, the Chairman of the Board holds the position of CEO (general director) of the Company.

Board members must cumulatively meet the general conditions stipulated by Law no. 31/1990 on trading companies, completed with the criteria established by Capital Market Law no. 297/2004, Law no. 74/2015, Law no. 24/2017, and the regulations issued by the Financial Supervisory Authority (ASF).

The members of the Board are authorized in this function by ASF following their election by the general meeting of shareholders.

The Board of Directors may create advisory committees comprised of its members, charged with conducting investigations and making recommendations to the Board.

The composition of the Board of Directors during January 1 - June 30, 2019 was the following: Mr. Bogdan-Alexandru Drăgoi – Chairman of the Board; Mr. Radu Răzvan Străuț – Vice-Chairman of the Board; Mr. Sorin Marica – member of the Board; Mr. Marcel Heinz Pfister – member of the Board; Mr. Ionel-Marian Ciucioi – member of the Board.

During H1 2019, the Board of Directors of SIF Banat-Crișana met in 33 sessions, pursuant to the statutory provisions.

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

During H1 2019, the Board of Directors issued a total of 77 resolutions concerning the current activity of the company. All decisions were taken by the vote "for" of the majority of those present.

The Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in the financial reporting, internal control and risk management areas, assists the Board of Directors in monitoring the trustworthiness and integrity of financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards the Company applied. The functions of the Audit Committee are detailed in Company's Internal Regulations and are presented in the Corporate Governance Regulation of SIF Banat-Crișana.

The Audit Committee consists of at least three non-executive members of the Board of Directors. The Chairman of the committee is an independent non-executive member. At least one member of the audit committee shall have competence in accounting or auditing.

As at June 30, 2019, the composition of the Audit Committee was as follows: Mr. Marcel PFISTER – chairman of the committee, Mr. Sorin MARICA – member, and Mr. Ionel Marian CIUCIOI - member. The members of the Audit Committee have the experience corresponding to their specific tasks within this committee.

During H1 2019, the Audit Committee met in 7 sessions.

These meetings were held for the monitoring of the financial reporting process, namely the annual financial statements prepared pursuant to the International Financial Reporting Standards (IFRS) approved by ASF Rule no. 39/2015 and the annual consolidated financial statements; monitoring condensed interim accounting quarterly reporting; approval the 2019 plan for the internal audit; selection of the financial auditor; the analysis of the offers received and expressing the justified preference for the auditor subject to the approval of the GMS; preparation of the activity report of the Audit Committee for 2018 and submitting it to ASF.

The Nomination and Remuneration Committee

A Nomination and Remuneration Committee (NRC) functions, with advisory role, within the Board of Directors, to assist the Board in fulfilling its responsibilities for the nomination of candidates for management positions and their remuneration. NRC recommends to the Board of Directors the appointment or dismissal of key personnel and control personnel within the Company, the level of their remuneration and their rights and duties and, at the same time, participate in the development and review of remuneration policies applicable at Company level. NRC functions are detailed in Company's Internal Regulations and are presented in the Corporate Governance Regulation of SIF Banat-Crișana.

The Nomination and Remuneration Committee is comprised of at least at least two members elected from non-executive members of the Board of Directors, subject to the condition of independence provided for by the Company Law. Membership of the Committee does not prevent members from participating in the work of other Committees of the Board of Directors. The Committee meets regularly, at least twice a year, and exceptionally if appropriate.

As at June 30, 2019, the composition of NRC was the following: Mr. Sorin MARICA – Chairman of the Committee, Mr. Marcel PFISTER – member and Mr. Ionel Marian CIUCIOI – member.

The executive management

The effective management of the Company is performed by executive directors appointed by the Board of Directors, in accordance with the Company's Articles of Association and applicable regulations, so that everyday management of the Company to be provided, at all times, by at least two persons.

The Executive Directors must meet the conditions set by the regulations issued by the Financial Supervisory Authority applicable to the Company and are endorsed in this position by the Authority.

During H1 2019 no changes occurred in the composition of executive team.

As at June 30, 2019, the composition of the executive team of SIF Banat-Crişana is the following: Mr. Bogdan-Alexandru Drăgoi – Chairman - CEO; Mr. Radu Răzvan Străuț – Vice-Chairman, Deputy General Director; Mr. Teodora Sferdian - Deputy General Director; Mr. Laurențiu Riviș - Director.

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

Risk management

SIF Banat-Crişana acknowledges its exposure to risks resulting from daily operations and those from the pursuit of achieving its strategic objectives.

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

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

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

The risk management process comprises:

- defining policies regarding the management of significant risks;
- identifying and evaluating significant risks with a major impact in achieving the investment objective and developing activities that counteract the identified risk;
- risk control so that they fall within the risk tolerance limits;
- adapting the risk management policies to the financial progress of the capital market, monitoring the performances and through risk management procedures;
- reviewing investment decisions both tactically and strategically in correlation with the progress of the capital market;
- compliance with the legislation in force, the applicable regulations in Romania and the European Union and the internal regulations of the Company.

SIF Banat-Crişana, parent-company at Group level, constantly monitors the control of risks and how they may manifest or materialize in the value or volatility of the portfolio managed.

For each risk identified and evaluated, the person responsible for risk management will enunciate on the alternatives of risk approach and make proposals to the BoD / Directors on the most appropriate type of response.

An adequate reporting system is an integral part of the risk function and in particular for the Board of Directors and the Directors of the Company to provide them with the necessary framework for the exercise of their supervisory duties and responsibilities.

In order to ensure that the risk management function obtains the necessary information from the other compartments, a bottom-up reporting system is structured by specific internal procedures. The person responsible for risk management proposes, and the Board of Directors approves the nature, volume, format and frequency of information on significant risks. The reports contain detailed and analysed information on all identified and relevant risk categories, in order to substantiate the decisions regarding their control and treatment.

SIF Banat-Crişana and each of its subsidiaries are audited by external financial auditors, that in the audit missions verify and detect any inconsistencies and / or risks.

Through the unitary management of the investment activity, analysed and managed by SIF Banat-Crişana through the Investment compartment and by the strategy established by the Board of Directors, the risk mitigation is achieved.

At the associated entities

The subsidiaries of SIF Banat-Crişana are exposed to a series of risks that are carefully monitored at the level of each company by observing the policies and procedures approved by their boards of directors. Risk management policies and systems are periodically reviewed to reflect changes in the legislative environment, market conditions and activities.

The implemented risk management policies aim to identify and analyse the financial and operational risks faced by the company in question, as well as to analyse and remedy the risk factors associated with the activity carried out. The companies use policies and procedures to identify, manage and evaluate the types of risk to which they are exposed and take measures to eliminate or reduce the adverse effects of these risks on the activity.

SAI Muntenia Invest SA establishes and maintains, permanently and operationally, the risk management function. As registered AIFM, procedures have been implemented that guide the risk management activity for SAI Muntenia Invest SA and the managed entities. Thus, the company has implemented a risk management system to identify, evaluate, manage and properly monitor all relevant risks, in accordance with the provisions of art. 30-37 of EU Regulation no. 231/2013.

There is an increased attention at the group level for strengthening internal control systems and adapting procedures to the changing demands of each entity.

Compliance

SIF Banat-Crişana has implemented in its functional structure and permanently and operationally maintains the function of compliance checking, that is carried out independently of other activities. The Compliance Office is subordinated to the Board of Directors and has as main responsibilities:

- regularly monitoring and evaluating the effectiveness and adequacy of the implementation of the control measures and procedures established, as well as the measures available to resolve any situations of non-fulfilment of the company's requirements;
- providing consultancy and assistance to the relevant persons responsible for carrying out the services and activities to comply with the requirements imposed on the company in accordance with the legal provisions and regulations of the Financial Supervisory Authority.

The activity of the Compartment for internal control / compliance was carried out during H1 2019 pursuant to the Plan for Investigation and control for the year 2019 approved by the Board of Directors of SIF Banat-Crișana, of the ASF regulations, the work procedures and internal regulations.

Lines of action considered were: controlling the compliance with the applicable regulations specific for the capital market and / or internal procedures, providing information for the company and its personnel on legal requirements on the capital market, endorsement of documents submitted by SIF Banat-Crișana to ASF to obtain the authorizations provided by ASF regulations, endorsement of the reports submitted to capital market entities and ASF, endorsement of informative materials and advertisements issued by the company, other activities regarding the compliance of the company and employees with the legislation in force for the capital market and the internal regulations.

The actions of control/compliance checking ascertained the compliance with current legislation, regulations and internal procedures for the controlled operations. Following the control activities, recommendations for improving work procedures and activities were made.

ASF periodic control According to the ASF Decision no. 508 / 08.04.2019, between 13 and 31 May 2019, an ASF team performed a periodic control, addressing the activity SIF Banat-Crișana carried out between May 17, 2016 and May 13, 2019, in order to verify compliance with the legal provisions in force in the instrument sector and financial investments applicable to the activity carried out.

By letter no. DSC 3496 / 20.08.2019, the Financial Supervisory Authority transmitted the control report drawn up by the team that carried out the control activity during 13.05-31.05.2019.

For the findings and requests highlighted in the control report, the company made additional observations and explanations and submitted them to ASF together with the necessary documentation, within the time limit provided by the regulations in force.

Internal Audit

Company's activities are subject to a periodic internal audit, in order to provide an independent evaluation of its operations, the control and management processes, it evaluates the possible risk exposure on various activity segments (asset security, compliance with regulations and contracts, integrity of operational information and financial, etc.), makes recommendations for the improvement of the systems, controls and procedures to ensure the efficiency and effectiveness of the operations and monitors the corrective actions proposed and the results obtained.

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

The internal audits missions carried out in the first half of 2019 addressed:

- compliance with the working procedures related to administrative activities;
- organizing the meetings of the Board of Directors and the degree of fulfilment of its decisions;
- management of the portfolio of money market financial instruments and investments in municipal and corporate bonds, substantiating the investment / divestment decisions in these instruments and compliance with the approved competence limits;
- trading of securities, compliance with the short-term investment policy and approved working procedures;
- compliance with the procedure regarding conflict of interests, respectively of conflict of interests in which the members of SIF Banat-Crișana management and certain categories of employees are involved.

The audit reports comprising the mission, its findings, conclusions, recommendations and proposals of the Internal Auditor were presented to the Audit Committee and the Company's Board of Directors.

There were no significant situations identified to require the intervention of the Board of Directors.

Internal Audit considers that the activities and operations conducted by SIF Banat-Crişana in the first half of 2019, subject to the audit, are consistent with the policies, programs and management of the company, pursuant to the legislation and internal regulations.

Observance of shareholders' rights

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

SIF Banat-Crişana guarantees an equitable treatment for all shareholders, including the minority and non-resident shareholders, pursuant to legal provisions and those of Company's Articles of Association. SIF Banat-Crişana observes the right of shareholders to be informed, providing them timely and relevant information, enabling them to exercise their rights in a fair manner. The shareholders must exercise their rights in good faith and with the respect of the legitimate rights and interests of the Company and of the other shareholders.

Transparency in communication

SIF Banat-Crişana attaches importance to transparency in communication, believing that public confidence is essential for the good functioning of the company. The company intends to ensure continuous reporting in an objective and comprehensive manner, covering all the important aspects of the activity and the recorded results.

The Company's website is a useful platform for communicating with shareholders. In the section dedicated to investor relations, information of interest for shareholders is hosted and all the reports and reports regarding the company's activity are available, in Romanian and English.

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

In SIF Banat-Crişana there is operational an internal procedure, approved by the Board of Directors, concerning the conflict of interest and personal transactions, as required by ASF regulations and EU regulations applicable to alternative investment fund managers and concerning market abuse. The procedure includes rules on the Company concerning security and confidentiality of information, mainly dealing and preventing fraudulent practices and refraining from action of market manipulation.

Social responsibility, social matters, diversity

SIF Banat-Crişana fosters a culture of respect, collaboration and performance, where all employees can perform and grow under conditions of equality in terms of gender, ethnicity, age, etc. The company supports and encourages employees' individual abilities and turns them into added value for the organization, at human capital level.

The role of social actor for SIF Banat-Crişana is to promote professionalism, excellence, innovation, responsibility, teamwork, diversity, commitment.

The SIF Banat-Crişana Group does not have a formalized integrated procedure on diversity policy.

However, at the group level there is a commitment to maintaining the highest ethical standards, promoting a culture of respect, collaboration and performance where all employees can perform and develop on equal terms in terms of gender, ethnicity, age, etc. The individual needs and

abilities of employees to transform them into added value for the organization at the level of human capital are promoted and encouraged.

Social responsibility of SIF Banat-Crișana is also constantly expressed by the use of procedures of appropriate management of environmental issues, responsible management of personnel, ensuring safety standards in the workplace, and in general by conducting socially responsible business practices.

SIF Banat-Crișana's policy on corporate social responsibility is published on company's website, www.sif1.ro, in the section dedicated to *Corporate Governance*.

Assessment of matters concerning the employees

The central social objective of the group consists in establishing a positive organizational culture, aiming at providing good working conditions for employees, pay and motivating motivation systems, correct systems and evaluation criteria, efficient information and control systems, full use and efficient of working hours, availability for change, commitment, good communication.

The evolution of the Group's number of employees is shown in the table below:

Company name	Average number of employees		
	2017	2018	June 2019
SIF Banat-Crișana	36	35	34
SAI Muntenia Invest	37	36	38
Administrare Imobiliare	10	9	9
TOTAL	83	80	81

Throughout H1 2019 there were no conflicting matters in the relations between management and employees, neither in SIF Banat-Crișana nor in the companies in the consolidation.

All companies in the consolidation have organizational and operational regulations approved by the Boards of Directors, describing how they are organized and regulating the operation of their compartments, setting competences for each compartment, their duties and responsibilities.

Assessment of matters concerning the environment

The SIF Banat-Crișana Group does not have an *Integrated Environmental and Social Governance Policy or Procedure* but covers the relevant aspects in this area in various corporate documents applicable to each company, specific to their work.

Although the specific activity of SIF Banat-Crișana does not have a negative impact on the environment, the Company is concerned with the use of procedures for proper management of environmental problems in its workflows related to the daily work carried out at the headquarters and the Bucharest branch, efficient use of energy, and protecting the environment.

Both SIF Banat-Crișana and the companies in the group - SAI Muntenia Invest SA and Administration Imobiliare SA - do not need special environmental permits and do not carry out activities with an impact on the environment.

7. EVENTS AFTER THE REPORTING PERIOD

- **July 16, 2019** – The Company reported that, on July 15, 2019, the Trade Register Office attached to the Arad Court communicated to the company the Resolution no. 11109/12.07.2019 granting the company's request and ordering the registering in the Trade Register of the mentions regarding the appointment of the financial auditor Deloitte Audit S.R.L. as financial auditor of the company, in accordance with the Resolution of the Ordinary General Meeting of SIF Banat-Crișana's Shareholders no. 1 of June 20, 2019.

- **July 22, 2019** – The Company reported that before the Arad Tribunal was constituted the file case no. 1583/108/2019, concerning the application for the annulment of the Resolution of the Ordinary General Meeting of Shareholders of SIF Banat-Crișana no. 1 of June 20, 2019, in contradiction with Flaros S.A. The Court set the first trial date for September 23, 2019.

- **July 23, 2019** – The Company reported by the Affidavit on S.I.F. Oltenia S.A. shareholding, upon the reduction of the stake below 5% of the share capital, according to the ASF Decision no. 601/23.04.2019.

- **July 25, 2019** – The Company reported that the Financial Supervisory Authority, by ASF Authorization no. 92/24.07.2019, authorized the amendment made in the Company's Articles of Association, as per Resolution of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders no. 1/20.06.2019.

- **July 29, 2019** – The Company reported by the Affidavit on S.I.F. Oltenia S.A. shareholding, that the total concerted shareholding is of 5.001124% of the share capital.

- **July 30, 2019** – The Company reported that before the Arad Tribunal was constituted the file case no. 1648/108/2019, concerning the application for the annulment of the Resolution of the Ordinary General Meeting of Shareholders of SIF Banat-Crișana no. 1 of June 20, 2019, in contradiction with SIF Oltenia S.A. The Court has not set the trial date.

- **July 31, 2019** – The Company, in compliance with the provisions of article 82 of Law no. 24/2017 and article 144 of ASF Regulation no. 5/2018, submitted the Limited Independent Assurance Report on the information included in the current reports prepared by the company in accordance with the provisions of Law no. 24/2017 and Regulation no. 5/2018, prepared by the financial auditor Deloitte Audit SRL concerning the transactions reported by the company during 01.01.2019 - 30.06.2019 with SIFI BH RETAIL S.A., a company in which SIF IMOBILIARE PLC, a SIF Banat-Crișana subsidiary, holds 99.9% of the share capital.

- **August 1, 2019** – As per the provisions of art. 87 paragraph (4) of ASF Regulation no. 9/2014, SIF Banat-Crișana informed the shareholders that, on July 30, 2019, has signed the addendum to the Depository and Custody Contract no. 1148/25.09.2017 with BRD - Groupe Société Générale S.A., arranging its termination by the agreement of the parties, and accordingly notified the Financial Supervisory Authority (ASF).

At the same time, the Board of Directors of SIF Banat-Crișana approved the conclusion of a new depository contract with Banca Comercială Română, a credit institution authorized by ASF to conduct depository activities. The new depository contract will be subject for the approval of ASF and will enter into force thereafter, according to the regulated procedures.

SIF Banat-Crișana will further inform the shareholders on the process of changing the depository bank.

- **August 14, 2019** - The Company informed the investors upon the publication of the Report for H1 2019, made available to the public starting August 14, 2016, in electronic form on the company's website, at www.sif1.ro and at the company's headquarters in Arad, Calea Victoriei 35A. The half-yearly report was prepared in accordance with the provisions of Law no. 24/2017, of the CNVM / ASF

Regulations no. 15/2004 and no. 5/2018 and ASF Norm no. 39/2015. The financial statements as of June 30, 2019 were not audited by the financial auditor of the company.

- **September 6, 2019** - The company informed the shareholders that, on September 6, 2019, together with the SIF Muntenia SA, through its administrator the Asset Management Company (SAI) Muntenia Invest SA, sent to the Dolj Court the request for authorization to convene the Ordinary General Meeting of Shareholders of SIF Oltenia S.A. pursuant to art. 119 paragraph (3) of the Companies Law no. 31/1990. The request for authorization submitted to the court refers to the agenda requested and registered at SIF Oltenia S.A. under no. 5071 / 11.06.2019, presented in the current report dated 11.06.2019 published by SIF Oltenia S.A., published on BVB/BSE website.

This report is accompanied by the following annex:

ANNEX 1 Condensed interim consolidated financial statements as at June 30, 2019 prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF – Financial Instruments and Investments Sector - **unaudited**

The version prepared in Romanian of the consolidated report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crișana in the meeting held on September 26, 2019.

Bogdan-Alexandru DRĂGOI
Chairman and CEO