

**SIF Banat-Crişana S.A.**

**Condensed interim consolidated financial statements  
as at June 30, 2019**

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 consolidated statement of profit or loss and other comprehensive income**  
**for the first semester ended June 30, 2019** (all amounts presented in RON)

<i>Denominated in RON</i>	<i>Note</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Income</b>			
Dividend income	8	85,737,938	71,003,960
Interest income	9	3,368,159	1,998,476
Other operating revenues	10	10,729,522	10,159,334
<b>Investment gains</b>			
Net Gain/(Loss) from foreign exchange differences		1,050,783	93,190
Net Gain / (Loss) from financial assets at fair value through profit and loss	11	19,941,711	(11,685,363)
Gain/(Loss) from sale of assets	12	-	(553,308)
<b>Expenses</b>			
Interest expenses		(198,233)	(6,277)
Commissions expenses	13	(1,645,436)	(1,649,701)
Other operating expenses	14	(12,929,533)	(12,289,395)
<b>Profit before tax</b>		<b>106,054,911</b>	<b>57,070,916</b>
Income tax	15	(8,405,118)	(2,199,570)
<b>Net profit for the period</b>		<b>97,649,793</b>	<b>54,871,346</b>
<b>Profit is attributed to:</b>			
Parent company		97,634,269	54,872,091
Non-controlling interests		15,524	(745)
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Fair value reserve (financial assets):			
Amount transferred to profit or loss		-	553,308
Change in fair value of the shares measured by other comprehensive income		160,050,735	52,368,711
Effect of the income tax related to them		(25,090,683)	2,667,838
<b>Other comprehensive income</b>		<b>134,960,052</b>	<b>55,589,857</b>
<b>Total comprehensive income for the period</b>		<b>232,609,845</b>	<b>110,461,203</b>
<b>Earnings per share</b>			
Basic		0.189	0.106
Diluted		0.189	0.106

The condensed interim consolidated financial statements were approved by the Board of Directors on September 26, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Dorel Baba  
Economic Director

**Condensed consolidated statement of financial position**  
**for the first semester ended June 30, 2019** (all amounts presented in RON)

<i>Denominated in RON</i>	<i>Note</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>			
Cash and cash equivalents	16	178,750,756	71,692,346
Bank deposits	17	2,502,333	21,830,010
Financial assets at fair value through profit or loss	18	1,165,595,570	1,105,989,676
Financial assets at fair value through other comprehensive income	19	1,252,362,446	1,190,434,235
Financial assets at amortized cost	20	6,602,842	6,505,683
Investment property	21	65,706,238	21,122,392
Tangible assets (property, plant and equipment)		3,730,735	3,539,223
Assets representing rights to use the underlying assets in a leasing contract		2,742,122	-
Other financial assets	22	6,133,087	7,160,019
Other assets		201,209	256,337
<b>Total assets</b>		<b>2,684,327,338</b>	<b>2,428,529,921</b>
<b>Liabilities</b>			
Dividends payable		-	5,495
Other financial liabilities	23	4,951,705	2,739,935
Borrowings	24	11,362,550	3,428,853
Deferred income tax liabilities	25	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
<b>Total liabilities</b>		<b>159,244,573</b>	<b>137,269,613</b>
<b>Equity</b>			
Statutory share capital	26	51,746,072	51,746,072
The effect of applying IAS 29 on the share capital	26	645,164,114	645,164,114
Treasury (own) shares	26	(223,486)	(223,486)
Losses from the repurchase of own shares		(559)	(559)
Benefits granted in equity instruments		3,570,000	2,380,000
Reserves set up under Law 133/1996		2,105,675,691	2,105,675,691
Effect of IAS 29 on equity items over retained earnings		(2,605,353,717)	(2,605,353,717)
Accumulated profit		747,832,171	682,583,149
Other reserves		852,475,011	775,288,784
Reserves from revaluation of tangible assets		105,016	105,016
Legal reserves		10,609,669	10,605,771
Differences from change of fair value for financial assets through other comprehensive income		712,423,635	622,243,796
<b>Total</b>		<b>2,524,023,617</b>	<b>2,290,214,631</b>
Non-controlling interests		1,059,148	1,045,677
<b>Total equity</b>		<b>2,525,082,765</b>	<b>2,291,260,308</b>
<b>Total liabilities and equity</b>		<b>2,684,327,338</b>	<b>2,428,529,921</b>

The condensed interim consolidated financial statements were approved by the Board of Directors on September 26, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Dorel Baba  
Economic Director

**Condensed consolidated statement of changes in equity**  
**for the first semester ended June 30, 2019** (all amounts presented in RON)

<i>in RON</i>	Inflated share capital	Treasury (own) shares	Losses from repurchase 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 tangible assets	Other reserves	Benefits granted in equity instruments	Accumulated profit	The effect of applying IAS 29 on equity items over retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at January 1, 2019</b>	<b>696,910,187</b>	<b>(223,487)</b>	<b>(559)</b>	<b>10,605,771</b>	<b>2,105,675,691</b>	<b>622,243,796</b>	<b>105,016</b>	<b>775,288,783</b>	<b>2,380,000</b>	<b>682,583,150</b>	<b>(2,605,353,718)</b>	<b>2,290,214,631</b>	<b>1,045,677</b>	<b>2,291,260,308</b>
Comprehensive income														
Profit for the period	-	-	-	-	-	-	-	-	-	97,634,269	-	97,634,269	15,524	97,649,793
<b>Other comprehensive income</b>														
Reserve from revaluation of financial assets transferred to profit and loss														
Reserve from revaluation of financial assets transferred to retained earnings														
Change in reserve	-	-	-	-	-	107,234,874	-	-	-	52,815,861	-	160,050,736	-	160,050,736
Revaluation of tangible assets														
Related deferred tax	-	-	-	-	-	(17,055,035)	-	-	-	(8,035,648)	-	(25,090,683)	-	(25,090,683)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,179,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,414,483</b>	<b>-</b>	<b>232,594,322</b>	<b>15,524</b>	<b>232,609,846</b>
Other reserves – own sources	-	-	-	-	-	-	-	77,186,227	-	(77,186,227)	-	-	-	-
Change of the reserve related to subsidiaries	-	-	-	3,898	-	-	-	-	-	20,766	-	24,664	(2,053)	22,611
Dividends payable for 2018														
Prescribed dividends														
Repurchase of own shares	-	-	-	-	-	-	-	-	1,190,000	-	-	1,190,000	-	-
Cancellation of own shares														
<b>Total transactions with shareholders recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,898</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77,186,227</b>	<b>1,190,000</b>	<b>(77,165,461)</b>	<b>-</b>	<b>1,214,664</b>	<b>(2,053)</b>	<b>22,611</b>
<b>Balance at June 30, 2019</b>	<b>696,910,187</b>	<b>(223,487)</b>	<b>(559)</b>	<b>10,609,669</b>	<b>2,105,675,691</b>	<b>712,423,635</b>	<b>105,016</b>	<b>852,475,011</b>	<b>3,570,000</b>	<b>747,832,171</b>	<b>(2,605,353,718)</b>	<b>2,524,023,617</b>	<b>1,059,148</b>	<b>2,525,082,765</b>

**Condensed consolidated statement of changes in equity**  
**for the first semester ended June 30, 2019** (all amounts presented in RON)

H1 2018	Share capital	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Changes from revaluation of financial assets through other comprehensive income	Treasury (own) shares	Losses from the repurchase of own shares	Other reserves	Reserves from revaluation of tangible assets	Benefits granted in equity instruments	Accumulated profit	The effect of applying IAS 29	Total	Non-controlling interests	Total equity
	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)
<b>Balance at January 1, 2018</b>	<b>700,330,055</b>	<b>26,734,310</b>	<b>2,105,675,691</b>	<b>808,753,426</b>	<b>(4,748,190)</b>	<b>(124,659)</b>	<b>(21,635,428)</b>	<b>62,597,610</b>	-	<b>1,186,668,064</b>	<b>(2,608,519,658)</b>	<b>2,255,731,221</b>	<b>85,920,781</b>	<b>2,341,652,002</b>
<b>Balance as at January 1, 2018 - restated</b>	<b>700,330,055</b>	<b>26,734,310</b>	<b>2,105,675,691</b>	<b>770,482,693</b>	<b>(4,748,190)</b>	<b>(124,659)</b>	<b>(21,635,428)</b>	<b>62,597,610</b>	-	<b>1,243,536,686</b>	<b>(2,608,519,658)</b>	<b>2,274,329,110</b>	<b>85,920,781</b>	<b>2,360,249,891</b>
Profit for the period	-	-	-	-	-	-	-	-	-	54,872,091	-	54,872,091	(745)	54,871,346
<b>Other moves in comprehensive income</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in reserve from revaluation of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve from revaluation of financial assets available for sale through OCI transferred to profit and loss	-	-	-	553,308	-	-	-	-	-	-	-	553,308	-	553,308
Reserve from revaluation of financial assets transferred to retained earnings	-	-	-	(70,186,930)	-	-	-	-	-	70,186,930	-	-	-	-
Change in reserve from revaluation of financial assets through other comprehensive income	-	-	-	52,368,711	-	-	-	-	-	-	-	52,368,711	-	52,368,711
Related deferred tax	-	-	-	2,667,838	-	-	-	-	-	(11,132,023)	-	(8,464,185)	-	(8,464,185)
<b>Total comprehensive income for the period</b>	-	-	-	<b>-14,597,073</b>	-	-	-	-	-	<b>113,926,998</b>	-	<b>99,329,925</b>	<b>(745)</b>	<b>99,329,180</b>
Increase / decrease interests in subsidiaries	-	16,556	-	-	-	-	-	-	-	1,291,872	-	1,308,428	(1,813)	1,306,615
Change of the reserve related to deconsolidated subsidiaries	-	(15,517,325)	-	-	-	-	21,635,428	(62,499,816)	-	52,360,321	-	(4,020,648)	(85,914,677)	(89,935,325)
Repurchase of own shares	-	-	-	-	-	-	-	-	595,000	-	-	595,000	-	595,000
Cancellation of own shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with shareholders recognized directly in equity</b>	-	<b>(15,500,769)</b>	-	-	-	-	<b>21,635,428</b>	<b>(62,499,816)</b>	<b>595,000</b>	<b>53,652,193</b>	-	<b>(2,117,964)</b>	<b>(85,916,490)</b>	<b>(88,034,455)</b>
<b>Balance at June 30, 2018</b>	<b>700,330,055</b>	<b>11,233,541</b>	<b>2,105,675,691</b>	<b>755,885,620</b>	<b>(4,748,190)</b>	<b>(124,659)</b>	-	<b>97,794</b>	<b>595,000</b>	<b>1,411,115,876</b>	<b>(2,608,519,658)</b>	<b>2,371,541,071</b>	<b>3,546</b>	<b>2,371,544,616</b>

The condensed interim consolidated financial statements were approved by the Board of Directors on September 26, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Dorel Baba  
Economic Director

**Condensed consolidated cash flow statement**  
**for the first semester ended June 30, 2019 (all amounts presented in RON)**

Denominated in RON

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Cash flow from operating activities</b>		
Net profit for the period	97.649.793	54.871.346
<b>Adjustments for:</b>		
Amortization of tangible and intangible assets	477,050	263,328
Net (gain)/loss from disposal of tangible assets	(10,415)	(24,456)
Net (gain)/loss from valuation of investment property		-
Expenses on adjustments for impairment of assets		(112,167)
Net profit from sale of assets (Note 12)		553,308
(Net gain)/Net loss from financial assets at fair value through profit or loss (Note 11)	(19,941,711)	11,685,363
(Net gain)/Net loss from disposal/purchase subsidiaries		-
Dividend income (Note 8)	(85,737,938)	(71,003,960)
Interest income	(3,368,160)	(1,992,200)
Interest expenses	198,233	
Expense with / (income from) other provisions and adjustments		(276)
(Income)/Expenses on foreign exchange differences	(742,404)	(4,285)
Benefits granted in equity instruments	1,190,000	
Income tax (Note 15)	8,405,118	2,186,483
<b>Operating profit before changes in assets and liabilities</b>		
<b>Changes in operating assets and liabilities</b>		
Changes in other assets	(1,630,894)	(2,690,203)
Changes in inventories		-
Changes in other liabilities	(711,340)	(1,152,370)
Income tax paid	(12,623,461)	(26,378,228)
<b>Net cash generated by operating activities</b>	<b>(16,846,128)</b>	<b>(33,798,316)</b>
<b>Cash flow from investment activities</b>		
Collected interest	3,162,721	3,601,369
Payments for purchase of tangible assets and investment property	(43,214,374)	(46,499)
Payments for purchase of shares in subsidiaries and associated entities (Note 18)	(44,424,999)	(398,400)
Payments for purchase of shares, bonds, fund units (Note 18, 19)	(84,348,555)	(132,785,028)
Proceeds from sale of securities (shares, govt. bonds, bonds)	103,332,318	136,544,019
(Placements) / Proceeds from term deposits greater than three months	19,230,661	13,359,500
Proceeds from sale of assets at fair value through profit or loss account	84,698,625	16,000,255
Proceeds from sale of tangible assets	12,000	-
Dividends collected	80,797,410	65,938,360
<b>Net cash used in investment activities</b>	<b>119,245,807</b>	<b>102,213,577</b>
<b>Cash flow from financing activities</b>		
Proceeds / Loan repayments	4,774,928	(24,019)
Dividends paid to shareholders of the company	(8,207)	(1,550)
Repurchase of own shares		
Interest paid	(107,181)	(6,277)
<b>Net cash used in financing activities</b>	<b>4,659,540</b>	<b>(31,846)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>107,059,219</b>	<b>68,383,414</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>71,691,538</b>	<b>20,108,338</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>178,750,757</b>	<b>88,491,752</b>

**Cash and cash equivalent comprise:**

	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Petty cash	6,650	2,863
Current accounts at banks	74,322,625	18,913,271
Bank deposits with initial maturity less than 3 months	104,350,000	69,522,000
Interest attached to deposits	57,972	41,094
Other values	13,510	12,524
<b>Cash and cash equivalent</b>	<b>178,750,757</b>	<b>88,491,752</b>

The condensed interim consolidated financial statements were approved by the Board of Directors on September 26, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi  
Chairman, CEO

Dorel Baba  
Economic Director

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

### **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, Capital market Law no. 297/2004, with subsequent amendments and changes, authorized as AIFM according to Law no. 74/2015.

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 is BRD Groupe Société Générale and the company providing registry services is Depozitarul Central SA Bucharest.

The company has applied the requirement of Law no. 24 /2017 on issuers of financial instruments and market operations which provides that the half-yearly financial report shall be published no later than 3 months after its conclusion. At the same time, the Company also applied an interpretation contained in the document on the agenda issued by the European Commission Internal Market Service for the meeting of the Accounting Regulation Committee (document ARC / 08/2007) regarding the relationship between the IAS Regulation and the Directives of 4 and 7 of the Trading Companies Law. The Commission Services Department was of the opinion that, if a company chooses or has to draw up annual financial statements, in accordance with IFRS adopted by the European Union, it can independently prepare and submit a set of standalone financial statements as opposed to a set of consolidated financial statements.

SIF Banat-Crișana's condensed interim standalone financial statements as of June 30, 2019 were approved by the Board of Directors on August 13, 2019, prior to the approval of these condensed interim consolidated financial statements.

The Company's condensed interim consolidated financial statements as at June 30, 2019 comprise the Company, its subsidiaries and associates (the "Group"). Subsidiaries and associates are disclosed in the Note 3 to these interim financial statements.

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

During Q1 2018, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). Thus, starting with the financial year 2018, the Company prepares consolidated financial statements, including in the consolidation the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). The other subsidiaries and associates were deconsolidated and measured by the Company at fair value through profit or loss. Under these circumstances, the Company prepares two sets of financial statements: separate and consolidated financial statements, in accordance with IFRS 10 and IAS 27. Moreover, 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 also apply the exception provided by IFRS 10 regarding the investment entities and for the financial statements related to the financial year 2019.

Based on the requirements of Law no. 24/2017 and the ASF Regulation no. 5 on Issuers of Financial Instruments and Market Operations, the Company will prepare and submit consolidated interim financial statements for H1 2019 within three months of its end.



## **Notes to the condensed interim consolidated financial statements as at *June 30, 2019*** **(all amounts presented in RON)**

### **2. Bases of preparation**

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

These condensed interim consolidated financial statements have been prepared pursuant to the 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").

The accounting records of the Company and its subsidiaries are kept in RON.

As not all subsidiaries apply International Financial Reporting Standards as the accounting basis, accounts prepared in accordance with the Romanian Accounting Regulations ("RCR") are restated to reflect the differences between RCR-compliant and IFRS-compliant accounts. Accordingly, the RCR accounts are adjusted to the necessary extent to harmonize these financial statements in all material respects with the IFRS requirements adopted by the European Union by Regulation 1606/2002 of the European Parliament and of the Council of the European Union from July 2002 and those of the ASF Rule no. 39/2015.

In addition to the specific consolidation adjustments, the main restatements of the financial information presented in the financial statements prepared in accordance with the RCR and the IFRS adopted by the European Union are:

- grouping several items into more comprehensive categories;
- assets, liability and equity adjustments in accordance with IAS 29 "Financial reporting in hyperinflationary economies" because the Romanian economy was a hyperinflationary economy until December 31, 2003;
- fair value adjustments also for the impairment of financial assets (debt instruments at amortized cost or at fair value through other comprehensive income) in accordance with IAS 9 "Financial Instruments";
- adjustments to the consolidated statement of comprehensive income to record dividend income at the time of their reporting and at gross value;
- adjustments for the recognition of deferred tax assets and liabilities in accordance with IAS 12 "Income Tax";
- investment property adjustments for their fair value measurement in accordance with IAS 40 "Investment Property"; and
- disclosure requirements in accordance with IFRSs.

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 consolidated financial statements for H1 ended on June 30, 2019, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the consolidated financial statements for 2018 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).

#### **(b) Presentation of the condensed interim consolidated financial statements**

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

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

### **(c) Bases of measurement**

The condensed interim consolidated 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) Going concern**

The condensed interim consolidated financial statements have been prepared using the going concern assumption that the companies in the Group will be able to dispose of their assets and meet their obligations in the course of their operating activities.

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

The management of the Group 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 consolidated financial statements are presented in RON, rounded to the nearest unit, which is the presentation currency chosen by the Group's management.

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

The preparation of the condensed interim consolidated financial statements 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 requires that management of the Group 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 of the Group in applying IFRS that have a significant impact on the consolidated financial statements and the estimates that involve a significant risk of a material adjustment in the next year are presented in the annual financial statements.

### **(g) 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. Bases of consolidation**

### **a) Subsidiaries and associated entities**

The subsidiaries are entities under the control of the Company. The control exists when the Company is exposed or has rights on the variable profitability based on its participation in the entity in which it invested and has the capacity to influence that income through its authority over the invested entity. On the date of control evaluation, the potential or convertible voting rights exercised on the respective date are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements as of the date when it begins exercising the control until its termination. The accounting policies of the subsidiaries were amended in order to harmonize them with the Group's policies.

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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, except for the subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). As per the provisions of IAS 27 and IFRS 10, starting with the financial year 2018, the Company measures all the subsidiaries at fair value through profit or loss, except for the subsidiaries providing investment related services, that will continue to 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 further apply the exception provided by IFRS 10 regarding the investment entities for the financial statements for the financial year 2019.

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

No.	Company name	Percentage held (%)	
		June 30, 2019	December 31, 2018
1	(SIF Imobiliare PLC Nicosia)	99.99	99.99
2	(SIFI 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

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

\* a stake of 50.20 of Uniteh SA in owned by SIF Imobiliare PLC Nicosia

For the purpose of IFRS 10, the date of initial application, the transition, is the beginning of the annual reporting period to which this IFRS applies for the first time.

Considering that, if the period in which the Company applies the amendments in the *Investment Entities* document is subsequent to the one in which it applies IFRS 10 for the first time, the Company interprets that “the date of initial application” is “the beginning of the annual reporting period for which the amendments in the *Investment Entities* document (Amendments to IFRS 10) are applied for the first time”. Thus, when establishing the deconsolidated values, the Company took into account the value of the deconsolidated subsidiaries as at December 31, 2017.

In order to remove from the scope of consolidation of the subsidiaries, the Company performed the following: (i) derecognition of the assets (including any goodwill) and liabilities of the deconsolidated subsidiaries and the carrying amount of non-controlling interest in these subsidiaries, (ii) reclassification to profit or loss or to retained earnings of the recognized amounts in other comprehensive income on deconsolidated subsidiaries, and (iii) recognition of any difference resulting as gain or loss in profit or loss attributable to the Company.

The impact in the consolidated financial statements as at 30 June 2018 as a result of the removal from the scope of consolidation of the subsidiaries presented in the previous table is summarized below:

Subsidiaries excluded from consolidation	Equity subsidiary	Fair value of stake	Investment parent company	Total assets subsidiary	Total liabilities subsidiary	Net assets	Non-controlling interests	Net assets for parent company	Gain/(Loss) losing control
TOTAL	418,197,106	637,884,158	411,911,058	1,149,181,831	(407,573,111)	741,608,720	85,914,677	655,694,044	(17,809,885)

**Associates**

The number of entities in which the Company holds stakes between 20% and 50% as at 30 June 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 scope of consolidation beginning January 1, 2018, as a result of 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 companies;
- 13 entities (December 31, 2018: 14) in insolvency / liquidation / bankruptcy.

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The effect of the removal from the scope of consolidation the associated entities is presented in the table below:

Values as at January 1, 2018	Biofarm	Gaz Vest	Total
Equity value	63,295,657	5,404,853	68,700,510
Fair value of stake	66,817,208	28,208,657	95,025,865
<b>Difference from deconsolidation associates</b>			<b>26,325,355</b>
<b>Gain / (Loss) from losing control over subsidiaries</b>			<b>(17,809,885)</b>
<b>Total result exemption from consolidation under IFRS 10 - gain</b>			<b>8,515,470</b>

**b) Transactions removed from consolidation**

The settlements and the transactions within the Group, as well as the profits not realized resulted from transactions within the Group, are entirely removed from the consolidated financial statements.

The accounting policies presented below have been applied coherently for all periods presented within these consolidated financial statements. The accounting policies have been applied coherently by all the entities of the Group.

**4. Operational segments**

The Group operates on a single segment, i.e. financial activity.

**5. Significant accounting policies**

The accounting policies used in these condensed interim consolidated financial statements are consistent with those of the consolidated financial statements prepared as at December 31, 2018

The main accounting policies applicable to financial instruments are presented below:

**Financial assets and liabilities**

**Financial instruments, as per IFRS, comprise the following:**

- investments in equity instruments (e.g. shares);
- investments in debt instruments (e.g. securities, bonds, loans);
- trade receivables and other receivables;
- cash and cash equivalent;
- derivatives;
- stakes in subsidiaries, associates and joint ventures - according to the provisions of IFRS 10 / IAS 27 / IAS 28.

**(i) Classification**

Financial instruments held are classified by the Group in accordance with IFRS 9 "Financial Instruments" in financial assets and financial liabilities.

The Group classifies **the financial assets** as measured at amortized cost, at fair value through other comprehensive income or fair value through profit or loss based on:

- (a) the entity's business model for the management of financial assets;
- (b) the characteristics of the contractual cash flows of the financial asset.

**Business model**

- It represents the manner in which an entity manages its financial assets in order to generate cash flows: *collection, sale of assets or both of them*;
- Its determination is realized by facts, considering: *the valuation and reporting modality of their performance*, the current *risks* and the *management modality* thereof and the *management compensation modality* (based on fair value or based on cash flows related to these investments);

*Model of held for collection assets*

- Managed in order to carry out the cash flows by collecting the principal and the interest during the lifetime of the instrument;
- The hold-to-maturity is not necessary;

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

- There are categories of sale transactions compatible to this model: those ones due to the increase of the credit risk, infrequent or insignificant sales from the value point of view or sales on dates closed to the due date of the instruments;
- The accounting recording of these assets (if the SPPI criterion is also fulfilled and the fair value option was not selected) is made at amortized cost (using the effective interest method; the interests, earnings or losses from impairment and the exchange rate differences – in profit and loss).

### *Model of assets held-for-collection and held-for-sale*

- Managed both to realize cash flows from collection and through the (full) sale of assets;
- The sales have high frequency and value compared to the previous model, without mentioning a certain threshold to classify within this model;
- The purpose of these sales can be: managing the current liquidity needs, mentioning certain structure of the output obtained or optimization decisions of the entity's balance sheet (correlation of the term of financial assets with that of financial liabilities).
- The accounting registration of these assets (if the SPPI criterion is also fulfilled and the fair value option was not selected) is made at the fair value through other comprehensive income (using the effective interest method; the interests, earnings or losses from impairment and the exchange rate differences – in profit and loss / variation of the fair value of these instruments – in other comprehensive income, the amounts recognized in other comprehensive income are recycled through profit and loss when the asset is derecognized).

### *Other business model*

- The assets managed in order to carry out the cash flows by means of sale;
- The collection of cash flows related to these investments is incidental, it does not represent the purpose of their holding;
- Assets whose performance is managed and reported based on their fair value;
- Liability items (debt instruments) acquired for the sale in the near future, are meant to obtain short-term profit or these are derivative instruments;
- The accounting recording of these assets is made at the fair value through profit and loss.

### **SPPI test**

It comprises criteria that evaluates to what extent the structure of the cash flows of a liability instrument classifies within the model of the base credit agreement (the interest reflects to a great extent of the value in time of money and credit risk).

There are some ratios that indicate the case in which the liabilities instruments held should be evaluated at the fair value through profit and loss:

- non-standard interest rate;
- presence of the leverage effect;
- hybrid instruments (including an incorporated derivative).

There are also ratios that, although they would impose a registration at fair value, can comply, under certain circumstances, with the SPPI criterion and so the respective assets should be accounted for at amortized cost:

- the existence of an anticipated reimbursement option or extension of the asset term;
- assets without recourse that should guarantee the debt reimbursement
- contractually related instruments.

### **Financial assets measured at fair value through profit or loss (FVTPL)**

A financial asset must be measured at fair value through profit or loss, except if it is measured at amortized cost or at fair value through other comprehensive income.

### **Financial assets measured at fair value through other comprehensive income (FVOCI)**

A financial asset, such as debt instruments, must be measured at fair value through other comprehensive income if both conditions below are complied with:

- a) the financial asset is held within a business model whose goal is achieved by collecting the contractual cash flows and the sale of financial assets and
- b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

The Group can make an irrevocable choice upon the initial recognition in case of certain investments in equity instruments that otherwise would have been evaluated at the fair value through profit or loss to

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

present the subsequent modifications of the fair value in other comprehensive income (according to paragraphs 5.7.5 and 5.7.6 of IFRS 9 – Financial Instruments).

### **Financial assets measured at amortized cost**

A financial asset must be measured at amortized cost if both conditions below are complied with:

- (a) the financial asset is held within a business model whose goal is to hold financial assets in order to collect the contractual cash flows and
- (b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

**Financial liabilities** – are measured at amortized cost, except for the financial liabilities classified at fair value through profit or loss.

### **(ii) Recognition**

The assets and liabilities are recognized on the date when the Group becomes a contractual party to the conditions of the respective instrument. When the Group recognizes a financial asset for the first time, it must classify it according to paragraphs 4.1.1-4.1.5 (at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income) of IFRS 9 and value it according to paragraphs 5.1.1-5.1.3. (a financial asset or financial liability is measured at fair value adding or subtracting the transaction costs, directly attributable to the acquisition or issue of the asset or liability).

### **(iii) Measurement**

After the initial recognition, the entity must measure the financial assets according to paragraphs 4.1.1 – 4.1.5 of IFRS 9 at:

- a) Amortized cost;
- b) Fair value through other comprehensive income; or
- c) Fair value through profit or loss.

After the initial recognition, the entity must value the financial liabilities according to paragraphs 4.2.1-4.2.2 of IFRS 9. Thus, the Group will classify all financial liabilities at amortized cost, except for:

- a) The financial liabilities measured at fair value through profit or loss;
- b) The financial liabilities that appear when the transfer of a financial asset does not qualify for derecognition;
- c) Financial collateral contracts valued at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);
- d) commitments to provide a loan at an interest rate below the market value measured at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15)
- e) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

### **Measurement at amortized cost**

The amortized cost of a financial asset or of a financial liability is the value at which the financial asset or the financial liability is measured after the initial derecognition minus the reimbursement of principal, plus or minus the accumulated amortization using the effective interest method for each difference between the initial value and the value at due date, and minus any reduction (direct or by the use of an adjustment account) for impairment or unrecoverability.

The effective interest rate represents the rate that updates exactly the future payments and proceeds in cash during the forecasted life of the financial instrument or, where applicable, during a shorter period, up to the level of the net carrying amount of the financial asset or of the financial liability. For the calculation of the effective interest rate, the entity must estimate the cash flows considering all contractual conditions of the financial instrument, but must not consider the future losses from the changes in credit risk. The calculation includes all fees paid or cashed by the contracting parties that make integral part of the effective interest rate, transaction costs and all the other premiums and discounts.

### **Measurement at fair value**

Fair value represents the price that would be received upon the sale of an asset or paid to extinguish a debt within a transaction developed under normal conditions between the participants in the principal market, on the measurement date, or in the absence of the principal market, on the most advantageous market to which the Group has access at that date.

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

The Group measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily available and regularly. The Group measures the instruments quoted on the active markets using the closing price.

A financial instrument is considered as being quoted on an active market when the quoted prices are readily available and regularly from an exchange, dealer, broker, association within the industry, a service for establishing the prices or a regulatory agency, and these prices reflect the transactions occurring actually and regularly, developed under objective market conditions.

Within the category of shares quoted on an active market, all those shares admitted to trading on the Stock Exchange or on the alternative market having frequent transactions are included. The market price used to determine the fair value is the closing price of the market on the last trading day before the measurement date.

The fund units are measured according to the Net Asset Value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Group notices that there is no active market for the fund holding, it recurs for measurement to the public financial statements of the fund holding, respectively to the net asset value. According to the net asset, a corrected Net Asset Value is obtained used to evaluate the units in the financial statements of SIF Banat-Crişana.

Government securities are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

In the absence of a price quotation on an active market, the Group uses measurement techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuers, within the assessment compartment existing within the Group.

The valuation techniques include techniques based on the use of observable inputs, such as the quoted price of the identical element held by another party as asset, on a market that is not active, and for the assets for which the observable prices are not available, measurements techniques based on the analysis of the updated cash flows, and other measurement methods used regularly by the market participants. These include the method of comparisons with similar instruments for which there is an observable market price or the percentage method of the net assets of these companies adjusted with a discount for minority ownership and a discount for lack of liquidity, using at maximum the market information, being based at minimum on the specific company information. The Group uses evaluation techniques that maximize the use of observable data and minimize the use of non-observable data. The assessment techniques are used regularly.

The value resulted through the use of a measurement model is adjusted depending on the number of factors, because the valuation techniques do not reflect reliably all factors considered by the market participants when closing a transaction. The adjustments are recorded so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. The Company management considers that these adjustments are necessary to present a faithful measure of the value of the financial instruments held at fair value in the statement of financial position.

### **(iv) Identification and measurement of value impairment**

The Group must recognize a provision for the forecasted losses from credit corresponding to a financial asset that is measured according to paragraph 4.1.2 or 4.1.2A of IFRS 9 (debt instruments measured at amortized cost or at the fair value through other comprehensive income), a receivable resulting from a leasing agreement, a credit commitment and a financial guarantee agreement.

The Group applies the impairment provisions for the recognition of the provision for losses corresponding to the assets measured at fair value through other comprehensive income (debt instruments that meet the criteria of paragraph 4.1.2A of IFRS 9 – assets held in order to collect the cash flows and sales, whose cash flows represent exclusively principal reimbursement or interest payments). The provision determined is recognized considering other comprehensive income and does not reduce the carrying amount of the financial asset from the statement of the financial position.

For each reporting date, the Group measures the provision for losses corresponding to a financial instrument at a value equal to:

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- The credit losses forecasted for a 12-month period, if the credit risk has not increased significantly as of the initial recognition;
- The credit losses forecasted during the entire life, if the credit risk has increased significantly as of the initial recognition.

The Group recognizes in profit or loss, as earnings or losses from impairment, the value of the forecasted, recognized or reversed losses, required to adjust the provision for losses on the reporting date up to the level imposed by the provisions of IFRS 9.

The Group assesses the expected credit losses of a financial instrument so that it represents:

- An impartial value, resulted from the weighting of more possible results depending on the probabilities related thereto;
- The time value of money;
- Reasonable information available at no cost or disproportionate effort at reporting date.

The Group may assume that the risk credit for a financial instrument has not increased significantly as of the initial recognition if the financial instrument is considered to have a low credit risk on the reporting date. A financial instrument is considered to have a low credit risk if:

- The debtor has a high capacity to meet the obligations associated with short-term contractual cash flow;
- Unfavourable changes in the business and the business environment may, but not necessarily, reduce the debtor's ability to meet its obligations.

In the assessment of low credit risk for issuers, no real collateral is taken into account. At the same time, financial instruments are not considered to be of low risk only because they have a lower risk than the other instruments issued by the debtor or in comparison with the credit risk prevailing in the geographical region or the jurisdiction in which it operates.

In the credit risk assessment, the Group uses both external credit risk ratings and internal ratings that are consistent with generally accepted definitions of credit risk.

**(v) Derecognition**

The Group derecognizes a financial asset when the rights to receive cash flows from that financial asset expires or when the Group transferred the rights to receive the contractual cash flows corresponding to that financial asset in a transaction in which it transferred significantly all risks and benefits of the ownership right.

Any interest in the financial assets transferred retained by the Group or created for the Group is recognized separately as an asset or liability.

The Group derecognizes a financial debt when all contractual obligations ended or when the contractual obligations are cancelled or expired.

Derecognition of financial assets and liabilities is accounted for using the weighted average cost method.

**(vi) Reclassifications**

If the Group reclassifies the financial assets according to paragraph 4.4.1 of IFRS 9 (as a result of changing the business model for the management of its financial assets), then all the affected financial assets will be reclassified. The financial liabilities cannot be reclassified after the initial recognition.

The Group applies the reclassification of financial assets prospectively as of the reclassification date. The eventual earnings, losses or interests recognized before will not be restated.

If a reclassification occurs, the Groups proceeds as follows:

- When reclassifying an asset in the amortized cost category to fair value through profit or loss, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in profit or loss;
- When reclassifying an asset in the fair value through profit or loss category to the amortized cost, the fair value at the date of reclassification becomes the new gross carrying amount;
- When reclassifying an asset in the amortized cost category to fair value through other comprehensive income, fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in other comprehensive income, without adjusting the effective interest rate or the expected loss from the borrowing;



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- When reclassifying an asset in the fair value category by other elements of the comprehensive income to the amortized cost, the reclassification is carried at the fair value of the asset from the reclassification date. Amounts previously recognized in other comprehensive income are eliminated in relation to the fair value of the asset, without affecting the profit or loss account. The actual interest rate and the expected loss on credit are not adjusted as a reclassification effect;
- When reclassifying an asset in the fair value through profit or loss category to fair value through other comprehensive income, the asset continues to be measured at its fair value;
- When reclassifying an asset of fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. Amounts previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment (in accordance with IAS1).

**(vii) Gains and losses**

Gains or losses resulting from a change in the fair value of a financial asset or of a financial liability that is not part of a hedging relationship are recognized as follows:

- a) The gains or losses generated by financial assets or financial liabilities classified as being measured at fair value through profit or loss are recognized in profit or loss;
- b) The gains or losses generated by a financial asset measured at fair value through other comprehensive income are recognized in other comprehensive income.

When the assets are derecognized, the accumulated losses or gains previously recognized in other comprehensive income:

- are reclassified from equity in profit or loss, in the case of debt instruments;
- are transferred to retained earnings, in case of equity instruments (shares).

When the financial assets are impaired or derecognized and the financial liabilities are accounted for at amortized cost, and through their amortization process, the Group recognizes the gains or the loss in the income statement (profit and loss account).

As regards the recognized financial assets using the settlement date accounting, no change of the fair value of the asset to be received during the period between the trading date and the settlement date is recognized for the assets carried at cost or at amortized cost (except for impairment losses). But for the assets accounted for at fair value, the change in fair value must be recognized in profit or loss or in equity, as the case may be.

**e) Other financial assets and liabilities**

Other financial assets and liabilities are evaluated at amortized cost using the effective interest method.

**6. 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 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.

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

For shares that based on IAS 39 were accounted for at cost, the Company developed a fair value measurement methodology when switching to IFRS 9.

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

Until December 31, 2017, the Company prepared consolidated financial statements only at the end of the financial year. Starting January 1, 2018, the Company also prepares half-year consolidated financial statements.

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**7. Management of significant risks**

The risk management activity can be found in the organizational structure of the Company and covers both general and specific risks, as provided by Law no. 297/2004 and by C.N.V.M. Regulation no. 15/2004, as subsequently amended and supplemented.

The most important financial risks to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and price risk of equity instruments. This note presents information regarding the Group's exposure to each of the aforementioned risks, the Group's objectives and policies, and the risk assessment and risk management processes.

The Group uses a variety of policies and procedures for managing and evaluating the types of risk to which it is exposed. These policies and procedures are presented in each subchapter for each risk type.

**7.1 Financial risk**

**(a) Market risk**

Market risk is the current or future risk of recording losses on balance sheet and off-balance sheet positions due to adverse market fluctuations in prices (such as, for example, stock prices, interest rates, exchange rates). The management of the Company sets the limits of risk that can be accepted, limits that are regularly monitored. However, the use of this approach does not prevent losses outside the limits set in the event of a significant market fluctuation.

The position risk is associated with the portfolio of financial instruments held by the Company with the intention of benefiting from the favourable evolution of the price of the respective financial assets or the possible dividends / coupons granted by the issuers. The Group is exposed to the risk of position, both to the general and to the specific one, due to the short-term investments in bonds, shares and fund units.

The management has always pursued and aims to minimize possible adverse effects associated with this financial risk, through an active policy of prudential diversification of the portfolio, as well as using one or more risk mitigation techniques depending on the evolution of prices on the market related to the financial instruments owned by the Group.

**Concentration risk**

The concentration risk concerns all the assets held by the Group, irrespective of their holding period, and by means of mitigating this type of risk, the aim is to avoid registering too much exposure to a single debtor / issuer at Group level.

The management policy of the diversification of exposures is applied on the structure of the portfolio, on the structure of the business model, as well as on the structure of exposures to financial risks. Thus, this diversification policy implies: diversifying the portfolio by avoiding excessive exposure to a debtor, issuer, country or geographical region; the diversification of the structure of the business plan aims at the Group level to avoid excessive exposure to a certain line of business / sector of activity; the diversification of the financial risk structure aims to avoid excessive exposure to a certain type of financial risk.

The market risk of equity instruments mainly results from the actions valued at fair value through other elements of the global result and through the profit or loss account. The entities in which the Group owns stakes operate in various industries.

The objective of market risk management is to control and manage market risk exposures within acceptable parameters, in order to optimize profitability.

The Group's strategy for managing market risk is driven by its investment objective, and market risk is managed in accordance with the policies and procedures used.

The Group is exposed to the following categories of market risks:

*(i) Equity price risk*

Price risk is the risk of incurring losses from both 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 it holds fluctuates as a result of changes in market prices, either due to factors specific to the activity of its issuer or factors affecting all instruments traded on the market.

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The Board of Directors monitors how the market risk is managed, and the internal procedures provide that when the price risks are not in line with the investment policy and the Group's principles must be re-balanced the portfolio.

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

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

The Group holds shares in companies that operate in various economic sectors. As can be seen from the table below, on June 30, 2019, the Group held mainly shares in companies active in the financial-banking and insurance field, with a stake of 50.7% of the total portfolio, decreasing from the weight of 51.1% registered as of December 31, 2018.

In RON	June 30, 2019	%	December 31, 2018	%
Financial intermediation and insurance	1,047,094,510	50.7%	998,717,798	51.1%
Manufacturing industry	372,007,266	18.0%	333,231,839	17.0%
Hotels and restaurants	139,366,047	6.8%	126,746,145	6.5%
Wholesale and retail trade, repair of motor vehicles	32,339,186	1.6%	37,902,258	1.9%
Production and supply of energy, gas and water	25,291,310	1.2%	27,242,153	1.4%
Extractive industry	64,774,668	3.1%	54,416,217	2.8%
Other activities	3,021,378	0.1%	2,901,664	0.1%
Financial services applicable to real estate	308,118,630	14.9%	304,495,261	15.6%
Constructions	207,671	0.0%	667,238	0.0%
Transport and storage	60,769,588	2.9%	57,659,329	2.9%
Rental of real estate	10,180,520	0.5%	10,570,630	0.5%
Agriculture, forestry and fishing	369,746	0.0%	378,546	0.0%
<b>TOTAL</b>	<b>2,063,540,519</b>	<b>100%</b>	<b>1,954,929,078</b>	<b>100%</b>

As at June 30, 2019 and December 31, 2018, the Group holds fund units of Closed Investment Funds Active Plus, Optim Invest, Certinvest Shares, Star Value, Omnitrend and Romania Strategy Fund (as at December 31, the holdings also included Closed Investment Fund Omnitrend). The Group is exposed to price risk in terms of placements made with a different degree of risk by these investment funds, the fair value of the investments in these assets as at June 30, 2019 is of RON 300,585,243 (December 31, 2018: RON 295,681,969).

*ii) Interest rate risk*

The interest rate risk represents the risk that the income or expenses, or the value of the Group's assets or liabilities fluctuate following the variation of the interest rates on the market.

As concerns the interest bearing financial instruments: the interest rate risk is composed of the fluctuation risk registered in the value of certain financial instruments following the variation of the interest rates and from the risk of the differences between the due date of the interest bearing financial assets and the interest bearing liabilities. But the interest rate risk can also influence the value of the interest bearing assets (for example: bonds), so that an increase of the interest rate on the market will determine the reduction of the future cash flows and can result in the reduction of their price, if they determine the increase of the investor's preference to place their funds in banking deposits or other instruments whose interest increased, and vice-versa – a reduction of the interest rate on the market can determine the increase of the price of shares and bonds and will determine an increase of the fair value of the future cash flows.

Concerning the Group's interest-bearing financial instruments, the policy is to invest in profitable financial instruments with a maturity of more than one year. Regarding the 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. However, most of the Group's financial assets are in stable currencies, whose interest rates are unlikely to vary significantly.

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Thus, the Group will be subject to limited exposure to the risk of the fair value rate or future cash flows due to fluctuations in the prevailing interest rates on the market.

The Group does not use derivative financial instruments to protect against the interest rate fluctuations.

The table below shows the annual interest rates obtained by the Group for interest-bearing assets during H1 2019:

Financial assets	RON range %		EUR range %	
	min	max	min	max
Bank deposits	1.00	3.00	-	-
Financial assets at fair value through profit or loss*	5.03	5.39	6.00	6.00
Financial assets at fair value through other items of comprehensive income**	-	-	5.75	5.75
Investments measured at amortized cost	-	-	5.98	6.01
Loans from affiliated parties	1.75	3.5	1	1

\* in the financial assets at fair value through profit and loss are included the bonds, denominated in RON and foreign currency, issued by SIF Banat-Crişana subsidiaries.

\*\* in financial assets at fair value through other comprehensive income corporate bonds are included.

The table below shows the annual interest rates obtained by the Group for interest-bearing assets during H1 2018:

Financial assets	RON range %		EUR range %	
	min	max	min	max
Bank deposits	0.45	2.20	-	-
Financial assets at fair value through profit or loss*	3.85	4.28	-	-
Financial assets at fair value through other items of comprehensive income**	3.25	5.75	5.75	5.75
Investments measured at amortized cost	-	-	5.98	5.98
Loans from affiliated parties	0	3.5	1	1

\* in the financial assets at fair value through profit and loss are included the bonds, denominated in RON and foreign currency, issued by SIF Banat-Crişana subsidiaries.

\*\* in financial assets at fair value through other comprehensive income govt. bonds (interest is the nominal coupon, not the yield on purchase / adjudication) and corporate bonds are included.

The table below contains a summary of the Group's exposure to interest rate risks. The table includes the assets and liabilities of the Group at the book values, classified according to the most recent date between the interest rate change date and the maturity date.

in RON	June 30, 2019	December 31, 2018
Bank deposits with term <3 months	104,350,000	57,227,855
Bank deposits with term >3 months	2,500,000	21,730,661
Financial assets measured at fair value through profit or loss - corporate bonds	48,213,890	40,562,280
Financial assets measured at fair value through other items of comprehensive income - government and corporate bonds	4,971,855	4,872,610
Financial assets measured at amortized cost	6,423,634	6,327,044
Loans from related parties	(7,995,702)	(3,063,669)
<b>TOTAL</b>	<b>158,463,677</b>	<b>127,656,781</b>

The impact over the net profit of the Group (interest revenues/expenses) of a modification of  $\pm 1,00\%$  of the interest rate corresponding to the floating interest bearing assets and liabilities denominated in other currencies, together with a modification of  $\pm 1.00\%$  of the interest rate for floating interest-bearing assets and liabilities denominated in RON is of RON 1,331,095 (December 31, 2018: RON 1,098,052).

*iii) Currency risk*

The currency risk is the risk of registering some losses or not achieving the profit estimated following the non-favourable fluctuations of the exchange rate. The Group invests in financial instruments and incurs transactions that are denominated in foreign currency, other than the functional currency, so that, it is exposed to the risks that the exchange rate of the national currency related to other foreign currency has

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adverse effects over the fair value or future cash flows of that part of the financial assets and liabilities denominated in another foreign currency.

The Group carried-out transactions during the reporting periods both in the Romanian currency (Leu), and in foreign currency. The Romanian currency fluctuated compared to the foreign currencies, EURO, and USD.

The financial instruments used give the possibility to keep the value of the monetary assets held in RON, realizing investments and cashing the interests depending on the due date.

The Group did not carry out any transaction with derivatives on the exchange rate during the financial years presented.

The Group's financial assets and liabilities in foreign currencies as at June 30, 2019 and December 31, 2018, may be analysed as follows:

*Financial assets and liabilities exposed to exchange rate risk (in RON)*

	June 30, 2019	December 31, 2018
Cash and cash equivalents	71,596,280	9,026,215
Bank deposits	-	-
Financial assets at fair value through profit or loss account*	32,751,532	20,255,448
Financial assets at fair value through other comprehensive income **	228,311,298	290,081,290
Investment measured at amortized cost	6,602,842	6,505,683
<b>TOTAL</b>	<b>339,261,952</b>	<b>325,868,636</b>
Loans	3,981,401	1,143,716
<b>Total liabilities</b>	<b>3,981,401</b>	<b>1,143,716</b>
<b>Net financial assets</b>	<b>335,280,551</b>	<b>324,724,920</b>

\*financial assets at fair value through profit or loss include foreign currency holdings of closed-end investment funds, in proportion to the share of total assets held by the Group and as at June 30, 2019, the bonds denominated in euro issued by SIFI BH Retail

\*\* financial assets at fair value through other comprehensive income in EUR include stakes abroad, namely Austria – Erste Bank and corporate bonds issued by Impact

The following table presents the profit or loss sensitivity as well as the sensitivity of equity to potential change at the end of the reporting period in the foreign currency exchange rates related to the reporting currency, while maintaining constant all the other variables:

	June 30, 2019		December 31, 2018	
	Impact over profit and loss account	Impact over other comprehensive income	Impact over profit and loss account	Impact over other comprehensive income
Increase EUR with 5% (2018: 5%)	4,701,921	9,379,862	1,455,032	12,183,414
Decrease EUR with 5% (2018: 5%)	(4,701,921)	(9,379,862)	-1,455,032	-12,183,414
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(b) Credit risk**

The credit risk is the risk that a counterparty of a financial instrument fails to fulfil an obligation or a financial commitment in which it entered a relation with the Group, resulting a loss for the Group. The Group is exposed to the credit risk following the investments in bonds issued by trading companies or the Romanian State, the current accounts and the bank deposits and other receivables. The Group management follows-up closely and constantly the exposure to the credit risk so that it does not incur losses following the concentration of the credit in certain sector or field of activity.

As at June 30, 2019 and December 31, 2018 the Group did not have security interests as insurance nor other credit rating improvements.

Below are presented the financial assets with exposure to credit risk:

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June 30, 2019	Current accounts	Bank deposits	Bonds issued by financial institutions (measured at amortized cost)	Corporate bonds (FVTOCI)	Corporate bonds (FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating AAA to A-							
BBB+	72,784,758	19,400,000					92,184,758
BBB	23,904	2,500,000					2,523,904
BB+	906,735	81,000,000	6,602,842				88,509,577
Baa1	22,478	2,450,000					2,472,478
Ba2	529,265	1,500,000					2,029,265
NR	54,240			4,981,254	48,851,003	6,133,087	60,019,583
<b>TOTAL</b>	<b>74,321,380</b>	<b>106,850,000</b>	<b>6,602,842</b>	<b>4,981,254</b>	<b>48,851,003</b>	<b>6,133,087</b>	<b>247,739,565</b>

December 31, 2018	Current accounts	Bank deposits	Bonds issued by financial institutions (measured at amortized cost)	Corporate bonds (FVTOCI)	Corporate bonds (FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating AAA to A-							
BBB+	11,329,564	54,727,855					66,057,419
BBB	24,299	5,026,000					5,050,299
BB+	2,698,188	8,500,000	6,505,683				17,703,871
Baa2	4,367	2,900,000					2,904,367
Ba2		3,004,661					3,004,661
Ba3	3,554						3,554
Caa2	389,266						389,266
NR	1,501	4,800,000		4,882,639	40,929,816	390,152	51,004,107
<b>TOTAL</b>	<b>14,450,739</b>	<b>78,958,516</b>	<b>6,505,683</b>	<b>4,882,639</b>	<b>40,929,816</b>	<b>390,152</b>	<b>146,117,544</b>

The Group's maximum exposure to credit risk is of RON 247,739,565 as of June 30, 2019 (December 31, 2018: RON 146,117,544) and can be analysed as follows:

*Exposure of current accounts and bank deposits (excluding attached interest)*

Bank	June 30, 2019	December 31, 2018	Rating
Raiffeisen Bank	2,472,478	2,904,367	Baa1
Libra Bank	41,863	4,800,000	NR
Banca Transilvania	81,906,735	11,197,124	BB+
Credit Europe Bank	2,026,029	3,004,661	Ba2
Intesa Sanpaolo România	2,523,904	5,050,299	BBB
BRD - Groupe Société Générale	91,540,228	25,170,424	BBB+
Banca Comercială Română	46,993	46,776	BBB+
Unicredit	597,537	40,840,219	BBB+
First Bank România***	123	284	NR
Bancpost România**	-	1,064	BB+
Alpha Bank România	3,236	3,554	Ba2
Banca Feroviara	11,687	1,501	NR
Other banks	567	388,982	NR
<b>TOTAL (note 16 and 17)</b>	<b>181,171,380</b>	<b>93,409,255</b>	

For banks for which there is no rating, we considered the parent company's rating

\*\* \*\* At the end of 2018, the takeover of Bancpost by Banca Transilvania was completed.

\*\*\* In 2018, the local branch of Piraeus Bank Greece was taken over by the American investment fund JC Flowers, the corporate name of the bank changed to First Bank.

Cash and cash equivalents and bank deposits are not outstanding and are not impaired. Corporate bonds are not outstanding and are not impaired.

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**(c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with short-term financial liabilities, that are extinguished by the cash payment or by other financial means, or such obligations should be extinguished under an unfavourable manner for the Group.

The Groups monitors the evolution of the liquidity level in order to be able to pay the obligations on the date when these ones become due and permanently analyses the assets and liabilities, depending on the period remaining until the contractual due dates.

The structure of the assets and liabilities was analysed based on the period remaining as of the balance sheet date until the contractual date of the due date, both as at June 30, 2018 and as December 31, 2018, as follows:

<i>in RON</i>	Carrying amount	Less than 3 months	Between 3 and 12 months	More than 1 year	Without pre-established maturity
<b>June 30, 2019</b>					
<b>Financial assets</b>					
Cash and cash equivalents	178,750,756	178,730,715	-	-	20,041
Bank deposits	2,502,333	2,502,233	-	-	-
Financial assets at fair value through profit and loss	1,165,595,570	364,838	272,275	48,213,890	1,116,744,567
Financial assets at fair value through other comprehensive income	1,252,362,446	-	9,399	4,971,855	1,247,381,192
Financial assets measured at amortized cost	6,602,842	179,208	6,423,634	-	-
Other financial assets	6,133,087	6,133,087	-	-	-
<b>Total financial assets</b>	<b>2,611,947,035</b>	<b>187,910,181</b>	<b>6,705,308</b>	<b>53,185,745</b>	<b>2,364,145,800</b>
<b>Financial liabilities</b>					
Loans	11,362,550	123,182	7,654,227	3,585,141	-
Dividends payable	-	-	-	-	-
Alte financial liabilities	4,951,705	4,951,705	-	-	-
<b>Total financial liabilities</b>	<b>16,314,255</b>	<b>5,074,887</b>	<b>7,654,227</b>	<b>3,585,141</b>	<b>-</b>
<b>Liquidity surplus</b>	<b>2,595,632,780</b>	<b>182,835,294</b>	<b>(948,919)</b>	<b>49,600,604</b>	<b>2,364,145,800</b>
<b>December 31, 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	71,692,346	71,692,346	-	-	-
Bank deposits	21,830,010	18,816,010	3,014,000	-	-
Financial assets at fair value through profit and loss	1,105,989,676	-	-	40,929,816	1,065,059,861
Financial assets at fair value through other comprehensive income	1,190,434,235	-	-	4,882,639	1,185,551,596
Financial assets measured at amortized cost	6,505,683	-	-	6,505,683	-
Other financial assets	165,554	165,554	-	-	-
<b>Total financial assets</b>	<b>2,396,617,504</b>	<b>90,673,910</b>	<b>3,014,000</b>	<b>52,318,137</b>	<b>2,250,611,457</b>
<b>Financial liabilities</b>					
Loans	3,428,853	4,643	2,115,378	1,308,832	-
Dividends payable	5,495	5,495	-	-	-
Alte financial liabilities	2,739,935	2,739,935	-	-	-
<b>Total financial liabilities</b>	<b>6,174,282</b>	<b>2,750,073</b>	<b>2,115,378</b>	<b>1,308,832</b>	<b>-</b>
<b>Liquidity surplus</b>	<b>2,390,443,221</b>	<b>87,923,837</b>	<b>898,622</b>	<b>51,009,305</b>	<b>2,250,611,457</b>

**7.2 Other risks**

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

- taxation risk;
- economic environment risk;
- operational risk.

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The risk management takes into account the maximization of the Group profit related to the risk level it is exposed to.

The Group uses various management and measurement policies and procedures for the risk types it is exposed to. These policies and procedures are presented at subchapter dedicated to each type of risk.

### **(a) Taxation risk**

Starting with January 1st 2007, following the joining of Romania to the European Union, the Group has to fulfil the regulations of the European Union, and therefore it prepared for the application of the changes brought by the European legislation. The Group implemented these changes, but the implementation modality remains open to the tax audit for 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations could vary and there is the risk that under certain situations the tax authorities should adopt a different position from that of the Group.

From the profit tax point of view corresponding there is the risk of different interpretation by the tax organisms of the accounting treatment determined by the transition to IFRS as accounting basis.

Furthermore, the Romanian Government has various agencies authorized to carry-out the audit (control) of the companies operating within the territory of Romania. These controls are similar to the tax audits of other countries, and can cover only tax aspects, and other legal and regulatory aspects that present an interest for those agencies. It is possible that the Group be subject to the tax inspection while new tax regulations are issued.

### **(b) Economic environment risk**

The Group management cannot predict all the effects of the financial crisis with an impact on the financial sector in Romania, but it believes that in the first 6 months of 2019 it adopted the necessary measures for the Group's sustainability and development under the present state of the financial market by monitoring its cash flows and adapting its investment policies.

Risk avoidance and mitigation of their effects is ensured by the company through an investment policy which complies with prudential rules imposed by the applicable laws and regulations in force.

At parent company level, risk management policies were adopted through which risks are managed actively, by implementing specific risk identification, evaluation, measurement and control procedures meant to provide reasonable assurance with respect to the achievement of the Group's objectives, thus seeking a consistent balance between risk and expected profit.

The risk management aims at: (i) identifying and assessing significant risks with major impact in achieving the target investment and developing activities to counter the risk identified; (ii) adapting the risk management policies to the developments in the financial capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the development of the capital and money market; (iv) compliance with the legislation in force.

The Euro area economy has experienced a significant recovery in recent years, both in terms of GDP growth (with annualized increases of more than 1.5%) and the progressive reduction of unemployment and the return of inflation to the target ECB (2%). However, the ECB has also maintained during the latest period (at the meeting in January 2019) both the benchmark interest rate in absolute historical absolutes (0%) and the commitment to fully reinvest the amounts cashed on the maturity date of the financial instruments acquired 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% at the meeting held on July 31, 2019) reiterated the readiness to intervene through monetary stimulus measures if the pace of economic activity does not ensure convergence to 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 recent years.

### **(c) Operational risk**

Operational risk is the risk of direct or indirect loss resulting from deficiencies or weaknesses in procedures, personnel, the Group internal systems or from external events that can have an impact over its operations. Operational risks result from all the Group activities.



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The Group's objective is to manage the operational risk so as to limit financial loss, not damage its reputation and achieve the investment objective of generating returns for investors.

The primary responsibility for implementation and development of control over the operational risk lies with the Board of Directors. This responsibility is supported by the development of general standards of operational risk management, including controls and processes within service providers and service commitments with service providers.

**(d) Capitals adequacy**

The management policy with respect to capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Group and attain the investment objectives.

The Group's equity includes the share capital, different types of reserves and the retained earnings. The equity amounted to RON 2,525,082,765 as at June 30, 2019 (RON 2,291,260,308 as at December 31, 2018).

**8. Dividend income**

Please note that, in accordance with IFRS 9 and due to the fact that the Group 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 2019 from resident and non-resident companies were 5% and zero (2018: 5% and zero). The breakdown of dividend income on the main counterparties is shown in the table below:

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Banca Transilvania	36,980,164	27,065,775
BRD	22,329,415	22,329,415
Erste Group Bank AG	9,634,942	11,552,853
SNGN ROMGAZ	6,553,851	-
CONPET PLOIESTI	4,202,445	4,525,377
SIF OLTENIA	1,741,243	-
SIF MOLDOVA	1,539,758	-
SNP Petrom	968,377	717,316
SNTGN Transgaz	949,683	1,989,686
ELECTRICA S.A.	479,975	475,833
ROMPETROL WELL SERVICES	99,754	-
UNITEH TIMISOARA	96,730	-
Comelf	75,744	87,451
Spumotim	61,990	24,156
BT Asset Management	-	2,000,000
Hercules SA Satu Mare	-	79,791
Others	23,867	156,307
<b>Total</b>	<b>85,737,938</b>	<b>71,003,960</b>

**9. Interest income**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Interest income on deposits and current bank accounts	626,343	273,834
Interest income on bonds measured at amortized cost	193,961	190,005
Interest income on assets measured through profit and loss	2,405,597	744,020
Interest income on assets measured through other comprehensive income (govt. and corporate bonds)	142,258	790,617
	<b>3,368,159</b>	<b>1,998,476</b>

**10. Other operating revenues**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Income from management activities (SAI Muntenia and Administrare Imobiliare)	10,262,897	9,821,856
Other operating revenues	466,625	337,478
	<b>10,729,522</b>	<b>10,159,334</b>

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

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Profit / (Loss) from valuation / disposal of fund units	20,350,886	(16,449,116)
Profit / (Loss) from valuation of bonds (Vrancart)	(2,765,610)	461,941
Profit / (Loss) from valuation of shares in subsidiaries and associates	2,356,435	(4,213,629)
Gain / (Loss) from sale of shares held for short term	-	(26)
Gain / (Loss) from deconsolidation subsidiaries following the declaration of investment entity status	-	8,515,467
<b>Total</b>	<b>19,941,711</b>	<b>(11,685,363)</b>

During H1 2019, fund units were redeemed by Omnitrend Closed Investment Fund in the amount of RON 20.7 million, with RON 0.8 million below the current book value. Amounts representing dividends received from the fund and distributed to the participants in the amount of RON 3.3 million were collected (reflected in the position Profit / (Loss) from valuation / disposal of fund units).

During H1 2018, fund units were redeemed by closed end investment fund Optim Invest in the amount of RON 18.5 mn, resulting in an accounting loss of RON 2.5 million, respectively a gain of RON 2.3 million compared to the subscription value. Amounts representing dividends received from the fund and distributed to the participants in the amount of RON 11,263 were collected (reflected in the position Profit / (Loss) from valuation / disposal of fund units).

**12. Net profit /(loss) from sale of assets**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Gain / (Loss) from sale of govt. bonds	-	-553,308
Gain / (Loss) from sale of shares	-	-
<b>Total</b>	<b>-</b>	<b>-553,308</b>

Please note that under IFRS 9 and since the Company has opted to measure holdings through other items of comprehensive income, gain from sale of shares during H1 2019, in the net amount of RON 52,815,861, is reflected in retained earnings.

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

**13. Fees and commissions expenses**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
ASF commissions	1,200,250	1,205,077
Depository fees	222,273	226,680
Fees payable to SSIF	112,854	133,239
Registry fees	72,000	72,000
Other fees and commissions	38,059	12,705
<b>Total</b>	<b>1,645,436</b>	<b>1,649,701</b>

**14. Other operating expenses**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Expenses with other taxes and fees and assimilated payments	219,749	198,087
Expenses with salaries and other personnel expenses	10,295,955	8,608,897
Amortization expenses	477,049	244,021
Expenditure on third party services and other expenses	1,936,779	3,238,390
<b>Total</b>	<b>12,929,533</b>	<b>12,289,395</b>

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 June 30, 2019, the average number of employees was of 81 (June 30, 2018: 81), and the number of employees recorded at the end of the reporting period was of 91 (June 30, 2018: 88).

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

**15. Income tax**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Current income tax</b>		
Current income tax (16%)	4,565,106	(703,300)
Income tax (1%)	3,804,752	11,624
Tax on dividend (0%, 5%)	20,421	2,871,835
<b>Deferred tax expense / (income)</b>		
Financial assets at fair value through other comprehensive income	-	-
Financial assets at fair value through profit or loss	-	-
Tangible assets / Investment property	14,838	1,463
Provisions for risks and expenses and receivables impairment adjustments	-	17,947
<b>Total income tax recognized in result of the period</b>	<b>8,405,118</b>	<b>2,199,570</b>

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

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

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Profit before tax</b>	<b>106,054,911</b>	<b>57,070,916</b>
<b>Tax under statutory tax rate of 16% (2018: 16%)</b>	16,968,786	9,131,347
<b>Income tax effect of:</b>		
Tax on dividend (0%, 5%)	3,804,752	2,871,835
Non-deductible expenses and similar items	2,345,245	4,135,881
Non-taxable income	(14,706,706)	(13,875,702)
Revenue related items	13,458,348	16,481,372
Costs related items	-	(147,033)
Deferred tax disposed financial assets	(5,420,497)	(5,182,165)
Amounts of sponsorship within legal limits and other deductions	(24,000)	(83,942)
Tax recognized in retained earnings	(8,035,648)	(11,132,023)
Deferred tax (related to consolidated subsidiaries)	14,838	
<b>Income tax</b>	<b>8,405,118</b>	<b>2,199,570</b>

**16. Cash and cash equivalents**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Cash in hand and other valuables	20,160	12,944
Current accounts in banks*	74,322,625	14,450,738
Deposits at banks with original maturity less than 3 months*	104,407,972	57,228,664
<b>Cash and cash equivalents with maturity less than 3 months</b>	<b>178,750,756</b>	<b>71,692,346</b>

\* including attached interest

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

**Notes to the condensed interim consolidated financial statements as at June 30, 2019**  
**(all amounts presented in RON)**

**17. Bank deposits**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Bank deposits with maturity greater than 3 months	2,500,000	21,730,661
Attached interest on deposits	2,333	99,349
<b>Cash and cash equivalents with maturity greater than 3 months</b>	<b>2,502,333</b>	<b>21,830,010</b>

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

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Shares	816,159,324	769,377,892
Fund units	300,585,243	295,681,969
Corporate bonds (including attached interest)	48,851,003	40,929,816
<b>Total</b>	<b>1,165,595,570</b>	<b>1,105,989,677</b>

Following the Company's fulfilment of 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 services, which will continue to be consolidated.

The movement of the financial assets measured at fair value through profit and loss account as at June 30, 2019 is presented in the table below:

<i>denominated in RON</i>	<b>Shares</b>	<b>Fund units</b>	<b>Corporate bonds in subsidiaries</b>	<b>Total</b>
<b>January 1, 2019</b>	<b>769,377,892</b>	<b>295,681,969</b>	<b>40,929,816</b>	<b>1,105,989,677</b>
Acquisitions	44,424,999	8,499,912	70,713,000	123,637,912
Sales		(21,455,948)	(60,904,960)	(82,360,908)
Change in interest to be collected			269,577	269,577
Change in fair value (including exchange rate differences)	2,356,433	17,859,309	(2,156,430)	18,059,312
<b>June 30, 2019</b>	<b>816,159,324</b>	<b>300,585,243</b>	<b>48,851,003</b>	<b>1,165,595,570</b>

Entries of shares amounting to RON 44.4 million mainly include purchases of Biofarm share.

As at June 30, 2019, the stakes held in subsidiaries and associated entities were measured at fair value, the difference being a favourable one in the amount of RON 10.1 million (vs. the value as of March 31, 2019), namely RON 2.4 million (vs. the value as at December 31, 2018).

During H1 2019, fund units were purchased at the closed fund Optim Invest in the amount of RON 8.5 million.

During the period presented, fund units with a book value of RON 21.5 million lei were redeemed by Omnitrend Closed Investment Fund.

Purchases of corporate bonds in the amount of RON 70.7 million include the equivalent of 7,500 bonds issued by SIFI BH Retail SA denominated in euro. The amount of RON 60.9 million represents the early repurchase of 6,400 bonds SIFI BH Retail SA.

The movement of the financial assets measured at fair value through profit and loss account in 2019 is presented in the table below:

**Notes to the condensed interim consolidated financial statements as at June 30, 2019**  
**(all amounts presented in RON)**

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds in subsidiaries	Total
<b>January 1, 2018</b>	<b>338</b>	-	-	<b>338</b>
<b>January 1, 2018 - restated</b>	<b>95,026,614</b>	<b>230,404,039</b>	<b>36,989,473</b>	<b>362,420,126</b>
Acquisitions	5,423,872	140,499,992		145,923,864
Reclassifications of assets measured at fair value through other items of comprehensive income	635,959,310			635,959,310
Sales	(338)	(23,369,673)		(23,370,011)
Change in attached interest			103,047	103,047
Change in fair value	32,968,434	(51,852,389)	3,837,295	(15,046,661)
<b>December 31, 2018</b>	<b>769,377,892</b>	<b>295,681,969</b>	<b>40,929,815</b>	<b>1,105,989,677</b>

In Q1 2018, the Company ascertained it meets the criteria to declare as 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.

Acquisitions of shares amounting to RON 5.4 million mainly include the value of the shares of Unitech SA Timișoara (RON 5.3 million), classified in the category of shares held in subsidiaries.

In 2018 fund units were purchased in the amount of RON 140.5 million, out of which RON 74.5 million in Certinvest Shares Fund, RON 29 million in Romania Strategy Fund, RON 15 million in Omnitrend Fund, RON 12 million in Active Plus Fund and 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 amounting to RON 18.5 million and Omnitrend in the amount of RON 4.8 million.

**19. Financial assets measured at fair value through other comprehensive income**

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
Shares at fair value	1,247,381,192	1,185,551,596
Corporate bonds (including attached interest)	4,981,254	4,882,639
<b>Total</b>	<b>1,252,362,446</b>	<b>1,190,434,235</b>

The measurement at fair value for shares was done by multiplying the number of shares held as at the reporting date with the closing price on the last trading day of the reporting period or the price determined by other valuation methods, respectively valuation performed by valuers. As at June 30, 2019, 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, BRD-Groupe Société Générale (December 31, 2018: Erste Group Bank AG, Banca Transilvania, BRD-Groupe Groupe Société Générale).

As at June 30, 2019, the fair value for all financial instruments was established.

The movement of financial assets measured at fair value through other comprehensive income in the reporting period ended June 30, 2019 is presented in the table below:

<i>denominated in RON</i>	Shares at fair value	Corporate bonds	Total
<b>January 1, 2019</b>	<b>1,185,551,596</b>	<b>4,882,639</b>	<b>1,190,434,235</b>
Acquisitions	5,135,642	-	5,135,642
Sales	(103,332,318)		(103,332,318)
Change in attached interest		(630)	(630)
Change in fair value	160,026,271	99,245	160,125,517
<b>June 30, 2019</b>	<b>1,247,381,192</b>	<b>4,981,254</b>	<b>1,252,362,446</b>

**Notes to the condensed interim consolidated financial statements as at June 30, 2019**  
**(all amounts presented in RON)**

The entries of shares during the current period, in a total amount of RON 5.1 million mainly include the acquisition of Intercontinental SA Bucharest shares.

Sales of shares amounting to RON 103.3 million mainly include the sale of Erste Bank shares (RON 93.9 million) and Minerva SA shares (RON 8.8 million lei).

The gain from transactions amounting to RON 52.8 mn was recognized in retained earnings.

The movement in 2018 of financial assets at fair value through other comprehensive income is presented in the table below:

<i>denominated in RON</i>	<b>Shares at fair value</b>	<b>Govt. bonds at fair value</b>	<b>Corporate bonds</b>	<b>Shares at cost</b>	<b>Fund units</b>	<b>Total</b>
<b>January 1, 2018</b>	<b>1,301,699,517</b>	<b>64,044,407</b>	<b>4,912,490</b>	<b>23,956,501</b>	<b>247,989,671</b>	<b>1,642,602,587</b>
<b>January 1, 2018 - restated</b>	<b>1,344,748,497</b>	<b>64,044,407</b>	<b>4,912,490</b>	<b>0</b>	<b>0</b>	<b>1,413,705,395</b>
Influences from deconsolidation	637,884,158					637,884,158
Acquisitions	60,952,933	0				60,952,933
Reclassifications in assets measured at fair value through profit and loss	-635,959,310					-635,959,310
Sales	-111,649,280	-62,228,956				-173,878,236
Attached interest		-2,007,441	9			-2,007,431
Change in fair value	-110,425,403	191,989	-29,861			-110,263,274
<b>December 31, 2018</b>	<b>1,185,551,595</b>	<b>(0)</b>	<b>4,882,639</b>	<b>0</b>	<b>0</b>	<b>1,190,434,235</b>

Entries of shares in 2018, in a total amount of RON 61 million, mainly include the acquisition of shares in Conpet (RON 48.3 million), Banca Transilvania (RON 8.1 million), Erste Bank SA (RON 4.1 million) and Central SA Cluj (RON 0.4 million).

Sales of shares amounting to RON 111.6 million mainly include the sale of shares in Erste Bank (RON 98.8 million), Compa (RON 1.9 million), Celhart Donaris (RON 1.7 million), Hora Reghin (RON 1.5 million), SIF Moldova (RON 1.3 million), Bermas (RON 1.3 million), Silvarom (RON 1.3 million), Hercules (RON 1.1 million), Cotroceni Park (RON 0.8 million) etc.

The gain from transactions amounting to RON 71.3 million lei was recognized in retained earnings.

During the year 2018, held government bonds, totaling 62.2 million lei, were sold.

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

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

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

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

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

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

**Notes to the condensed interim consolidated financial statements as at June 30, 2019**  
(all amounts presented in RON)

**June 30, 2019**

*denominated in RON*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss - shares	251,203,361	-	564,955,963	816,159,324
Financial assets at fair value through profit and loss – fund units	300,585,243	-	-	300,585,243
Financial assets at fair value through profit and loss - bonds	38,161,508	10,689,495	-	48,851,003
Financial assets at fair value through other comprehensive income - shares	1,210,944,086	12,998,817	23,438,289	1,247,381,192
Financial assets at fair value through other comprehensive income – corporate bonds	4,981,254	-	-	4,981,254
	<b>1,805,875,452</b>	<b>23,688,312</b>	<b>588,394,252</b>	<b>2,417,958,016</b>

**December 31, 2018**

*denominated in RON*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss - shares	207,568,440	-	561,809,452	769,377,892
Financial assets at fair value through profit and loss – fund units	-	-	295,681,969	295,681,969
Financial assets at fair value through profit and loss – corporate bonds	40,929,816	-	-	40,929,816
Financial assets at fair value through other comprehensive income - shares	1,139,744,797	16,138,348	29,668,452	1,185,551,597
Financial assets at fair value through other comprehensive income - corporate bonds	4,882,639	-	-	4,882,639
Investments at amortized cost	6,505,683	-	-	6,505,683
	<b>1,399,631,374</b>	<b>16,138,348</b>	<b>887,159,874</b>	<b>2,302,929,596</b>

During the first 6 months of 2019, the fund units were transferred between the levels of fair value, from level 3 to level 1 (unit value of net assets determined based on observable market data for holdings of the funds).

**20. Financial assets measured at amortized cost**

*denominated in RON*

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Bonds (ii)	6,423,634	6,327,044
Interest attached related to bonds	179,208	178,639
<b>Total</b>	<b>6,602,842</b>	<b>6,505,683</b>

Outstanding securities (bonds) at June 30, 2019 include the corporate bonds issued by Banca Transilvania denominated in EURO, amounting to RON 6.4 mn, purchased in May 2013, convertible into Banca Transilvania shares, with maturity in May 2020, and an annual variable interest rate based on EURIBOR<sub>6 months</sub> + a margin set at 6.25%.

**21. Investment property**

*denominated in RON*

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Balance at January 1</b>	<b>21,122,392</b>	<b>289,152,520</b>
Exits through deconsolidation	-	(268,196,291)
Entries	44,523,683	-
Transfer from tangible assets	60,163	-
Disposals	-	-
Changes in fair value	-	166,163
<b>Balance at the end of period</b>	<b>65,706,238</b>	<b>21,122,392</b>

The balance of investment property mainly 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. The entries in H1 2019 represent the purchase by one of the Group's subsidiaries of buildings and land classified as property investments.

**Notes to the condensed interim consolidated financial statements as at June 30, 2019  
(all amounts presented in RON)**

**22. Other financial assets**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Sundry debtors and trade receivables	5,377,371	6,465,647
Claims on current income tax	214,292	2,126,352
Other financial assets	2,159,783	186,381
Provisions for impairment of sundry debtors	(1,618,360)	(1,618,360)
<b>Total</b>	<b>6,133,087</b>	<b>7,160,019</b>

**23. Other financial liabilities**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Trade liabilities	242,159	401,610
Amounts owed to employees	1,205,772	1,927,844
Debt for income tax	3,442,535	157,283
Payable VAT	33,325	44,714
Other liabilities – short-term	27,913	208,483
<b>Total liabilities</b>	<b>4,951,705</b>	<b>2,739,935</b>

**24. Borrowings**

<i>denominated in RON</i>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Long-term</b>		
Borrowings	8,458,311	3,342,194
Financial leasing liabilities	2,412,425	86,659
<b>Total long-term borrowings</b>	<b>10,870,736</b>	<b>3,428,853</b>
<b>Short-term</b>		
Financial leasing liabilities	491,814	-
Short-term borrowings	-	-
<b>Total short-term borrowings</b>	<b>491,814</b>	<b>-</b>
<b>Total borrowings</b>	<b>11,362,550</b>	<b>3,428,853</b>

**25. Deferred tax liabilities**

Deferred tax assets and liabilities at June 30, 2019 and December 31, 2018 are generated by the elements detailed in the following tables:

**H1 2019**

<i>denominated in RON</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Financial assets at fair value through profit or loss	-	-	-
Financial assets available for sale	-	871,758,345	(871,758,345)
Tangible assets and investment property	-	13,334,729	(13,334,729)
<b>Total</b>	<b>1,518,936</b>	<b>885,093,074</b>	<b>(885,093,074)</b>
Net temporary differences - 16% rate			(885,093,074)
<b>Deferred tax liabilities</b>			<b>(141,614,893)</b>

**2018**

<i>denominated in RON</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Financial assets at fair value through profit or loss	-	-	-
Financial assets at fair value through other comprehensive income	-	799,042,481	(799,042,481)
Tangible assets and investment property	-	13,400,265	(13,400,265)
Value adjustments of assets	-	34,303	34,303
Provisions for risks and expenses	-	1,305,025	1,305,025
<b>Total</b>	<b>-</b>	<b>813,782,074</b>	<b>(811,103,418)</b>
Net temporary differences - 16% rate			(811,103,418)
<b>Deferred tax liabilities</b>			<b>(129,776,548)</b>



## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

Deferred tax liabilities in balance for the period ended June 30, 2019 in the amount of RON 141,614,893 (2019: 129,776,548) include:

- deferred income tax recognized directly through the decrease in equity amounting to RON 131,070,552 (2018: RON 114,028,912), 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 10,544,341 recognized in the retained earnings.

### **26. Capital and reserves**

#### **(a) Share capital**

As at June 30, 2019, the share capital of SIF Banat-Crişana amounts to RON 51,746,072, divided into 517,460,724 shares with the nominal value of RON 0.1 and it is the result of direct subscriptions to the share capital of the company, by converting into shares the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As at June 30, 2019 the number of shareholders was 5,752,379 (December 31, 2018: 5,754,670).

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, 2019 and December 31, 2018. 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 EGM of April 26, 2018, approved the reduction of SIF Banat-Crişana's share capital, based on Art. 207, par. (1) letter c) of Law 31/1990, from RON 52,000,000 to RON 51,746,072.4, following the cancellation of 2,539,276 own shares repurchased by the Company, during the buyback programs conducted in 2016 and 2017.

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

The EGM of April 26, 2018 approved the execution of a buyback program for 1,400,000 own shares ("Program II") by the Company, to distribute them free of charge to the members of the management of the Company (administrators, directors), in order to build their loyalty, as well as the reward for the activity carried out within the Company, according to the performance criteria to be established by the Board of Directors.

Following the decision of the EGM of April 26, 2018, the Board of Directors approved the "stock-option plan" through which 1,400,000 SIF1 shares were offered to the administrators and directors of the Company. The vesting (transfer of shares) will be made at the time of fulfilling the conditions of the "stock option plan" and the exercise by each beneficiary of the option, after a period of 15 months from the signature of the payment agreements has passed.

On September 28, 2018, SIF Banat-Crişana reported on the commencing, starting with October 2, 2018, of the Buyback Program II through daily transactions in the market, in accordance with the decision of the no. 2 art. 2 of the EGM of 26.04.2018. The program has been suspended by the Company since October 29, 2018.

The EGM of April 22, 2019, approved the execution of a buyback program of 15,000,000 own shares ("Program I") by the Company to reduce its share capital and the repurchase of a maximum of 880,000 shares ("Program II"), to distribute them free of charge to the members of the Company's management (administrators, directors), in order to build their loyalty, as well as to reward them for the activity carried out within the Company, according to the performance criteria to be established by the Board of Directors.

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:

**Notes to the condensed interim consolidated financial statements as at June 30, 2019  
(all amounts presented in RON)**

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Statutory share capital	51,746,072	51,746,072
The effect of applying IAS 29 on share capital	645,164,114	645,164,114
<b>Restated capital</b>	<b><u>696,910,187</u></b>	<b><u>696,910,187</u></b>

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

The reserve for the initial portfolio was set up under the application of Law no. 133/1996, as the difference between the portfolio value and the subscribed capital contribution to the company. These reserves are treated as an initial contribution (share premium) and are not used when selling the financial 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 ASF Rule no. 39/2015 is presented in the following table:

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Reserves from the application of Law no. 133/1996	145,486,088	145,486,088
The effect of applying IAS 29 on reserves set up following the application of Law no. 133/1996	1,960,189,603	1,960,189,603
<b>Reserves set up from the application of Law no. 133/1996</b>	<b><u>2,105,675,691</u></b>	<b><u>2,105,675,691</u></b>

The effect of hyperinflation over the share capital amounting to RON 645,164,114 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 2,605,353,717 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 Group set-up legal reserves in the amount of 5% of recorded profit according to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as at June 30, 2019 amounts to RON 10,609,669 (December 31, 2018: RON 10,605,771).

Legal reserves cannot be distributed to shareholders.

**(e) Dividends**

During H1 2019 there was no approval of dividend distribution. In 2018, it was not approved the distribution of dividends from the profit of the financial year 2017.

**27. Earnings per share**

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

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Profit attributable to ordinary shareholders of parent company	97,634,269	54,872,091
Weighted average number of ordinary shares	517,371,068	517,460,724
<b>Basic earnings per share</b>	<b><u>0.189</u></b>	<b><u>0.106</u></b>

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

**Notes to the condensed interim consolidated financial statements as at June 30, 2019  
(all amounts presented in RON)**

**28. Contingent assets and liabilities**

**(a) Litigations**

The Group is the subject of a number of litigations resulting in the normal course of business. The management believes that these actions will not have a significant effect on the economic results and the consolidated financial position.

**(b) Other liabilities**

not the case

**29. Related parties**

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

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

**Key management personnel**

*June 30, 2019*

- As at June 30, 2019, the Board of Directors of SIF Banat-Crişana was comprised of 5 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, Marcel Heinz Pfister and Ionel Marian Ciucioi.
- As at June 30, 2019, the members of the executive team of SIF Banat-Crişana: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director, Laurențiu Riviș – Director.

*December 31, 2018*

- As at December 31, 2018, the Board of Directors of SIF Banat-Crişana was comprised of 5 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, Marcel Heinz Pfister and Ionel Marian Ciucioi.
- As at December 31, 2018, the members of the executive team of SIF Banat-Crişana: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director, Laurențiu Riviș – Director.

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

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

**Subsidiaries**

As at June 30, 2019 and December 31, 2018, the Company held stakes in 13 companies. The reduction in the number of subsidiaries included in the scope of consolidation is the result of the classification of the Company as an investment entity, after which the subsidiaries performing investment services for the Company (SAI Muntenia and AISA) remained in the scope of consolidation and the other subsidiaries were deconsolidated.

**Associated entities**

The number of entities in which the Company holds stakes between 20% and 50% of the capital as at June 30, 2019 is 22 (December 31, 2017: 25), of which:

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises significant influence;
- b. 7 entities (December 31, 2018: 9) that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- c. 13 entities (December 31, 2019: 14) in insolvency / liquidation / bankruptcy.

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

During H1 2019, the Company executed the following transactions with related parties:

## **Notes to the condensed interim consolidated financial statements as at June 30, 2019 (all amounts presented in RON)**

- proceeds as dividend income from Uniteh SA, in the amount of RON 96,730;
- proceeds from Vrancart SA, interest on corporate bonds in the amount of RON 954,600;
- payment to the company Gaz Vest SA Arad the amount of RON 45,065 representing natural gas;
- 7,500 bonds issued by SIFI BH Retail SA worth RON 70,713,000 were purchased, of which 6,400 were redeemed, at a value of RON 60,904,960. The interest received on the bonds amounted to RON 1,181,419, transactions reported on the market according to Law no. 24/2017.

During H1 2019, the stakes were increased, through the acquisition of shares, in companies:

- Uniteh SA - from 36.33% to 36.34%, purchase of 51 shares with a value of RON 1,503,
- Biofarm SA - from 23.22% to 36.75%, purchase of 133,270,532 shares with a value of RON 44,423,496.

### **30. Events after the period of interim report**

- **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.

- **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.