

SIF Banat-Crişana S.A.

**Condensed interim standalone financial statements
as of June 30, 2020**

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*

CONTENTS

Condensed interim financial statements

Condensed statement of profit or loss and other comprehensive income	1
Condensed statement of financial position	2
Condensed statement of changes in equity	3 - 4
Condensed cash flow statement	5
Selected explanatory notes to the condensed financial statements	6 - 31

**Condensed statement of profit or loss and other comprehensive income
as of June 30, 2020**

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Income			
Dividend income	5	34,570,830	99,295,226
Interest income (assets at amortized cost, assets at FVTOCI)	6	4,026,240	755,785
Interest income (assets at FVTPL)	6	1,372,697	2,405,597
Other operating revenues		116,210	85,698
Gain/(Loss) on investment			
Gain/(Loss) on investment property	16	2,466,217	
Gain/(Loss) on foreign exchange differences		1,236,993	1,088,931
Gain/(Loss) on financial assets at FVTPL	7	(80,695,018)	19,941,711
Expenses			
Commissions expenses	8	(1,545,842)	(1,645,436)
Other operating expenses	9	(7,138,370)	(6,725,878)
Profit/(Loss) before tax		<u>(45,590,044)</u>	<u>115,201,633</u>
Income tax	10	(504,071)	(7,756,484)
Net profit/(loss) for the period		<u>(46,094,114)</u>	<u>107,445,150</u>
Other comprehensive income			
Items that are or could be transferred to profit or loss			
Amounts that could be transferred to profit or loss (debt instruments)		(190,767)	20,549
Amounts transferred to profit or loss (debt instruments)			
Items that are or could be transferred to retained earnings			
Change of fair value related to financial assets measured through other comprehensive income		(314,481,229)	148,435,907
Change of reserve from revaluation items of tangible assets			
Effect of income tax related to them		47,227,865	(25,086,769)
Other comprehensive income		<u>(267,444,131)</u>	<u>123,369,687</u>
Total comprehensive income for the period		<u>(313,538,245)</u>	<u>230,814,836</u>
Earnings per share			
Basic		(0.090)	0.208
Diluted		(0.090)	0.208

The condensed interim financial statements were approved by the Board of Directors on August 31, 2020, and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Financial Reporting Manager

Condensed statement of financial position *as of June 30, 2020*

<i>Denominated in RON</i>	<i>Note</i>	June 30, 2020	December 31, 2019
Assets			
Cash and cash equivalents	11	160,882,568	117,203,806
Bank deposits	12	-	4,512,500
Financial assets at fair value through profit or loss	13	1,139,182,766	1,226,791,154
Financial assets at fair value through other comprehensive income (shares)	14	1,195,958,779	1,503,213,414
Financial assets at fair value through other comprehensive income (bonds)	14	4,891,132	5,053,633
Financial assets at amortized cost	15	38,822,333	43,246,691
Investment property	16	12,876,581	20,047,164
Tangible assets (items of property, plant, and equipment)		4,140,327	4,080,130
Assets representing rights to use the underlying assets under leasing contract		1,003,571	1,117,902
Other financial assets	17	2,316,011	1,191,647
Other assets		152,114	220,299
Total assets		2,560,226,182	2,926,678,339
Liabilities			
Deferred income tax liabilities	18	122,543,370	169,850,613
Liabilities on leasing contract		1,032,992	1,121,202
Liability on current income tax		-	4,451,293
Other financial liabilities	19	1,792,971	3,041,305
Other liabilities and deferred revenues		17,108	10,473
Total liabilities		125,386,440	178,474,885
Equity (own capital)			
Share capital	20	51,746,072	51,746,072
Treasury shares	20	(7,295,461)	(7,295,461)
Losses from the repurchase of own shares		(134,838)	(134,838)
Benefits granted in equity instruments		174,533	-
Retained earnings	20	606,718,917	812,306,354
Other reserves	20	1,157,455,631	997,961,099
Reserves from revaluation of tangible assets		1,176,569	1,176,569
Legal reserves	20	10,349,214	10,349,214
Reserves from revaluation of financial assets designated at FVTOCI	14. 20	614,649,103	882,094,444
Total equity (own capital)		2,434,839,742	2,748,203,454
Total liabilities and equity		2,560,226,182	2,926,678,339

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Condensed Statement of Changes in Equity as of June 30, 2020

Denominated in RON

	Share capital	Treasury shares	Losses from the repurchase of own shares	Legal reserves	Reserves from the revaluation of financial assets at fair value through other comprehensive income	Reserves from revaluation of fixed assets	Benefits granted in equity instruments	Other reserves	Accumulated profit	Total
Balance on January 1, 2020	51,746,072	(7,295,461)	(134,838)	10,349,214	882,094,444	1,176,569	-	997,961,099	812,306,354	2,748,203,454
Profit/(Loss) for the period	-	-	-	-	-	-	-	-	(46.094.114)	(46.094.114)
Reserve from revaluation of financial assets transferred to profit or loss	-	-	-	-	-	-	-	-	-	-
Reserve from revaluation of financial assets transferred to retained earnings	-	-	-	-	(10,847)	-	-	-	10,847	-
Change in reserve	-	-	-	-	(314,708,332)	-	-	-	-	(314,708,332)
Revaluation of tangible assets	-	-	-	-	-	-	-	-	-	-
Related deferred tax	-	-	-	-	47,273,838	-	-	-	(9,637)	47,264,201
Total comprehensive income for the period	-	-	-	-	(267,445,341)	-	-	-	(46,092,905)	(313,538,246)
Other reserves – own sources	-	-	-	-	-	-	-	159,494,532	(159,494,532)	-
Dividends payable for 2019	-	-	-	-	-	-	-	-	-	-
Dividends written-off	-	-	-	-	-	-	-	-	-	-
Change of granted benefits	-	-	-	-	-	-	174,533	-	-	174,533
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	174,533	159,494,532	(159,494,532)	174,533
Balance on June 30, 2020	51,746,072	(7,295,461)	(134,838)	10,349,214	614,649,103	1,176,569	174,533	1,157,455,631	606,718,917	2,434,839,742

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Condensed Statement of Changes in Equity as of June 30, 2020

Denominated in RON

	Share capital	Treasury shares	Losses from the repurchase of own shares	Legal reserves	Reserves from the revaluation of financial assets at fair value through other comprehensive income	Reserves from revaluation of fixed assets	Other reserves	Benefits granted in equity instruments	Retained earnings	Total
Balance on January 1, 2019	51,746,072	(223,487)	(559)	10,349,214	652,877,901	105,016	920,774,872	2,380,000	683,411,583	2,321,420,613
Comprehensive income										
Profit for the period	-			-	-				107,445,150	107,445,150
Reserve from revaluation of financial assets transferred to profit or loss	-			-	-				-	-
Reserve from revaluation of financial assets transferred to retained earnings					(52,815,862)				52,815,862	-
Change in reserve				-	148,460,370				-	148,460,370
Revaluation of tangible assets										-
Related deferred tax					(17,055,035)				(8,035,648)	(25,090,683)
Total comprehensive income for the period	-	-	-	-	78,589,473	-	-	-	152,225,363	230,814,836
Other reserves – own sources							77,186,227		(77,186,227)	-
Dividends payable for 2018				-	-				-	-
Dividends written-off				-	-				-	-
Change of granted benefits								1,190,000		1,190,000
Cancellation of treasury shares										-
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	77,186,227	1,190,000	(77,186,227)	1,190,000
Balance on June 30, 2019	51,746,072	(223,487)	(559)	10,349,214	731,467,375	105,016	997,961,099	3,570,000	758,450,718	2,553,425,449

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Condensed cash flow statement as of June 30, 2020

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Operating activities			
Net profit/(loss) for the period		(46,094,114)	107,445,150
<i>Adjustments for:</i>			
Depreciation of tangible and intangible assets		250,553	124,254
(Gain)/loss from disposal of tangible assets		20,068	1,585
(Gain)/loss from evaluation/disposal of property investment	16	(2,466,217)	-
(Gain)/Loss from financial assets at fair value through profit or loss	7	80,695,018	(19,941,711)
Dividend income	5	(34,570,830)	(99,295,226)
Interest income	6	(5,398,937)	(3,161,382)
Expenses on interest on leasing contract		33,915	
Expenses/(income) on foreign exchange differences financial assets		(839,970)	(780,552)
Benefits granted in equity instruments		174,533	1,190,000
Income tax	11	504,071	7,756,484
Changes in operating assets and liabilities			
Change in other assets (claims, etc.)		94,885	63,674
Change in other financial liabilities		(1,241,698)	(853,730)
Income tax paid		(4,451,293)	(12,117,804)
Net cash used in operating activities		<u>(13,290,018)</u>	<u>(19,569,258)</u>
Investment activities			
Payments for acquisition of financial assets measured at FVTOCI (shares, bonds)	14	(7,250,565)	(5,135,642)
Proceeds from sales of financial assets measured at FVTOCI (shares, bonds)		23,970	103,332,318
(Placements) / Proceeds from term deposits greater than three months		4,500,000	6,000,000
Proceeds from sale/repurchase of assets at FVTPL (fund units, bonds)		6,600,189	84,698,625
Payments for purchase of assets at FVTPL (fund units, bonds, shares)		-	(123,637,912)
Proceeds/(Payments) for sale assets at amortized cost		4,842,600	-
Proceeds from sale of tangible assets and investment property		9,636,800	-
Payments for purchases of tangible assets		(217,452)	(11,703)
Dividends collected		32,873,619	94,354,698
Interest collected		6,096,367	2,936,322
Net cash from investment activities		<u>57,105,529</u>	<u>162,536,706</u>
Financing activities			
Payments related to leasing		(136,750)	
Dividends paid		-	(5,495)
Repurchase of own shares		-	-
Net cash used in financing activities		<u>(136,750)</u>	<u>(5,495)</u>
Net increase / (decrease) in cash and cash equivalents		43,678,761	142,961,953
Cash and cash equivalents on January 1		117,203,806	29,230,410
Cash and cash equivalents at the end of the period		<u>160,882,567</u>	<u>172,192,363</u>

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1. Reporting entity

Societatea de Investiții Financiare Banat-Crișana SA ("the Company") was established based on Law no. 133/1996 by the reorganization and transformation of Fondul Proprietății Private Banat-Crișana and it is a joint stock company operating under Law 31/1990 and Capital Market Law no. 297/2004 as subsequently amended and supplemented, authorized as AIFM as per Law no. 74/2015.

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

The main activity of the company:

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

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

The custodian bank of the Company, starting November 28, 2019, is Banca Comercială Română, until that date being BRD Groupe Société Générale (from January 29, 2014).

The company providing registry services is Depozitarul Central SA Bucharest.

The interim financial statements, condensed, prepared as at the end of June 30, 2020, are not audited, or reviewed.

2. Basis of preparation

(a) Statement of compliance

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

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

These condensed interim financial statements as at June 30, 2020, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the standalone financial statements for 2019 prepared in accordance with 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).

As per Regulation no. 1606/2002 of the European Parliament and of the Council of the European Union of July 19, 2002, as well as according to Law no. 24/2017 on issuers of financial instruments and market operations, from 2017 the Company has to prepare and submit to the Financial Supervisory Authority (ASF) consolidated annual financial statements, in accordance with IFRS, within 4 months from the end of the year financial. The company has prepared and made public the consolidated financial statements for the financial year 2019.

Based on the requirements of Law no. 24/2017 and the ASF Regulation no. 5 regarding the issuers of financial instruments and market operations, the Company has to prepare and publish consolidated interim financial statements for the first semester of 2020 within 3 months from its end.

Pursuant to IAS 27 and IFRS 10, starting with financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries providing investment-related services, that will continue to be consolidated. Under these circumstances, the Company prepares two sets of financial statements: standalone and consolidated financial statements, in accordance with IFRS 10 and IAS 27. At the same time, the Company reviewed the analysis regarding the fulfilment of the classification criteria as

Selected explanatory notes to the condensed financial statements as of June 30, 2020

an investment entity for the years 2019 and 2020, concluding that they are met, and that it will also apply the exception provided by IFRS 10 regarding the investment entities for the financial statements related to the financial years 2019 and 2020.

(b) Presentation of the financial statements

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

(c) Basis of measurement

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

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or if the period of the revision and future periods are affected the revision affects both current and future periods. Judgments made by the management in applying IFRS that have a significant impact on the separate financial statements and the estimates that involve a significant risk of a material adjustment in the next year are presented in the *Notes to the condensed interim financial statements*.

(f) Changes in the accounting policies

The accounting policies adopted are consistent with those used in the previous year.

3. Significant accounting policies - extract

The accounting policies used in these condensed interim financial statements are the consistent with those of the standalone financial statements prepared as of December 31, 2019.

Assets and financial liabilities

Financial assets, as per IFRS 9, include 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 equivalents;
- shareholdings in subsidiaries, associates, and joint ventures.

(i) Classification

Financial assets held are classified by the Company as per IFRS 9 "Financial Instruments" in financial assets and financial liabilities.

The Company classifies **financial assets** as being measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of:

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

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

Business model

- Represents the way an entity manages its financial assets to generate cash flows: *collecting, sale of assets, or both*;
- Determining it is factually realized considering: *the manner of assessment and reporting of its performance, the existing risks and their management, respectively the way of compensating the management* (based on the fair value or the cash flows associated with these investments);

Model of assets held for collecting

- Managed to generate cash flows by collecting the principal and interest over the life of the instrument;
- It is not necessary to hold them until maturity;
- There are categories of sales transactions that are compatible with this model: those due to credit risk increase, limited or insignificant value sales, or sales close to the maturity of the instruments;
- Interest income, gains or losses from depreciation or foreign exchange differences are recognized in profit and loss;
- The accounting of these assets (assuming that the SPPI criterion is also met and the fair value through profit and loss option has not been selected) is carried at amortized cost (using the effective interest method).

Model of assets held for collecting and sale

- Managed both to generate cash flows from collecting and by selling (all) the assets;
- Sales are of high frequency and value compared to the previous model, without specifying a certain threshold for fitting into this model;
- The purpose of these sales may be: managing current liquidity needs, maintaining a certain structure of returns or decisions to optimize the entity's balance sheet (correlating the duration of financial assets with that of financial liabilities).
- The accounting of these assets (assuming that the SPPI criterion is met and the fair value through profit and loss option has not been selected) is made at fair value through other comprehensive income (using the effective interest rate method, interest, gains or losses from impairment) and foreign exchange differences - in profit and loss / change in the fair value of these instruments - in other comprehensive income, amounts recognized in other comprehensive income are recycled through profit or loss on derecognition of the asset).

Other business model

- Assets managed for the purpose of cash flow from sales;
- Collecting cash flows associated with these investments is incidental, not the purpose of holding them;
- Assets whose performance is managed and reported on the basis of their fair value;
- Their accounting is at fair value through profit and loss account.

SPPI test

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

There are some ratios indicating the case in which the debt instruments held should be measured at fair value through profit and loss:

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

There are also ratios that, although they would require a registration at fair value, could 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 bound 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 presented below are met:

- 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 company can make an irrevocable choice upon the initial recognition in case of certain investments in equity instruments that otherwise would have been measured at fair value through profit or loss to present the subsequent changes of fair value in other comprehensive income (according to pt. 5.7.5 and 5.7.6 of IFRS 9 – Financial Instruments).

Financial instruments measured at amortized cost

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

- (a) the financial asset is held within a business model whose goal is to hold financial assets 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

Financial liabilities are measured at fair value through profit and loss (FVTPL) if they:

- meet the requirements of the definition of being "held for trading"
- are designated in the FVTPL category at the initial recognition (if the specific requirements are met).

The other financial debts are measured at amortized cost.

(ii) Recognition

The assets and liabilities are recognized on the date when the Company becomes a contractual party to the conditions of the respective instrument. When the Company recognizes a financial asset for the first time, it must classify it according to pt. 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 to assess it according to pt. 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 (assess) the financial assets according to pt. 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 measure the financial liabilities according to pt. 4.2.1-4.2.2 of IFRS 9. Thus, the Company 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 for estimated credit losses.

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

The effective interest rate represents the rate that precisely updates the future proceeds in cash during the forecasted life of the financial instrument up to the level of the gross 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 settle 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 Company has access at that date.

The company 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 company 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 and regularly available 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 Unitary Net Asset Value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Company 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 Unitary Net Asset Value is obtained used to evaluate the units in the financial statements of the company.

Government securities (bonds) 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 Company uses valuation techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuers, within the current assessment compartment within the Company and by external valuers.

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 valuation techniques are used consistently.

The value resulted using 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. Company's management considers that these adjustments are necessary to present a correct 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 Company must recognize an adjustment for the forecasted losses from credit corresponding to a financial asset that is measured according to pt. 4.1.2 or 4.1.2A of IFRS 9 (debt instruments measured at

Selected explanatory notes to the condensed financial statements as of June 30, 2020

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 Company 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 pt. 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 so 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.

On each reporting date, the Company measures the provision for losses corresponding to a financial instrument as to reflect:

- 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 Company 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 Company measures 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 Company 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 considered. At the same time, financial instruments are not considered to be 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 company uses both external credit risk ratings and internal ratings that are consistent with generally accepted definitions of credit risk.

(v) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expires, or when the Company 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 Company or created for the Company is recognized separately as an asset or liability.

The Company derecognizes a financial liability when the contractual obligations ended or when the contractual obligations are cancelled or expire.

Derecognition of financial assets and liabilities is accounted for using the weighted average cost method. This method involves calculating the value of each item based on a weighted average of the value of similar items in stock at the beginning of the period and the value of similar items purchased during the period.

(vi) Reclassifications

If the Company reclassifies the financial assets according to pt. 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 Company applies the reclassification of financial assets prospectively as of the reclassification date. The possible earnings, losses or interests previously recognized will not be restated.

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

If a reclassification occurs, the Company 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;
- 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 (as per 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 at fair value through other comprehensive income are recognized in other comprehensive income.

Gains on shares measured at fair value through other comprehensive income are recognized as follows:

- Changes in fair value (including exchange rate) in other comprehensive income
- Dividend income is recognized in profit or loss

Gains on debt instruments (bonds):

- Changes in fair value (including exchange rate) in other comprehensive income
- Interest income is recognized in profit or loss

When the asset is 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 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.

Other financial assets and liabilities

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

4. Management of significant risks

The risk management activity can be found in the Company organizational structure and it addresses both general and specific risks, as set forth in Law no. 297/2004 and the Regulation of the National Securities Commission (CNVM) no. 15/2004, as amended and completed.

The most significant financial risks to which the Company is exposed to are the credit risk, the liquidity risk and the market risk. The market risk includes the foreign currency risk, the interest rate risk and the price

Selected explanatory notes to the condensed financial statements as of June 30, 2020

risk of the equity instruments. This note provides information on the Company's exposure to each of the above-mentioned risks, the Company's objectives and policies, and the risk assessment and risk management processes.

The company various policies and procedures for managing and measuring the types of risk to which it is exposed. These policies and procedures are presented in the subchapter dedicated to each type of risk.

4.1 Financial risks

(a) Market risk

Market risk is the present or future risk of recording losses balance and off-balance sheet related due to adverse movements in market price (such as stock prices, interest rates, foreign exchange rates). Company's management sets the limits on the value of risk that may be accepted, which are regularly monitored. However, the use of this approach does not prevent losses outside these limits in the event of more significant market movements.

Position risk is associated with financial instruments portfolio held by the Company with intention to benefit from positive evolution of prices of underlined financial assets or potential dividends/coupons issued by entities. The Company is exposed to general position risk as well as specific, due to short term investments made in bonds, shares and fund units.

The management has monitored and permanently aims to reduce to a minimum the possible adverse effects related to this financial risk, through an active procedure of diversifying prudently the investment portfolio and by using one or more technics of diminishing of the risk through trading activity or market prices evolution related to financial instruments held by the Company.

Concentration risk

Concentration risk concerns all assets held by the Company, regardless of the period of holding them, and mitigating this risk is intended the avoidance of a too large exposure on the same debtor/entity at Company level.

The management policy of diversifying exposures is applied to the portfolio structure, business structure as well as the structure of financial risks exposure. Thus, this diversifying policy implies: avoiding excessive exposures on a single debtor, issuer, country or geographical area; diversifying business structure implies avoiding at Company's level the excessive exposure against specific type of business/sector; diversifying the structure of financial risks intends to avoid excessive exposure against the same financial risk.

The market risk of equity instruments is mainly the result of shares measured at fair value through other comprehensive income and through profit or loss. Entities in which the Company holds shares operate in various industries.

The objective of market risk management is to control and manage market risk exposures in acceptable parameters to the extent that profitability is optimized.

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

The Company is exposed to the following categories of market risk:

(i) Equity Price risk

Price risk is the risk of losses in both balance sheet and off-balance sheet positions due to changes in asset prices.

The Company is exposed to the risk of fair value of financial instruments fluctuation due to changes in market prices, whether caused by factors specific to the activity of its issuer or factors affecting all instruments traded in the market.

The Board of Directors monitors the market risk management and internal procedures, which require that when price risks are not consistent with the Company's investment policy and principles, it shall proceed to rebalance the portfolio.

A positive change of 10% in the price of financial assets at fair value through profit or loss (shares of subsidiaries, associates, fund units and corporate bonds) would lead to an increase in profit after tax by RON 108,084,653 (December 31, 2019: RON 115,285,158), a negative change of 10% having an equal net impact on the opposite direction.

Selected explanatory notes to the condensed financial statements as of June 30, 2020

A positive change of 10% in the prices of financial assets measured at fair value through other comprehensive income, investments in shares and corporate bonds, would lead to an increase in equity, net of tax, of RON 102,592,541 (December 31, 2019: RON 128,716,923), a negative change of 10% with an equal net impact on an opposite direction.

The company holds stakes in companies operating in various sectors, such as:

As it can be noticed from the table below, as at June 30, 2020, the Company mainly held shares in companies in the banking-financial and insurance field, having a weight of 49.7% on the total portfolio, lower than the 54.5% weight as of December 31, 2019.

in RON	June 30, 2020	%	December 31, 2019	%
Financial intermediation and insurance	978,447,042	49.7%	1,257,441,617	54.5%
Manufacturing industry	355,440,299	18.0%	348,689,712	15.1%
Hotels and restaurants	113,998,343	5.8%	136,308,329	5.9%
Wholesale and retail trade, repair of motor vehicles	28,000,911	1.4%	32,259,604	1.4%
Production and supply of energy, gas, and water	17,252,339	0.9%	15,728,248	0.7%
Extractive industry	61,756,697	3.1%	74,340,858	3.2%
Other activities	3,095,411	0.2%	3,408,584	0.1%
Financial services applicable to real estate	354,952,647	18.0%	369,229,415	16.0%
Constructions	299,898	0.0%	408,679	0.0%
Transportation and storage	56,667,428	2.9%	60,662,664	2.6%
Rental of property investment	75,496	0.0%	8,572,298	0.4%
Agriculture, forestry, and fishing	553,554	0.0%	750,922	0.0%
TOTAL	1,970,540,066	100%	2,307,800,930	100%

The decrease in the total value of the portfolio under management compared to the end of the previous year is due to the adverse effects of the Covid-19 pandemic on the market prices of the listed financial assets in the Company's portfolio.

As of June 30, 2020, and December 31, 2019, the Company holds fund units in the closed end investment funds Active Plus, Optim Invest, Certinvest Shares, Star Value and Romania Strategy. The Company is exposed to price risk in terms of placements made with different degrees of risk by these Investment Funds, the fair value of the investments in these assets being as of June 30, 2020 of RON 316,176,396 (December 31, 2019: RON 366,420,729).

(ii) Interest rate risk

Interest rate risk is the risk that revenues or expenses, or the value of assets or liabilities of the Company fluctuate due to changes in market interest rates.

As regards the interest-bearing financial instruments: the interest rate risk consists of the risk of fluctuation recorded in the value of a financial instrument due to changes in interest rates and risk differences between the maturity of interest-bearing financial assets and interest-bearing liabilities. However, the interest rate risk may also affect the value of assets bearing fixed interest rates (e.g. bonds) so that an increase in interest rate on the market will determine a decrease in the value of future cash flows generated by them and may lead to their price reduction if it increases the preference of investors to place their funds in bank deposits or other instruments whose interest has grown, and vice versa - a reduction in interest rate on the market may increase the price of shares and bonds and will lead to an increase in the fair value of future cash flows.

With respect to the Company's interest-bearing financial instruments, the policy is to invest in profitable financial instruments, with due date over 1 year. With respect to the fixed interest-bearing assets or tradable assets, the Company is exposed to the risk that fair value of future cash flows related to financial instruments will fluctuate as a result of changes in market interest rates. However, most financial assets of the Company are in stable currencies whose interest rates are unlikely to vary significantly.

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

The Company does not use derivative financial instruments for protection against interest rate fluctuations.

The following table shows the annual interest rates earned by the Company for interest-bearing assets during the first half of 2020:

Selected explanatory notes to the condensed financial statements as of June 30, 2020

Financial assets	RON interval		EUR interval	
	Min	Max	Min	Max
Cash and cash equivalents	0.77	2.75	0.00	0.00
Financial assets at fair value through profit and loss*	4.50	5.16	5.91	6.00
Financial assets at fair value through other comprehensive income**	-	-	5.75	5.75
Investments measured at amortized cost	-	-	13.00	13.00

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

** Corporate bonds are included in the financial assets at fair value through other items of comprehensive income.

The following table shows the annual interest rates earned by the Company for interest-bearing assets during the first half of 2019:

Financial assets	RON interval		EUR interval	
	Min	Max	Min	Max
Cash and cash equivalents	1.00	3.00	-	-
Financial assets at fair value through profit and loss*	5.03	5.15	6.00	6.00
Financial assets at fair value through other comprehensive income**	-	-	5.75	5.75
Investments measured at amortized cost	-	-	5.98	6.01

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

** Corporate bonds are included in the financial assets at fair value through other items of comprehensive income.

The following table presents a summary of Company's exposure to the interest rate risk. The table includes the Company's assets and liabilities at the carrying amounts classified by the most recent date of the change in the interest rate and the maturity date.

in RON	June 30, 2020	December 31, 2019
Cash and cash equivalent*	114,793,050	86,900,000
Bank deposits	0	4,500,000
Financial assets at fair value through profit and loss – corporate bonds	47,840,299	54,662,924
Financial assets at fair value through comprehensive income – corporate bonds	4,881,547	5,043,356
Investments measured at amortized cost – corporate bonds	38,738,400	43,013,700
TOTAL	206,253,296	194,119,980

* Within the cash equivalents short-term investments in bank deposits (maturity less than 3 months) are included

The impact on the Company's net profit (through interest income) of a change of $\pm 1.00\%$ in the interest rate on variable interest rate assets and liabilities denominated in other currencies in conjunction with a change of $\pm 1.00\%$ in the interest rate related to the assets and liabilities bearing variable interest and expressed in RON is of RON 1,732,528 (December 31, 2019: RON 1,630,608).

For bonds recorded at fair value (level 1 & level 2) held, a variation of $\pm 5\%$ of their market price determines a net impact in the amount of \pm RON 2,009,293 (December 31, 2019: RON 2,023, 532) in the profit or loss account respectively in the amount of \pm RON 205,025 (December 31, 2019: RON 211,811) in other comprehensive income.

In the case recorded at amortized cost, a variation of $\pm 1\%$ of their average market yield determines a net impact on the bond price of -RON 90,168 / +RON 90,544 (December 31, 2019: -RON 211,902 / +RON 213,805).

(iii) Currency risk

Currency risk is the risk of loss or failure to achieve the estimated profit because of unfavourable exchange rate fluctuations. The Company invests in financial instruments and enters into transactions which are denominated in currencies other than the functional currency, thus being exposed to risks that the exchange rate of the national currency in relation to another currency may adversely affect the fair value or future cash flows of that share of financial assets and liabilities denominated in other currencies.

In the reporting periods the company conducted transactions in Romanian currency (RON) and in foreign currencies. The Romanian currency has fluctuated compared to the foreign currencies EUR and USD.

Selected explanatory notes to the condensed financial statements as of June 30, 2020

The financial instruments used enable the conservation of the value of monetary assets held in RON, by making investments and collecting interest according to their maturity.

The Company has not carried out any exchange rate derivative transaction during the financial years presented.

The Company's assets and liabilities in RON and foreign currencies on June 30, 2020, and December 31, 2019 can be analysed as follows:

*Financial assets exposed to foreign currency risk (in RON)
in RON*

	June 30, 2020	December 31, 2019
Cash and cash equivalent	45,412,681	29,486,095
Financial assets at fair value through profit and loss – (including assets held by investment funds) *	34,088,896	44,435,959
Financial assets at fair value through comprehensive income**	151,480,869	236,821,963
Investments measured at amortized cost	38,822,333	43,246,691
Total assets	269,804,779	353,990,708
Liabilities on leasing contract	(1,032,992)	(1,121,202)
Total liabilities	(1,032,992)	(1,121,202)
Net financial assets	268,771,787	352,869,507

* Financial assets at fair value through profit or loss include euro bonds and foreign exchange holdings of closed-end investment funds, proportional to the Company's holding in their net assets.

** Financial assets at fair value through other comprehensive income in EUR result include holdings held abroad, namely Austria - Erste Bank and corporate bonds issued by Impact.

The following table shows the sensitivity of profit or loss as well as equity to possible changes at the end of the reporting period of the exchange rates in line with the reporting currency, consistently maintaining all other variables:

	June 30, 2020		December 31, 2019	
	Impact on P&L account	Impact on OCI	Impact on P&L account	Impact on OCI
EUR increase with 5% (2019: 5%)	5,131,646	6,156,769	5,086,249	9,734,270
EUR decrease with 5% (2019: 5%)	(5,131,646)	(6,156,769)	(5,086,249)	(9,734,270)
Total	-	-	-	-

(b) Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet their contractual obligations, or a financial engagement in which it has entered into a relationship with the Company, thus resulting in a loss for the Company. The Company is exposed to credit risk as a result of investments in bonds issued by commercial companies or the Romanian State, current accounts and bank deposits and other receivables. The management of the Company closely monitors and expands the exposure to credit risk so that it does not suffer losses as a result of the concentration of credit in a certain sector or field of activity.

As of June 30, 2020 and December 31, 2019, the Company did not have any real collaterals as insurance, nor any other improvements in the credit rating, except for those related to the bonds issued by Blue Air Aviation S.A. (movable and real estate collateral), presented in the table below in category NR (no rating), measured at amortized cost. As of June 30, 2020, and December 31, 2019, the Company did not record any outstanding financial assets, for which it had not recorded any impairment adjustments.

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

June 30, 2020	Current accounts	Bank deposits	Bonds (measured at amortized cost)	Bonds (measured at FVOCI)	Bonds (measured at FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating AAA to A- BBB+	38,225,009	79,793,050					118,018,058
BBB	22,803						22,803

Selected explanatory notes to the condensed financial statements as of June 30, 2020

June 30, 2020	Current accounts	Bank deposits	Bonds (measured at amortized cost)	Bonds (measured at FVOCI)	Bonds (measured at FVTPL)	Other financial assets	Total
BB+	7,722,906	35,000,000					42,722,906
Baa1	3,470						3,470
NR			38,822,333	4,891,132	48,425,085	2,316,011	94,454,561
TOTAL	45,974,188	114,793,050	38,822,333	4,891,132	48,425,085	2,316,011	255,221,798

December 31, 2019	Current accounts	Bank deposits	Bonds (measured at amortized cost)	Bonds (measured at FVOCI)	Bonds (measured at FVTPL)	Other financial assets	Total
<i>Current and not impaired</i> Rating AAA to A-							
BBB+	29,627,080	37,000,000					66,627,080
BBB	23,049						23,049
BB+	504,901	54,400,000			6,664,481		61,569,381
Baa1	3,554						3,554
NR	-		43,246,691	5,053,633	49,118,410	1,191,647	98,610,382
TOTAL	30,158,583	91,400,000	43,246,691	5,053,633	55,782,891	1,191,647	226,833,446

The Company's maximum exposure to credit risk is of RON 255,221,798 as of June 30, 2020 (December 31, 2019: RON 226,833,446) and can be analysed as follows:

	Credit rating			June 30, 2020	December 31, 2019
BRD - Groupe Société Générale	BBB+	BRD - Groupe Société Générale	Fitch	38,200,924	29,435,631
Banca Transilvania	BB+	Banca Transilvania	Fitch	42,722,906	54,904,901
Banca Comercială Română	BBB+	Banca Comercială Română	Fitch	79,816,810	37,191,183
Intesa Sanpaolo Romania*	BBB	Intesa Sanpaolo Italia	Fitch	22,803	23,049
Raiffeisen Bank Romania	Baa2	Raiffeisen Bank Romania	Moody's	3,470	3,554
UniCredit Tiriac	BBB+	UniCredit Tiriac	Fitch	324	266
TOTAL (Note 11 and 12)				160,767,237	121,558,583

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

The cash and cash equivalent and bank deposits are not past due and not impaired. The corporate bonds are not past due and not impaired.

The Company's exposure to credit and counterparty risk through corporate bonds held as of June 30, 2020 is presented in the following table:

Issuer		Quantity	Nominal value	Interest rate	Value as of June 30, 2020 - RON	Maturity
Blue Air Aviation** (^)	Eur	80	100,000.00	13.00%	38,738,400	2020
Impact SA**	Eur	210	5,000.00	5.75%	4,881,547	2022
Vrancart SA*	RON	368,748	100.00	4.50%	37,612,296	2024
Sifi Bh Retail SA**	Eur	1,100	2,000.00	6.00%	10,228,003	2021
Total					91,460,246	

* variable interest rate

** fixed interest rate

(^) During July 2020, the amount of 2,000,000 euros was collected, together with the related interests, representing the equivalent value of 20 bonds issued by Blue Air Aviation SA, with a nominal value of 100,000 euros. At the date of publication of the interim standalone financial statements as of June 30, 2020, the remaining balance of these instruments is 6,000,000 euros plus interest receivable according to the issuance document.

Concerning the bonds issued by Blue Air Aviation S.A. we specify that after the reporting date, on August 14, 2020, the Romanian Government issued the Emergency Ordinance on establishing the legal framework for granting state aids to the Company "Romanian National Air Transport Company - TAROM" SA, and respectively to the Company Blue Air Aviation SA to compensate the losses incurred as a result of the

Selected explanatory notes to the condensed financial statements as of June 30, 2020

COVID-19 pandemic. The content of the Emergency Ordinance adopted, in art.12, paragraph 1, section f) clearly states the agreement of the Romanian Government that out of the total amount of RON 300,775,000 to be granted as a loan, to be paid, with priority the amount of EUR 6,000,000 (together with all costs related to this amount), related to the bonds issued and remained in SIF Banat-Crişana portfolio at the date of adoption of the GEO, respectively at the date of publication of these condensed interim financial statements.

The Company's exposure to credit and counterparty risk through corporate bonds held as of December 31, 2019 is presented in the following table:

Issuer	Quantity	Nominal value	Interest rate	Value as of December 31, 2019 - RON	Maturity
Banca Transilvania*	Eur 2,260,999	0.61	5.91%	6,483,596	2020
Blue Air Aviation**	Eur 90	100,000.00	13.00%	43,013,700	2020
Impact SA**	Eur 210	5,000.00	5.75%	5,043,356	2022
Vrancart SA*	RON 368,748	100.00	5.04%	37,612,296	2024
Sifi Bh Retail SA**	Eur 1,100	2,000.00	6.00%	10,567,032	2021
Total				102,719,980	

* variable interest rate

** fixed interest rate

(c) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations arising from short-term financial liabilities that are settled by payment in cash or other financial means, or the risk that such obligations are settled in an unfavourable manner for the Company.

The company monitors the progress of its liquidity levels to be able to meet its payment obligations at due date and constantly analyses its assets and liabilities, based on the remaining period to the contractual maturities.

In the current economic context, the Company's management has adopted a prudent policy of managing monetary investments, maintaining a weight of available liquidity in total assets allowing at any time the coverage of any outstanding payment obligations and a liquidity reserve to provide the financing of any attractive investment opportunities.

The breakdown of assets and liabilities was analysed based on the remaining period from the balance sheet date to contractual maturity date, both as of June 30, 2020 and December 31, 2019, as follows:

<i>in RON</i>	Book value	Less than 3 months	3 to 12 months	Over 1 year	No fixed maturity
June 30, 2020					
Financial assets					
Cash and cash equiv.	160,882,568	160,882,568	-	-	-
Bank deposits	0	0	-	-	-
Financial assets at FVTPL	1,139,182,766	304,596	10,508,193	37,612,296	1,090,757,681
Financial assets at FVTOCI	1,200,849,911	-	9,585	4,881,547	1,195,958,779
Financial assets at amortized cost	38,822,333	38,822,333	-	-	-
Other financial assets	3,721,743	3,721,743	-	-	-
Total financial assets	2,543,459,321	203,731,240	10,517,778	42,493,843	2,286,716,460
Financial liabilities					
Liabilities on leasing contract	1,032,992	51,682	161,249	820,061	-
Other financial liabilities	1,792,971	1,792,971	-	-	-
Total financial liabilities	2,825,963	1,844,653	161,249	820,061	-
Liquidity surplus	2,540,633,358	201,886,587	10,356,529	41,673,782	2,286,716,460

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

in RON

	Book value	Less than 3 months	3 to 12 months	Over 1 year	No fixed maturity
December 31, 2019					
Financial assets					
Cash and cash equiv.	117,203,806	117,203,806	-	-	-
Bank deposits	4,512,500	1,504,083	3,008,417	-	-
Financial assets at FVTPL	1,226,791,154	1,119,967	6,483,596	48,179,328	1,171,008,263
Financial assets at FVTOCI	1,508,267,047	-	10,277	5,043,356	1,503,213,414
Financial assets at amortized cost	49,911,172	-	49,911,172	-	-
Other financial assets	2,597,379	2,597,379	-	-	-
Total financial assets	2,902,618,577	122,425,235	52,748,980	53,222,684	2,674,221,677
Financial liabilities					
Liabilities on leasing contract	1,121,202	64,292	139,681	917,229	-
Other financial liabilities	7,492,598	7,492,598	-	-	-
Total financial liabilities	8,613,799	7,556,890	139,681	917,229	-
Liquidity surplus	2,894,004,777	114,868,345	52,609,300	52,305,456	2,674,221,677

4.2 Other risks

By the nature of the business object, the Company is exposed to various types associated to financial instruments and to market on which it invests.

The main types of risks the Company is exposed to are:

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

The risk management has in view the maximization of Company's profit related to the risk level it is exposed to.

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

(a) Taxation risk

Starting with 1 January 2007, following Romania's accession to the European Union, the Company had to comply with the EU regulations and, therefore, prepared to implement changes brought by the European legislation. The Company has implemented these changes, but their implementation remains open to tax audit for 5 years.

Interpretation of texts and practical implementation of the procedures of the new applicable tax regulations could vary and there is a risk that in some cases the tax authorities might adopt a position different from that of the Company.

In terms of income tax there is a risk of different interpretation by the tax authorities to accounting treatments that were determined by the transition to IFRS as an accounting basis.

In addition, the Romanian Government has several agencies authorized to conduct audits (controls) of companies operating in Romania. These controls are similar to tax audits in other countries and may extend not only to tax matters but also to other legal and regulatory issues of interest to these agencies. The Company may be subject to tax audits as new tax regulations are issued.

(b) Economic environment risk

SIF Banat-Crișana's management cannot predict all the effects of the international economic developments with an impact on the financial sector in Romania, but has confidence in that in the first six months of 2020 has adopted the necessary measures for the Company'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 are ensured by the company through an investment policy complying with the prudential rules imposed by the applicable laws and regulations in force.

SIF Banat-Crișana has adopted risk management policies through which risks are actively managed, by implementing specific risk identification, evaluation, measurement and control procedures meant to

Selected explanatory notes to the condensed financial statements as of June 30, 2020

provide reasonable assurance with respect to the achievement of the Company'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.

During March 2020, amid the global spread of tensions over the Covid-19 virus, the Federal Reserve cut to 0% the key monetary policy interest rates, in two exceptional meetings, along with a \$ 700 billion package for operations of quantitative relaxation.

The exceptional measures taken by most countries in the world (implicitly by Romania's main economic partners) to limit the spread of the Sars-Cov2 virus make it impossible to make a realistic estimate of the return to normal of economic activity worldwide, despite the accelerated recovery of stock prices in the world's major capital markets (mainly the US technology companies shares), given that current key macroeconomic information indicates an unprecedented contraction in economic activity and GDP dynamics.

(c) Operational risk

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

The Company'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.

Amidst the situation created by the COVID-19 virus, the Company has adopted a plan of measures to ensure the continued conduct of business in safe conditions and to minimize operational risks by implementing a business continuity plan and by adapting and updating the internal policies and mechanisms to ensure the uninterrupted and safe connection with investors, shareholders and market institutions.

(d) Capital 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 Company and attain the investment objectives.

The Company's equity includes the share capital, different types of reserves and the retained earnings. The equity amounted to RON 2,434,839,742 as of June 30, 2020 (RON 2,748,203,454 as of December 31, 2019).

5. Dividend income

In accordance with IFRS 9 and since the Company has opted to measure stakes 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 rate for dividends from companies was 0% (2019: 0% and 5%). The breakdown of dividend income on the main counterparties is shown in the table below:

<i>denominated in RON</i>	June 30, 2020	June 30, 2019	Measurement
SAI Muntenia Invest SA	12,237,552	13,557,288	FVTOCI
UNITEH TIMISOARA	7,770,077	96,730	FVTPL
CONPET PLOIESTI	3,968,618	4,202,445	FVTOCI
Biofarm	3,620,966	0	FVTPL
SIF MOLDOVA	3,005,937	1,539,758	FVTOCI
SIF OLTENIA	1,160,829	1,741,243	FVTOCI
SNP Petrom	1,111,840	968,377	FVTOCI
SNTGN Transgaz	678,282	949,683	FVTOCI
ELECTRICA S.A.	477,389	479,975	FVTOCI
ROMPETROL WELL SERVICES	242,181	99,754	FVTOCI
Banca Transilvania	-	36,980,164	FVTOCI

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

<i>denominated in RON</i>	June 30, 2020	June 30, 2019	Measurement
BRD	-	22,329,415	FVTOCI
Erste Group Bank AG	-	9,634,942	FVTOCI
SNGN ROMGAZ	-	6,553,851	FVTOCI
Comelf	80,834	75,744	FVTOCI
Spumotim	-	61,990	FVTOCI
Others	216,325	23,867	FVTOCI
Total	34,570,830	99,295,226	
FVTOCI	23,179,787	99,198,497	
FVTPL	11,391,043	96,730	

6. Interest income

Interest income (assets at amortized cost, assets at fair value through other comprehensive income)

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Interest income on deposits and current accounts	1,023,778	419,566
Interest income on bonds measured at amortized cost	2,856,576	193,961
Interest income on assets measured through other comprehensive income (corporate bonds)	145,885	142,258
	4,026,240	755,785

Interest income (assets at fair value through profit and loss)

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Interest income on bonds	1,372,697	2,405,597
Total	1,372,697	2,405,597

7. Profit/(Loss) on measurement of assets through profit and loss

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Profit / (Loss) from measurement / disposal of fund units	(50,212,954)	20,350,886
Profit / (Loss) from measurement of bonds	(475,836)	(2,765,610)
Profit / (Loss) from measurement of shares in subsidiaries and associates	(30,006,228)	2,356,435
Total	(80,695,018)	19,941,711

As of June 30, 2020, the Company measured the investments held in fund units, the shares held in subsidiaries and associates and the bonds held, through the profit and loss account, resulting in a decrease amounting to RON 80.7 million.

During Q1 2019, fund units were redeemed by the Closed-End Investment Fund Omnitrend in the amount of RON 20.7 million, RON 0.8 million below the current book value.

8. Fees and commissions expenses

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
ASF commissions	1,182,244	1,200,250
Depository fees	253,052	222,273
Fees payable to SSIF (brokers)	48	112,854
Registry fees	72,000	72,000
Other fees and commissions	38,498	38,059
Total	1,545,842	1,645,436

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

9. Other operating expenses

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Expenses with other taxes and fees and assimilated payments	181,949	120,919
Expenses with salaries and other personnel expenses	4,590,264	5,415,876
Depreciation expenses	136,222	124,254
Expenses for external services	2,081,690	1,064,830
Expenses on interest depreciation of assets with the right to use under the leasing contract	148,245	-
Total	<u>7,138,370</u>	<u>6,725,878</u>
<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Expenses with salaries	4,208,046	4,034,741
Expenses on Stock Option Plan	174,533	1,190,000
Expenditure on insurance and social protection	144,695	133,610
Other personnel expenses	62,990	57,525
Total	<u>4,590,264</u>	<u>5,415,876</u>

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

In the period ended on June 30, 2020, the average number of employees was of 34 (June 30, 2019: 34), and the number of employees recorded at the end of the reporting period was of 34 (June 30, 2019: 34).

The company makes payments to institutions of the Romanian State in the account of the pensions of its employees.

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

10. Income tax

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Current income tax		
Current income tax (16%)	-	3,951,731
Tax on dividend (0%, 5%)	547,112	3,804,752
Expense on / (income from) deferred tax		
Financial assets at FVTOCI		
Financial assets at FVTPL		
Tangible assets / Investment property	(43,041)	-
Total income tax recognized in profit or loss	<u>504,071</u>	<u>7,756,484</u>

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

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

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Profit before tax	(45,590,044)	115,201,633
Tax under statutory tax rate of 16% (2019: 16%)	(7,294,407)	18,432,261
Income tax effect of:		
Tax on dividend (0%, 5%)	547,112	3,804,752
Non-deductible expenses and similar items	10,272,692	2,417,139
Non-taxable revenues	(10,480,950)	(16,875,872)
Revenue related items	39,113	13,458,348
Expenses related items		

Selected explanatory notes to the condensed financial statements as of June 30, 2020

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Recoverable tax loss	7,463,553	-
Deferred tax	(43,041)	-
Amounts of sponsorship within legal limits and other deductions	-	(24,000)
Tax recognized in retained earnings	-	(13,456,145)
Income tax	504,071	7,756,484

11. Cash and cash equivalents

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Cash in hand and other valuables	23,748	10,066
Current accounts in banks	45,974,188	30,158,583
Deposits in banks with original maturity less than 3 months (including interest)	114,884,633	87,035,157
Cash and cash equivalents with maturity less than 3 months	160,882,568	117,203,806

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

12. Bank deposits

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Bank deposits with initial maturity over 3 months	-	4,500,000
Interest on deposits	-	12,500
Cash and cash equivalents with maturity over 3 months	-	4,512,500

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

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Shares	774,581,285	804,587,514
Fund units	316,176,396	366,420,749
Corporate bonds (including attached interest)	48,425,085	55,782,891
Total	1,139,182,766	1,226,791,154

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

The movement of the financial assets measured at fair value through profit and loss account as of June 30, 2020, is presented in the table below:

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds	Total
January 1, 2020	804,587,514	366,420,749	55,782,890	1,226,791,153
Acquisitions	-	-	-	-
Sales	-	-	(6,568,790)	(6,568,790)
Change in interest receivable	-	-	(535,181)	(535,181)
Change in fair value (including foreign exchange differences)	(30,006,229)	(50,244,353)	(253,834)	(80,504,416)
June 30, 2020	774,581,285	316,176,396	48,425,084	1,139,182,766

As of June 30, 2020, the holdings in subsidiaries and associated entities were measured at fair value, the difference being an unfavourable one amounting to RON 30 million (vs. the value as of December 31, 2019).

The measurement of the fund units at fair value on June 30, 2020 generated an unfavourable difference of RON 50.2 million (vs. the value on December 31, 2019).

The sale of corporate bonds includes the value of Banca Transilvania bonds collected in May 2020, at maturity.

Selected explanatory notes to the condensed financial statements as of June 30, 2020

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

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds	Total
January 1, 2019	769,377,480	295,681,969	40,929,815	1,105,989,265
Acquisitions	44,424,999	8,499,912	70,713,000	123,637,912
Sales		(21,455,867)	(60,904,960)	(82,360,827)
Change in interest receivable			571,546	571,546
Change in fair value (including foreign exchange differences)	(9,214,965)	83,694,734	(2,190,992)	72,288,777
Reclassification from amortized cost			6,664,481	6,664,481
December 31, 2019	804,587,514	366,420,749	55,782,890	1,226,791,153

Acquisitions of shares in 2019 mainly include purchases of Biofarm shares amounting to RON 44.4 million.

During 2019 fund units in closed end Investment Fund Optim Invest were purchased, amounting to RON 8.5 million.

During the period fund units were redeemed with the book value of RON 21.5 million, by Omnitrend closed end investment fund, with a loss of RON 0.8 million.

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

During 2019, the Company reclassified Banca Transilvania's bonds from measured at amortized cost to measured at fair value through profit or loss.

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

The movement of financial assets measured at fair value through other comprehensive income in H1 2020 is presented in the table below:

<i>denominated in RON</i>	Shares *	Corporate bonds**
January 1, 2020	1,503,213,414	5,053,634
Acquisitions	7,250,565	-
Sales	(23,780)	-
Change of interest receivable		72,506
Change in fair value (including foreign exchange differences)	(314,481,229)	(161,809)
June 30, 2020	1,195,958,780	4,891,132

* the option to measure at fair value through other comprehensive income was exercised at initial recognition

** SPPI tested and recognized as held to collect and sale

Purchases of shares during H1 2020, amounting to RON 7.3 million, mainly include the acquisition of Banca Transilvania shares, amounting to RON 4.4 million, Bursa de Valori București RON 2.5 million and the subscription to the share capital increase at Mobex SA Târgu Mureș with the amount of RON 0.4 million.

No significant sales were made during H1 2020.

The movement in 2019 of financial assets measured at fair value through other comprehensive income is presented in the table below:

<i>denominated in RON</i>	Shares *	Corporate bonds**
January 1, 2019	1,274,462,535	4,882,639
Acquisitions	6,586,167	-
Sales	(107,323,972)	-
Change of interest receivable		248
Change in fair value (including foreign exchange differences)	329,488,684	170,747
December 31, 2019	1,503,213,414	5,053,634

* the option to measure at fair value through other comprehensive income was exercised at initial recognition

** SPPI tested and recognized as held to collect and sale

Selected explanatory notes to the condensed financial statements as of June 30, 2020

Purchases of shares in 2019, in the total amount of RON 6.6 million mainly include the acquisition of Intercontinental SA Bucharest shares in the amount of RON 5.1 million and the participation in the share capital of the company CCP.RO (Central Counterparty) in the amount of RON 1.43 million.

The sales of shares in the amount of RON 107.3 million, mainly include the sale of shares of Erste Bank (RON 93.9 million), Minerva SA (RON 8.9 million), Mobicom SA (RON 1.6 million), Famos SA (1.6 million), SIF Moldova (RON 0.8 million), Nord Constructii (RON 0.5 million), etc.

The gain on transactions amounting to RON 54.7 million was recognized in the retained earnings.

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 appraisers and authorized appraisers within the Appraisal dept. of the Company, using the strategy set by the management of the issuer and appraisal techniques that meet the requirements of IFRS 13 and the ANEVAR Valuation Standards, in line with best valuation practices. These techniques include: techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price and using the method approved by ASF namely a percentage of the net assets of these companies, reduced by a discount for minority ownership and a discount for lack of liquidity.

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

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

June 30, 2020

<i>denominated in RON</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss - shares	267,196,371		507,384,915	774,581,286
Financial assets at fair value through profit and loss - fund units	316,176,396			316,176,396
Financial assets at fair value through profit and loss - bonds	37,916,892	10,508,193		48,425,085
Financial assets at fair value through other comprehensive income - shares	1,095,870,867		100,087,913	1,195,958,780
Financial assets at fair value through other comprehensive income - corporate bonds	4,891,132			4,891,132
Investment property	267,196,371		12,876,581	12,876,581
Land and buildings	316,176,396		3,668,652	3,668,652
	<u>1,722,051,658</u>	<u>10,508,193</u>	<u>624,018,061</u>	<u>2,356,577,912</u>

December 31, 2019

<i>denominated in RON</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss - shares	251,475,549	-	553,111,966	804,587,515
Financial assets at fair value through profit and loss - fund units	366,420,749	-	-	366,420,749
Financial assets at fair value through profit and loss - bonds	37,958,535	17,824,356	-	55,782,891
Financial assets at FVOCI - shares	1,390,518,610	-	112,694,805	1,503,213,415
Financial assets at FVOCI - corporate bonds	5,053,633	-	-	5,053,633
Financial assets at amortized cost - corporate bonds	-	-	20,047,164	20,047,164
Investment property	-	-	3,734,817	3,734,817
Land and buildings	251,475,549	-	553,111,966	804,587,515
	<u>2,051,427,076</u>	<u>17,824,356</u>	<u>689,588,752</u>	<u>2,758,840,184</u>

During the first 6 months of 2020, no transfers between the levels of fair value were made.

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

15. Financial assets measured at amortized cost

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Bonds	38,738,400	43,013,700
Attached interest related to bonds	83,933	232,991
Total	38,822,333	43,246,691

At the end of 2019, Banca Transilvania's bonds were reclassified to FVTPL.

Bonds outstanding on June 30, 2020 include bonds issued by Blue Air Aviation in EURO, purchased in December 2019, with maturity in June 2020, with an annual interest rate of 13%.

In June 2020, an Addendum to the Offer Document on the issue of Blue Air Aviation bonds was concluded by which the maturity date of the bonds was extended, under the same financial conditions as the initial offer, with the maturity for the last tranche on September 15, 2020.

At the date of initial recognition, the Company has considered compliance with the requirements of IFRS 9 on the characteristics of debt instruments. Following the analysis of the specifications of Blue Air Aviation bonds, the Company concluded that both the requirements of the SPPI test (exclusive payments of principal and interest) and compliance with the "Hold to collect" business model (held to collect cash flows) are met.

At the same time, at the date of preparation of these interim financial statements, the Company analysed the credit risk associated with these instruments from the perspective of IFRS 9 regarding the recognition of possible credit losses expected in the event of a significant increase in credit risk compared to initial recognition. Following the analysis and consideration of several possible scenarios (in accordance with the requirements of the standard) it was concluded that the weighted average probability of possible expected credit losses is insignificant for understanding the Company's financial position and performance at the time of preparation. According to the guidelines for applying IFRS9 on credit risk, the analysis is based on the financial instrument and its characteristics, not the issuer of that instrument. Under these conditions, as specified in Paragraph B.5.7.13 of IFRS 9: "if an entity issues a secured debt and an unsecured debt that are otherwise identical, the credit risk of those two liabilities will be different, even if they are issued by the same entity. The credit risk of the secured debt will be less than the credit risk of the unsecured debt. The credit risk of a secured debt can be almost zero." We emphasize that, in addition to those mentioned in point 4.1 (b) of these interim financial statements, the principal and interest on bonds issued by Blue Air Aviation S.A. benefited from real-estate and movable collaterals that fully cover the amounts receivable, both on the date of the initial issue and on the date of their extension of maturity.

16. Investment property

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Balance on January 1	20,047,164	20,128,515
Entries	-	-
Sales	(7,170,583)	-
Changes in fair value – gain/(loss)	-	(81,351)
Balance at the end of period	12,876,581	20,047,164

During H1 2020 a property held in Timișoara was sold. The gain on transaction amounts to RON 2,466,217.

17. Other financial assets

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Sundry debtors	3,541,055	2,383,090
Other financial assets	180,687	214,289
Impairment for depreciation of sundry debtors	(1,405,732)	(1,405,732)
Total	2,316,011	1,191,647

18. Deferred tax liabilities

Deferred tax assets and liabilities on June 30, 2020 and December 31, 2019 are generated by the elements detailed in the following tables:

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

June 30, 2020

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at FVOCI	-	752,438,363	(752,438,363)
Tangible assets and investment property	-	13,457,690	(13,457,690)
Total	-	765,896,043	(765,896,043)
Net temporary differences - 16% rate			(765,896,043)
Deferred tax liabilities			(122,543,369)

December 31, 2019

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at FVOCI	-	1,047,839,625	(1,047,839,625)
Tangible assets and investment property	-	13,726,697	(13,726,697)
Total	-	1,061,566,322	(1,061,566,322)
Net temporary differences - 16% rate	-		(1,061,566,322)
Deferred tax liabilities	-		(169,850,613)

Deferred tax liabilities in balance on June 30, 2020 amounting to RON 122,543,369 (2019: RON 169,850,613) include:

- deferred income tax recognized directly through the decrease in equity amounting to RON 112,280,603 (2019: 159,554,443), 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 10,262,766 recognized in the retained earnings.

19. Other financial liabilities

<i>denominated in RON</i>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Payables to employees and related contributions	681,999	2,477,882
Taxes and fees	10,028	11,532
Suppliers and creditors	1,100,944	551,890
Total	1,792,971	3,041,305

20. Capital and reserves

(a) Share capital

As of June 30, 2020, 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 the conversion into shares of the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As of June 30, 2020, the number of shareholders was of 5,748,031 (December 31, 2019: 5,749,444).

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 of June 30, 2020 and December 31, 2019. 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 execution of a buyback program for the repurchase of 17,460,724 own shares ("Program I") by the Company, to reduce its share capital.

The EGM of April 26, 2018, approved the execution of a buyback program for the repurchase of 1,400,000 own shares ("Program II") by the Company, for their distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors. In December 2019, the stock option plan was completed, through which 1,400,000 shares were granted to the Company's administrators and directors, free of charge.

Selected explanatory notes to the condensed financial statements as of June 30, 2020

The EGM of April 27, 2020 approved:

- the reduction of the share capital of the Company pursuant to art. 207 par. (1) section c) of Law no. 31/1990, from RON 51,746,072.4, to RON 51,542,236.3 following the cancellation of a number of 2,038,361 own shares acquired by the company, within the buyback programs. This operation is in progress.

- the use of a number of 880,000 shares, owned by the Company and repurchased pursuant to the EGM resolution of April 26, 2018, for their distribution free of charge to members of the Company's management (administrators, directors), in a Stock Option Plan, approved by the Resolution of EGM held on April 22, 2019. The Board of Directors of the Company approved at the end of May 2020 the "Share-based Payment Plan", which is ongoing.

- the execution of a buyback program for 15,000,000 own shares ("Program I") to reduce its share capital and the buyback of a maximum of 880,000 shares ("Program II"), for their distribution 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 determined by the Board of Directors.

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Share capital*	51,746,072	51,746,072
Total	51,746,072	51,746,072

* The effect of hyperinflation on share capital is presented in section (g)

(b) Retained earnings

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Retained earnings from the transition to IAS and IFRS	422,323,709	422,323,709
Retained earnings from application of IFRS 9 (including gains on transactions)	204,607,803	204,606,593
Undistributed profit	23,860,282	23,860,282
Result for the period	(46,094,114)	159,494,532
Other amounts recognized in retained earnings (legal reserves, revaluation of tangible assets, etc.)	2,021,238	2,021,238
Total	606,718,918	812,306,354

(c) Other reserves

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Reserves allotted from the net profit	903,715,687	744,221,155
Reserves set-up under Law no. 133/1996*	145,486,088	145,486,088
Reserves from written-off dividends	88,420,910	88,420,910
Reserves from exchange rate differences and investment facilities	19,832,946	19,832,946
Total	1,157,455,631	997,961,099

* The effect of hyperinflation on reserve set-up under Law no. 133/1996 is presented in section (g)

The reserve related to the initial portfolio was set-up under Law no. 133/1996, as the difference between the value of the contributed portfolio and the value of the share capital subscribed to SIF. Thus, these reserves are assimilated to a contribution premium and are not used to sell fixed assets.

(d) Legal reserves

Pursuant to the legal requirements, the Company set-up legal reserves in the amount of 5% of recorded profit according to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as of June 30, 2020, amounts to RON 10,349,214 (December 31, 2019: RON 10,349,214).

Legal reserves cannot be distributed to shareholders.

(e) 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. The amount of deferred tax recognized directly through impairment of equity is shown in Note 18.

Selected explanatory notes to the condensed financial statements as of June 30, 2020

The following table shows the reconciliation of net differences in the change in fair value for financial assets measured by other comprehensive income:

<i>denominated in RON</i>	June 30, 2020	December 31, 2019
Differences from changes in fair value of financial assets measured through other comprehensive income (bonds)	(169,815)	20,952
Differences from changes in fair value of financial assets measured through other comprehensive income (shares)	614,818,918	882,073,492
Total	614,649,103	882,094,444

(f) Dividends

During the first six months of 2020 there was no approval for dividend distribution. In 2019, it was not approved the distribution of dividends from the profit of the financial year 2018.

(g) Effect of hyperinflation (IAS29)

The effect of hyperinflation over the share capital amounting to RON 645,164,111 and over the reserve set-up under 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 (December 31, 2019), with no impact on total value of equity (own capital).

<i>denominated in RON</i>	Effect of applying IAS 29 on share capital	Effect of applying IAS 29 on reserve set-up under Law no. 133/1996	Effect on retained earnings of applying IAS 29 on equity items
Balance on January 1, 2020	645,164,114	1,960,189,603	(2,605,353,717)
Increase / (Reduction)	-	-	-
Balance on June 30, 2020	645,164,114	1,960,189,603	(2,605,353,717)

21. Earnings per share

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

<i>denominated in RON</i>	June 30, 2020	June 30, 2019
Profit attributable to ordinary shareholders	(46,094,114)	107,445,150
Weighted average number of ordinary shares	514,542,363	517,371,068
Basic earnings per share	(0.090)	0.208

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

22. Contingent assets and liabilities

(a) Litigations

As of June 30, 2020, the Legal Office of the Company reported 113 litigations ongoing in Courts. The Company had legal standing in 91 lawsuits, passive legal standing in 16 lawsuits, and intervenient in 6 litigations.

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

(b) Other liabilities

not the case

23. Related parties

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

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

Selected explanatory notes to the condensed financial statements as of June 30, 2020

Key management personnel

June 30, 2020

- As of June 30, 2020, 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 of June 30, 2020, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director, Laurențiu Riviș – Director.

December 31, 2019

- As of December 31, 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 of December 31, 2019, the members of the executive team of SIF Banat-Crişana were: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director and Laurențiu Riviș – Director.

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

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

Subsidiaries

As of June 30, 2020 and December 31, 2019, the Company held stakes in 12 companies (December 31, 2019: 13), a company entering insolvency proceedings. 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 of June 30, 2020 is of 20 (December 31, 2019: 21), of which:

- Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises significant influence;
- 5 (December 31, 2019: 5) entities that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- 13 (December 31, 2019: 14) entities in insolvency / liquidation / bankruptcy.

Transactions with related parties during the interim reporting period:

During the first six months of 2020, the Company made the following transactions with affiliated parties:

	H1 2020
Transactions by profit or loss	
Dividend income, of which:	
SAI Muntenia	12,237,552
BIOFARM BUCURESTI	3,620,966
Uniteh	7,770,077
	23,628,595
Interest income, of which:	
VRANCART ADJUD	901,183
SIFI BH Retail	318,210
	1,219,393
Other expenses, of which:	
Administrare Imobiliare - rent and operating expenses	148.245
Gaz Vest – supply of natural gas	27.972

Selected explanatory notes to the condensed financial statements *as of June 30, 2020*

Transactions by statement of financial position

	June 30, 2020
Other receivables, of which:	
SILVANA CEHU SILVANIEI - dividends	671,886
SILVANA CEHU SILVANIEI - receivables depreciation adjustments	(671,886)
VRANCART ADJUD – bonds	37,612,296
VRANCART ADJUD - interest receivable	304,596
SIFI BH Retail - bonds	10,228,003
SIFI BH Retail - interest receivable	280,190
Total	48,425,085
Other debts, of which:	
Administrare Imobiliare	22,867
Gaz Vest	-
Total	22,867

24. Events after the interim period

- On **July 6, 2020**, the Extraordinary General Meeting of Shareholders took place, approving the amendment of Company's Articles of Association, to comply with the provisions of Law no. 243/2019 on alternative investment funds and for amending and supplementing some normative acts.

The full version of the resolutions adopted by the EGM of July 6, 2020, is available for consultation on Company's website, at www.sif1.ro, in the *Investor Relations* section.

- On **August 17, 2020** it was published The Disclosure document on the offer of shares to the members of the management structure of SIF Banat-Crişana. The Company's Board of Directors approved the "Stock Option Plan", by which 880,000 SIF1 shares were offered to the members of Company's management, program approved by the EGM of April 27, 2020 (Program II).

The disclosure document on the offer or assignment of securities to members of the management of SIF Banat-Crişana in full is available for consultation on Company's website, at www.sif1.ro, in the *Investor Relations* section.