



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

## REPORT OF THE **BOARD OF DIRECTORS**

FOR 2013 FINANCIAL YEAR

FREE TRANSLATION\*

\*TRANSLATOR'S EXPLANATORY NOTE: This report of the Board of Directors is provided as a free translation from Romanian, which is the official and binding version

# CONTENT

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<b>MAIN FINANCIAL AND OPERATIONAL INFORMATION</b>	<b>2</b>
<b>GENERAL INFORMATION</b>	<b>3</b>
<b>1. ANALYSIS OF THE ACTIVITY OF SIF BANAT-CRIȘANA</b>	<b>4</b>
Analysis of the portfolio managed	5
Net assets value	5
Portfolio structure	6
The investment activity	9
Risk management	13
Human resources	16
Measures taken for business efficiency	16
Litigations	17
Perspectives for 2014	17
<b>2. SIF BANAT-CRIȘANA SHARES</b>	<b>18</b>
The characteristics of shares issued	18
SIF1 shares on BSE	18
<b>3. CORPORATE GOVERNANCE</b>	<b>20</b>
<b>4. ACCOUNTING AND FINANCIAL POSITION</b>	<b>32</b>
Balance sheet	32
Profit and loss account	33
Cash flow statement	34
Realization of income and expenses budget for 2013	35
<b>5. OTHER SIGNIFICANT INFORMATION</b>	<b>35</b>
<b>6. SUBSEQUENT EVENTS</b>	<b>38</b>
<b>7. THE PROPOSAL OF THE BOARD OF DIRECTORS REGARDING THE PROFIT APPROPRIATION</b>	<b>38</b>
APPENDIX 1	Financial statements as at 31 December 2013
APPENDIX 2	Net assets statement as at 31 December 2013 (according to annex 16 of Regulation no. 15/2004)
APPENDIX 3	Detailed statement of investments at 31 December 2013 (according to annex 17 of Regulation no. 15/2004)
APPENDIX 4	List of companies in which SIF Banat-Crișana has direct control as at 31 December 2013
APPENDIX 5	List of public reports and communications prepared by SIF Banat-Crișana in 2013

## MAIN FINANCIAL AND OPERATIONAL INFORMATION

<b>MAIN BALANCE SHEET ITEMS [RON mil]</b>				
	2010	2011	2012	2013
Total assets, of which	655.96	733.93	959.06	1,110.22
Total financial assets	647.37	727.52	952.77	1,100.89
Equity	538.55	642.60	874.62	1,028.40
Total current liabilities	63.01	37.86	33.06	34.15

<b>FINANCIAL PERFORMANCE [RON mil]</b>				
	2010	2011	2012	2013
Total revenues	113.51	141.75	159.13	142.09
Total expenses	48.31	65.06	42.29	51.15
Gross profit	65.20	76.69	116.84	90.94
Net profit	63.00	63.01	100.51	80.14

<b>FINANCIAL INDICATORS [%]</b>				
	2010	2011	2012	2013
ROE (net profit / equity)	11.7	9.8	11.5	7.79
ROA (net profit / total assets)	9.6	8.6	10.5	7.22
Gross profit margin (gross profit/total income)	57.4	54.1	73.4	64
Effective income tax rate (tax expense/gross profit)	3.4	17.8	14	11.9
Dividend payout ratio*	89.7	87.1	-	*

<b>SHARES AND NET ASSETS PERFORMANCE</b>				
	2010	2011	2012	2013
Share price (at year-end, in RON )	1.014	0.9030	1.213	1.292
Net asset value** / share ( RON )	2.4805	2.3698	2.4061	2.9094
PER	8.83	7.87	6.62	8.85
Dividend / share ( RON )	0.103	0.100	-	*
Accounting net asset/share (RON)	1.0798	1.2682	1.6871	1.9606
Nominal value of share (RON)	0.1	0.1	0.1	0.1
No. of shares	548,849,268	548,849,268	548,849,268	548,849,268

<b>OPERATIONAL DATA</b>				
	2010	2011	2012	2013
Number of permanent employees	78	78	78	51
Number of branches	4	4	4	2

<b>SHAREHOLDING STRUCTURE AT 31 DECEMBER 2013</b>		
	<b>Number of shareholders</b>	<b>Holdings</b>
Romanian individuals	5,796,626	50.05%
Foreign individuals	1,854	0.63%
Romanian legal entities	274	26.38%
Foreign legal entities	53	22.93%
<b>TOTAL</b>	<b>5,798,807</b>	<b>100%</b>

\* according with General Meeting of Shareholders approval on profit distribution

\*\* calculated in accordance with Financial Supervisory Authority regulations

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## GENERAL INFORMATION

NAME	<b>Societatea de Investiții Financiare Banat-Crișana S.A.</b> (hereinafter referred to as "SIF Banat-Crișana" or "the Company")	
COMPANY TYPE	<ul style="list-style-type: none"><li>▪ Closed – end investment company with a diversified investment policy, registered as "Other Undertakings for Collective Investments" (AOPC)</li><li>▪ set-up as a joint stock company in November 1996; Romanian legal entity with private capital</li></ul>	
EQUITY	<ul style="list-style-type: none"><li>▪ RON 54,884,926.80 – subscribed and paid in capital</li><li>▪ 548,849,268 issued shares</li><li>▪ shares with a nominal value of RON <b>0.10</b> per share</li></ul>	
RECORDINGS	<ul style="list-style-type: none"><li>▪ Registered at the Trade Registry of the Arad Court, under number J02/1898/1992</li><li>▪ Unique registration number 2761040</li><li>▪ Number in ASF Registry is RJR09SIIR/020002/2006</li></ul>	
MAIN ACTIVITY	<ul style="list-style-type: none"><li>▪ Main object of activity: other financial intermediation n.c.a. (CAEN code 6499) <i>CAEN – Classification of Activities from National Economy</i></li></ul>	
TRADING MARKET	Bucharest Stock Exchange (First Tier), under ticker <b>SIF1</b>	
FINANCIAL AUDITOR	KPMG Audit S.R.L. Bucharest	
DEPOSITARY	ING BANK N.V. AMSTERDAM Bucharest Branch	
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. București	
HEADQUARTERS	<b>Arad</b> , Calea Victoriei nr. 35 A, 310158, Romania TEL +40257 234 473 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro	
BRANCHES	<b>Bucharest</b> No. 16 Splaiul Unirii, 1st floor, rooms 101, 102, 114A and 109, sector 4, 040035, Bucharest	<b>Cluj-Napoca</b> No. 1 Muzeului Sq., Cluj-Napoca 400019, Cluj county

## 1. ANALYSIS OF THE ACTIVITY OF SIF BANAT-CRIȘANA

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2013 was a year of development for SIF Banat-Crișana.

- The business model was reconfigured, with a focus towards increasing efficiency and an accelerated dynamics of the operations.
- Total revenues reached RON 142 million and the net profit raised to RON 80 million, exceeding by 33.4% the estimated level, as a result of finalizing some operations above the initial estimates.
- Two big investment projects from the activity program for 2013 were finalized:
  - Acquisition of the controlling stake in SAI Muntenia Invest;
  - Establishment of SIF Imobiliare Plc., by incorporating 18 companies from the portfolio of SIF Banat-Crișana with activities from the real estate field. In December 2013, SIF Imobiliare Plc. was listed on the Bucharest Stock Exchange and was admitted for trading on ATS market.
- The net assets value increased by 21% in 2013, reaching RON 1,596 million at the end of the year. The positive evolution reflects an improvement of the allocation of resources, adding increased value for the shareholders.
- The company has consolidated its position as a constituent of BSE indices, with a market capitalization that increased to RON 701 million at the end of December 2013. The appreciation was of 6.5% compared to the previous year.

## Analysis of the portfolio managed

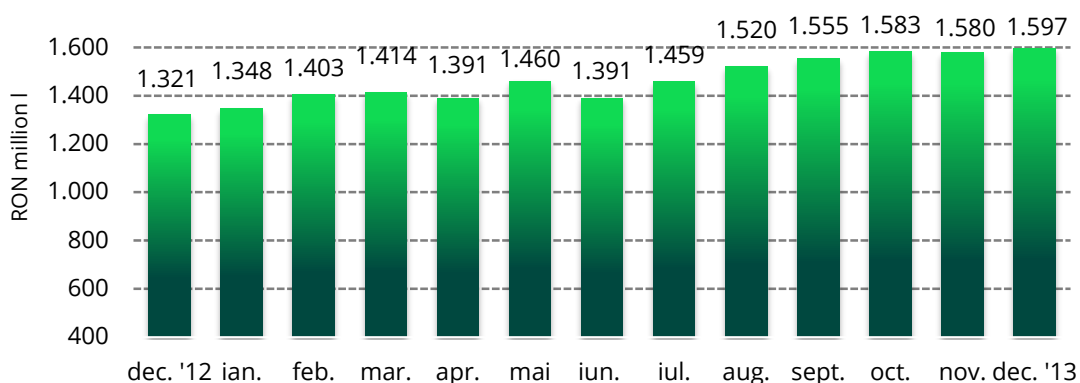
### Net assets value

The net asset value (NAV) of SIF Banat-Crişana, a key performance indicator of the activity, recorded a significant increase in 2013, being 20.92% higher than the value from the end of 2012. NAV as at 31 December 2013 reached **RON 1,596.84 million** (2012: RON 1,320.57 million).

The net asset value per share (NAV/share) was of **RON 2.9094** as at 31 December 2013, compared to RON 2.4061 as at 31 December 2012.

#### MONTHLY EVOLUTION OF THE NET ASSET VALUE

December 2012 - December 2013



The positive evolution of the capital market in 2013 and the listing of some companies from the portfolio were the main factors that determined a growth of 24.52% of the listed shares from the portfolio, reflected in the positive trend of VAN growth. Also, the value of the unlisted shares had a positive evolution based on the better financial results presented by a series of companies from the Company's portfolio.

The monthly values of the net assets were calculated by SIF Banat-Crişana and were certified by ING BANK N.V. AMSTERDAM, Bucharest branch, the depository bank of the Company's assets.

The monthly reports regarding the net asset value were submitted to the Bucharest Stock Exchange and National Securities Commission/Financial Supervisory Authority – Securities and Financial Investment Sector and were published on the website of SIF Banat-Crişana, [www.sif1.ro](http://www.sif1.ro), no later than 15 calendar days from the end of the reporting month.

The statement of assets and liabilities of SIF Banat-Crişana as at 30 December 2013, prepared in accordance with the provisions of Regulation no. 15/2004 (Annex 16) is presented in Appendix 2 to this report.

#### The calculation methodology of the net asset value

For January and February 2013, SIF Banat-Crişana calculated the net asset value in accordance with the regulations of the National Securities Commission<sup>1</sup> – Regulation no.

<sup>1</sup> Starting 29 April 2013, the prerogatives of the National Securities Commission ("CNVM") were taken over by the Financial Supervisory Authority ("ASF"), on the basis of Law no. 113/2013 for the approval of the Emergency Ordinance no. 93/2012

15/2014 and the Measures no. 9/2010 and 21/2010.

Starting March 2013, Measure no. 23/2012 entered into effect, setting a unitary and harmonized framework for the valuation methods of the assets of collective investment undertakings authorized and/or endorsed by the regulatory authority.

In accordance with the new regulation, the listed shares are valued at the market closing price of the day for which the calculation is made, superseding the valuations based on the weighted average of last three months. The unlisted shares are valued at the carrying amount per share as presented in the latest annual financial statements, respectively the net assets value as presented in the monthly reports submitted to the National Bank of Romania in case of credit institutions. The discounts based on the holding percentage from the issuer's share capital are no longer applied for the valuation of unlisted shares.

## Portfolio structure

The investment objective of SIF Banat-Crișana is the management of a diversified portfolio of quality assets, able to ensure a steady flow of income, conservation and medium-long term increase of the invested capital.

The asset allocation strategy follows to maximize the portfolio performance according to the prudential conditions set by Law no. 297/2004 regarding the capital market with subsequent amendments and Regulation no. 15/2004 regarding authorization and operation of asset management companies, collective investment undertakings and depositories. Throughout 2013, the assets managed by the Company have been within the allowed legal limits.

The structure of the assets managed by SIF-Banat-Crișana as at 31 December 2013 is presented in the following table, compared with the situation as at 31 December 2012:

### ASSETS UNDER MANAGEMENT

Asset category*	31 December 2012		31 December 2013	
	Value (RON)	Share in total assets	Value (RON)	Share in total assets
State bonds, treasury bills	25,580,832	1.89%	16,469,234	1.01%
Available cash	104,893	0.01%	2,302,128	0.14%
Receivables	382,629	0.03%	1,478,669	0.09%
Bank deposits	126,324,373	9.33%	88,717,641	5.44%
Corporate Bonds	1,042,647	0.08%	35,427,474	2.17%
Listed shares	1,037,797,357	76.67%	1,292,224,452	79.23%
Unlisted shares	146,718,869	10.84%	174,364,977	10.69%
AOPC Securities**	10,131,939	0.75%	14,986,474	0.92%
Other assets	5,593,738	0.41%	5,018,545	0.31%
<b>TOTAL ASSETS</b>	<b>1,353,677,278</b>	<b>100.00%</b>	<b>1,630,989,596</b>	<b>100.00%</b>
Total debts + deferred income	33,103,142	2.45%	34,153,880	2.09%
<b>NET ASSET</b>		<b>97.55%</b>	<b>1,596,835,716</b>	<b>97.91%</b>
<b>VUAN (net asset value/share)</b>	<b>2.4061</b>		<b>2.9094</b>	

\* values calculated as at 31 December 2012 according to Regulation no. 15/2004 and Measures no. 9/2010 and 21/2010 and as at 31 December 2013 according to Measure no. 23/2012;

\*\* this category includes the stake held in Fondul Proprietatea, in accordance with applicable regulations

- The detailed statement of investments of SIF Banat-Crișana as at 31 December 2013 prepared in accordance with Regulation no. 15/2004 (Annex 17), is presented in Appendix 3 to this report.

## Stock portfolio

As at 31 December 2013, the investments in shares amount to RON 1,481 million. The stock portfolio represents the most important category from the assets managed by SIF Banat-Crişana, with a weight of 92.75% in NAV.

### STOCK PORTFOLIO SECTOR BREAKDOWN

Sector	Number of issuers		Holding value* (RON)	
	2012	2013	31 Dec. 2012	31 Dec. 2013
Financial – banking	14	13	724,874,889	861,503,655
Commerce – real estate	44	28	92,449,688	163,286,279
Tourism and public food service	11	10	109,449,543	114,668,624
Pharmaceuticals	4	3	47,233,599	80,726,487
Pulp and paper	8	8	43,841,154	56,395,990
Energy and utilities	17	19	30,388,257	45,628,603
Chemicals and plastics	8	6	15,935,541	19,884,203
Wood processing	45	37	13,042,117	11,281,955
Food industry	9	4	2,467,899	5,710,544
Metallurgy	10	10	4,136,566	4,197,090
Constructions	7	8	6,696,929	2,397,020
Other industries	35	27	91,537,977	73,765,964
Other activities	56	49	12,341,256	41,751,667
<b>TOTAL</b>	<b>268</b>	<b>222</b>	<b>1,194,385,415</b>	<b>1,481,198,084</b>

\* values calculated as at 31 December 2012 according to Regulation no. 15/2004 and Measures no. 9/2010 and 21/2010 and as at 31 December 2013 according to Measure no. 23/2012;

The financial-banking sector continues to hold the greatest share in the assets managed, of 54% in NAV. The value of the participations increased by almost 19% compared to last year. In the current context of deteriorating profitability ratios in the banking system, the Company seeks to reduce the exposure to this sector.

On second place, representing 10.2% in NAV, is the stock portfolio held in commerce-real estate sector. Due to the set-up of SIF Imobiliare Plc. holding, which incorporated 18 companies from the Company's portfolio with activities in the real estate sector, the number of companies from this sector was reduced to 28, compared to 44 at the end of 2012. (*On page 10 details regarding SIF Imobiliare Plc. are presented*).

### TOP 10 HOLDINGS as at 31 December 2013

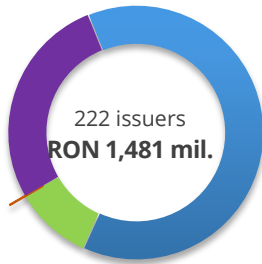
Issuer	Sphere of activity	Holding percentage	Holding Value* (RON)	% of VAN
Erste Group Bank AG	financial - banking	0.85%	413,161,313	25.87%
BRD - Groupe Société Générale	financial - banking	4.20%	263,574,693	16.51%
Banca Transilvania	financial - banking	4.52%	164,658,120	10.31%
SIF Imobiliare Plc.	financial services applicable to the real estate	99.99%	149,999,300	9.39%
Biofarm Bucureşti	pharmaceutical industry	21.30%	70,425,161	4.41%
Napomar Cluj-Napoca	car industry	99.43%	48,133,586	3.01%
Vrancart Adjud	cellulose and paper industry	74.72%	44,593,458	2.79%
Calipso Oradea	tourism and public alimentation	97.08%	38,966,620	2.44%
Azuga Turism	tourism and public alimentation	98.94%	35,774,902	2.24%
OMV Petrom	oil and gas	0.08%	21,307,685	1.33%
<b>TOTAL</b>			<b>1,250,594,838</b>	<b>78.32%</b>

\* calculated according to Regulation no. 15/2004 and Measure no. 23/2012



## STOCK PORTFOLIO

### Breakdown by Shareholding



- **Up to 5%**  
Shareholding up to **5%** in **96** issuers  
Total value **RON 931.14 mil** (2012: RON 757.89 mil)
- **5-33%**  
Shareholding between **5 - 33%** in **107** issuers  
Total value **RON 146.32 mil** (2012: RON 109.07 mil)
- **33-50%**  
Shareholding between **33-50%** in **4** issuers  
Total value **RON 1.03 mil** (2012: RON 0.83 mil)
- **over 50%**  
Majority shareholding, **over 50%**, in **15** issuers  
Total value **RON 402.7 mil lei** (2012: RON 313.72 mil)

*Values calculated as at 31.12.2013 according to Regulation no. 15/2004 and Measure no. 23/2012*

At the end of 2013, SIF Banat-Crişana was majority shareholder in 15 companies. Their value represents 25% from the net asset value. The substantial reduction of the number of companies from this portfolio category compared to last year is the result of the exit of 18 companies from the portfolio which were the object of the in-kind contribution to the set-up of SIF Imobiliare Plc. The list with the companies in which SIF Banat-Crişana holds majority participations and has direct control is presented at Annex 4.

## STOCK PORTFOLIO

### Breakdown by Region

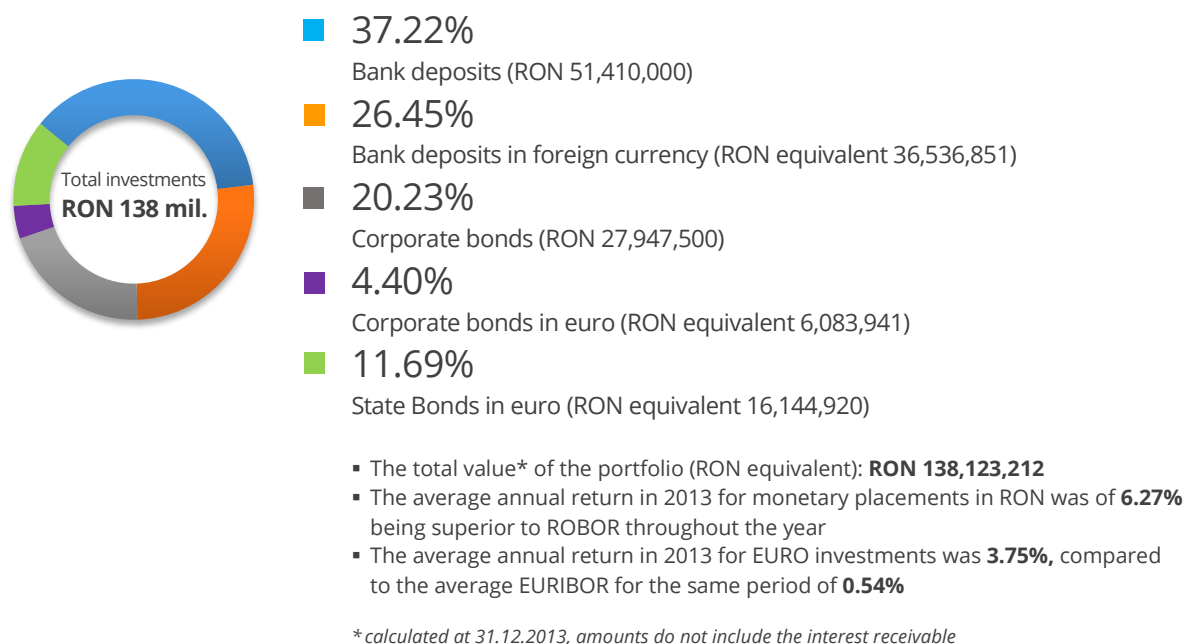


- **62%**  
Romania  
**RON 913.99 mil.** holdings in 196 issuers
- **38%**  
External markets  
**RON 567.20 mil.** holdings in: Austria (1 issuer – Erste Bank), Cyprus (1 issuer – SIF Imobiliare) Germany (6), Spain (1), Finland (4), France (5), Italy (2), Luxembourg (1), the Netherlands (5)

*Values calculated at 31.12.2013 according to Regulation no. 15/2004 and Measure no. 23/2012*

The portfolio of fixed income financial instruments

## THE STRUCTURE OF FIXED INCOME FINANCIAL INSTRUMENTS PORTFOLIO



The financial placements in fixed income instruments represented 8.6% of NAV at 2013 year end. At the same date, the value of this portfolio was of RON 138 million, with RON 12 million under the level of the last year end (2012: RON 150.8 mil.)

## The investment activity

The strategic vision of SIF Banat-Crişana is that of growing the company through an efficient management of the participations held and of increasing the value of the assets managed by improving the resources allocation, in order to obtain greater yields on the capital invested.

The Company has targeted its investment policy towards purchases of financial instruments, mainly shares that offer a mix of growth and value, aiming at the identification of solutions for ensuring a constant flow of liquidities and optimization of operations from a fiscal and trading method perspective. The target is to develop the investment areas through a disciplined process, centered on collective decisions and deep market research. This objective can be reached through an active management which aims to generate high performances based on a robust process of investment screening in order to identify long term performing opportunities of investment. Also, exit opportunities will be considered for the companies which do not meet the sustainability criteria of portfolio.

In the 2013 activity program, SIF Banat-Crişana has assumed the following objectives:

### 1. Efficient administration of shareholdings

During the year, SIF Banat-Crişana management focused on streamlining the process of administration of the companies in the portfolio, the aim being increased efficiency in the activities of these companies through the implementation of unitary management

techniques, endorsement of measures to rationalize the use of resources, cost optimization and coordination of major investments processes.

#### Set-up of SIF Imobiliare PLC

SIF Banat-Crișana, in its position of majority shareholder of an important number of companies with activities in the real estate sector, decided to manage their activities in an integrated manner, in order to ensure a unitary management, reduced operational costs, increased revenues and capitalization of market opportunities.

The company **SIF Imobiliare PLC** was set-up as presented in the activity program of SIF Banat-Crișana, approved by the General Shareholders Meeting from 24 April 2013 and through the decision of the Board of Directors no. 2/28.06.2013, by incorporating 18 companies from the Company's portfolio, with activities in the real estate sector.

SIF Imobiliare PLC was set-up in July 2013 in Nicosia, Cyprus, under the name SIF Imobiliare Limited. The company was transformed in Public Limited Company at the beginning of September 2013. The decision to set-up the company in Cyprus was based on the fact that in Romania there is no specific law that regulates the „holding” activity and on a study done specifically for this project by a renowned consultant regarding the selection of a favorable jurisdiction for a holding.

SIF Imobiliare Limited was set-up with an initial share capital of EUR 1,000,000 divided in 1,000,000 shares, each with a nominal value of EUR 1, SIF Banat-Crișana being the only shareholder at inception. The value of the shares brought by SIF Banat-Crișana as in-kind contribution was RON 100,476,336 (EUR 22,537,928), representing the value of the shares in the real estate companies as at 31.05.2013, computed according to ASF regulations regarding the calculation of NAV. The difference between the in-kind contribution and the share capital (EUR 22,537,928 - EUR 1,000,000) represents the share premium. Subsequently, the authorized share capital was increased by EUR 500,000 and the company was transformed in public limited company, in order to be traded.

As at 31 December 2013, the value of authorized fully paid in share capital of SIF Imobiliare PLC is EUR 1,500,000, of which SIF Banat-Crișana owns 99.99%.

The companies which were contributed to the share capital of SIF Imobiliare PLC by the major shareholder SIF Banat-Crișana are: Agrorent SA Arad, Comalim SA Arad (MALI), Administrare Imobiliare SA București, Legume Fructe SA Oradea (LEOR), Vest Metal SA Oradea, Arta Culinară SA Cluj-Napoca (ARCU), Bistrița SA Cluj-Napoca, Comat Cluj SA Cluj-Napoca (CACU), Comcereal Cluj SA Turda (COCL), Complex Laboratoare SA Cluj-Napoca, Napotex SA Cluj-Napoca (NTEX), Agmonia SA Oțelu-Roșu, Central SA Petroșani, Cora SA Hunedoara, M.C.B. SA Baia Mare, Soiza SA Sighetu Marmăției, Uniteh SA Timișoara (UNIT) and Urban SA Lugoj.

Starting 23 December 2013, the shares of SIF IMOBILIARE PLC holding were accepted for trading at Bucharest Stock Exchange – section CAN-ATS, ticker SIFI.

SIF Banat-Crișana communicated to the market the information mentioned above.

## 2. Portfolio development and diversification

### Acquisition of control package at SAI MUNTENIA INVEST

This investment is in line with the strategy of development and diversification of own shares portfolio of SIF Banat-Crișana, with the medium term financial objective to increase revenues, by improving the efficiency of operations and management of SAI Muntenia Invest S.A.

The intention to obtain a qualified holding representing 99.96% of the share capital and voting rights of SAI Muntenia Invest was announced by the Company in February 2013, the legal notification being made to the National Securities Commission (currently Financial Supervision Authority) and Competition Council, in order to obtain the authorization of the transaction.

In June 2013, the Competition Council issued Decision no. 27/20.06.2013 of non-objection towards the economic concentration reached by SIF Banat-Crișana obtaining direct control of SAI Muntenia Invest S.A.

In June 2013, the Council of the Financial Supervision Authority issued Decision no. 365/17.07.2013 for approving the acquisition by SIF Banat-Crișana of the qualified holding of 99.96% of the share capital of SAI Muntenia Invest S.A. During the same month, SIF Banat-Crișana purchased 50.01% of the share capital of SAI Muntenia Invest S.A.

In August 2013, SIF Banat-Crișana announced the intention of ceding to SIF Moldova 49.96% of the share capital of SAI Muntenia Invest S.A., from the total of 99.96%, operation which was also subject to the approval of the Financial Supervision Authority and of the Competition Council. Until the date of the current report, the endorsements requested have not been obtained.

In respect of the management of SAI Muntenia Invest, SIF Banat-Crișana aims to increase the operational efficiency and to improve the performance in order to ensure the growth of the companies managed on behalf of SIF Muntenia, for both the benefit of SIF Muntenia and SIF Banat-Crișana.

SIF Banat-Crișana communicated to the market the information above.

The acquisition of ROMENERGO bonds

In June 2013, SIF Banat-Crișana subscribed a number of 1,540,000 nonconvertible bonds issued by Romenergo SA Bucharest at a price of RON 17.5/bond. The maturity of the bonds is 4 years from the issue date. The Bonds bear an interest of 8% per year.

The investment was properly assessed, by comparing the yield to maturity with other possible placement opportunities. The prudent diversification of the portfolio and the ensured yield for the following four years have also been taken into account. Compared to the current context of the Romanian financial markets, Romenergo bonds offer a superior yield to the banking interests.

SIF Banat-Crișana reported this acquisition to the market in the current report from 18 June 2013, thus complying with the legal obligations and ensuring total transparency of this transaction and access of all shareholders to this information. In relation to the reported transaction, KPMG Audit SRL, the Company's financial auditor, pursuant to Art. 113, G, 6 from Regulation no. 1/2006, issued **The independent limited assurance report on the information included in the current report from 18 June 2013 prepared by the Company in accordance with Law no. 297/2004 and Regulation no. 1/2006**, which mentions:

*„Based on the procedures performed, nothing came to our attention that causes us to believe that the price, corroborated with the rights and obligations assumed by the parties in the Transaction Reported presented in the Current Report from 18 June 2013, could have been reported by the Company to other offers from the market as they were defined in paragraph 7. Also, nothing came to our attention that causes us to believe that, in the absence of a relevant market for financial instruments with similar characteristics such as: instrument type, issuer risk, issuance value,*

*maturity, coupon frequency etc, the Company had access, in all material respects, to information regarding other private placements of bonds of the same type.*<sup>2</sup>

## Investment strategy on external markets

The investment strategy on external markets was aimed at obtaining higher yields from the transactions compared to the indices of the acquisition market.

Following the analysis and selections, share packages of 77 issuers were purchased, the acquisition value being EUR 8,380,126, of which EUR 6,353,400 represents shares of ERSTE BANK acquired from the primary market.

During the year, share packages of 50 issuers were traded. Sales transactions amounted to EUR 10,752,596 (of which sales of ERSTE shares – EUR 7,718,420), obtaining a yield of 19.3% over the capital invested in these securities.

The overall yield of the investment activity on external markets (short term holdings) taking into account gains on sales, dividends and shares received at no cost, was of 23% in 2013.

## Transaction summary for 2013

### **Acquisitions and additions of financial assets:**

- Acquisitions on internal and external markets in total amount of RON 46,507,106, of which RON 11,046,572 represent investments in available for sale securities and RON 35,460,534 represent acquisitions of shares for speculative purposes (RON 26,676,264 on internal markets and RON 8,784,270 on external markets);
- Direct investments in amount of RON 28,802,730, of which new investments in amount of RON 28,623,385;
- Participation at share capital increases at four companies, amounting to RON 88,554,710. As at 31 December 2013, the Company has made payments for share capital increase at two companies amounting to RON 834,200, the share capital increase registration being in progress;
- Shares of SIF Imobiliare PLC, in amount of RON 100,476,337, acquired as a result of the share exchange following by the in-kind contribution of SIF Banat-Crișana to the share capital of the company with shares held in 18 companies from the real estate activity field;
- Shares received at no cost, as a result of share capital increases by incorporation of reserves performed by three companies from SIF Banat-Crișana portfolio, amounting to RON 19,027,559;
- Corporate bonds amounting to RON 33,033,941;
- Other short term placements amounting to RON 122,039 (fund units in a closed-end investment fund amounting to RON 14,089 and preference rights amounting to RON 107,950).

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<sup>2</sup> Extracted from „The Independent limited assurance report on the information included in the current report from 18 June 2013 prepared by the Company in accordance with Law no. 297/2004 and Regulation no. 1/2006"- available for consultation on the website of SIF Banat-Crișana, <http://www.sif1.ro/ro/informatii-pentru-investitori/comunicate/comunicate-2013/>

### **Sales and disposals of financial assets:**

- Sales transactions on internal and external markets amounting to RON 149,583,627, with a profit of RON 80,426,276;
- Direct sales of shares held at closed companies generating an income amounting to RON 3,702,179, with a profit of RON 2,817,316;
- The in-kind contribution of SIF Banat-Crişana with shares owned at 18 companies from the real estate sector, to the share capital of SIF Imobiliare PLC, the cost of the shares being RON 31,468,495;
- The value of the securities disposed of as a result of liquidation of companies from the portfolio amounting to RON 646,655, with a cost of RON 576,921.

### **Reorganization and judicial liquidation at companies from the portfolio**

- During 2013, the bankruptcy procedure opened for ARIO Bistrita, following the ruling of the syndic judge and the judicial reorganization initiated in 2009;
- At the end of 2013, 72 companies from portfolio were in bankruptcy /insolvency /dissolution procedure. These companies are reflected in the net asset value with zero.
- 6 companies were radiated from portfolio following liquidation. The value of this companies was RON 646,655, amount provided for in previous years.

## Risk management

The main risks the Company is exposed to are: market risk, credit risk, liquidity risk, cash flow risk, operational risk, risk related to taxation and economic environment risk.

Market risk - includes currency risk, interest rate risk and price risk.

### Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to variations in exchange rates.

In 2013, the Company carried out transactions both in Romanian currency (RON) and foreign currency. The Romanian currency fluctuated during 2013 compared to foreign currencies, EUR and USD, at the end of the year recording a depreciation.

The financial instruments used ensure the preservation of the value of monetary assets held in RON, by making placements and interest collections by due date.

The Company did not conduct any transactions with derivative instruments during 2012 and 2013.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates on the market.

Interest rate risk consists of the risk of fluctuation in value of a particular financial instrument due to changes in interest rates and of the risk generated by the interest repricing intervals for interest bearing assets and interest bearing liabilities used to finance those assets.

The period for which the interest rate is fixed of a financial instrument thus indicates the extent to which the instrument is exposed to interest rate risk. The financial instruments bear interest at market rates, therefore it is assumed that the fair values do not differ significantly from the carrying amounts.

The majority of the Company's financial assets are denominated in stable currencies whose interest rates are unlikely to vary significantly.

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, even if these changes are caused by factors specific to individual instruments or their issuer, or factors affecting all instruments traded in the market.

During 2013 the market capitalization of liquid listed issuers increased compared to 2012.

Taking into account the fact that the Company has a large portfolio of quoted shares, it was favorably affected by price risk in 2013.

#### Credit risk

Credit risk is the risk that one of the parties to a financial instrument will fail to fulfill an obligation, which will cause the other side to record a financial loss.

Financial assets which potentially subject the Company to concentrations of credit risk mainly include receivables from the core activity. These are presented net of allowances for doubtful receivables. Management closely and constantly monitors the credit risk exposure so as not to incur losses due to credit concentration in a specific sector or industry.

#### Liquidity risk

Liquidity risk is associated to difficulties encountered by the Company in obtaining the funds necessary to fulfill outstanding commitments.

The Company monitors the evolution of the level of liquidities in order to be able to settle the obligations as they become due. Assets and liabilities are analyzed based on the remaining period to the contractual maturity.

#### Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in size. For a floating rate financial instrument, for example, such fluctuations will result in a change in the effective interest rate of that financial instrument, usually without changes in its fair value.

Given the nature of its activity, the Company is not exposed to a major cash-flow risk, neither arising from the changes in the value of financial instruments nor from interest rate changes.

#### Operational risk

Operational risk represents the likelihood to incur direct or indirect losses due to a large number of factors associated to the processes, personnel and internal systems of the Company or other external factors (other than credit, market and liquidity risk) such as those that come from regulatory requirements or the requirements of the generally accepted investment management standards. Operational risks arise from all the business lines of the Company.

The Company's objective is to manage operational risk in such way that there is a balance between the measures taken to limit financial losses and maintain the reputation and the realization of investment targets in order to generate income for the investors.

#### Tax risk

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

Interpretation of texts and the practical implementation of new tax regulations may vary and it is likely, in some cases, that the tax authorities could adopt a position different from that of the Company's.

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

#### Operating environment risk

The process of risk repricing on international financial markets in recent years has severely affected their performance, including the financial market in Romania, leading to increased uncertainty about future economic developments.

The effects of the international financial crisis were also felt on the Romanian financial market particularly in the form of: significant increase of non-performing loans volume in the local banking system, making access to finance more difficult both for population and economic agents, banks aiming more towards financing of the state authorities through purchases of government bonds rather financing economic and consumption development, national currency depreciation, lower real estate prices, the negative evolution of macroeconomic indicators (inflation, budget deficit, current account deficit, decrease of foreign direct investment, rising unemployment etc.)

SIF Banat-Crișana's management cannot predict all the effects of the crisis affecting the financial sector in Romania, but considers that in 2013 has adopted the measures necessary for sustainability and development of the Company in existing financial market conditions, by monitoring cash flows and adequacy of the investment policies.

The avoidance of risks and mitigation of their effects are provided by the Company through an investment policy that complies with prudential rules imposed by laws and applicable regulations.

SIF Banat-Crișana adopted risk management policies through which an active management is performed, being applied specific procedures for the identification, assessment, measurement and control of risks, in order to provide reasonable assurance regarding the objectives of Company, a constant balance between risk and expected profit being sought.

The risk management process aims: (i) identification and assessment of significant risk with impact in meeting the investment objective and activities development to counter the risks identified, (ii) adapting the risk management policies to the financial developments of the capital market, performance monitoring and improvement of risk management procedures, (iii) reviewing investment decisions in relation to capital market development, (iv) compliance with current legislation.



## Human Resources

The number of permanent employees of SIF Banat-Crișana as at 31 December 2103 was 51, out of which 44 in the headquarter in Arad and 7 in the branches.

The structure of the education among employees is presented below: 74% have completed higher education, 14% have completed medium education and 12% have completed general studies.

During the year, the programs which were started in the previous years in order to develop the human capital were continued. 58% of the professional employees were involved in at least one development program during the year – seminars, conferences, courses, programs of continuous development. The areas covered by these programs are valuation, technical analysis and trading, accounting standards, IT and legal.

No union was created within the Company, the employees being represented for the negotiation of the collective labor contract by representatives elected in accordance with the legal requirements in force.

The employment relationships are regulated by the Individual Labor Contracts and by the Collective Labor Contract. During 2013, the Collective Employment Contract in force was the one registered with the Arad County Labour Inspectors under no. 298/ 2012.

There were no conflicting aspects in 2013 between management and employees. SIF Banat-Crișana provides a positive working environment and offers equal opportunities to all of its employees throughout the entire period from employment date to end of working relationships.

Starting from the necessity to optimize the operations, during the reorganizational process of the Company's activity in 2013, the responsibilities of compartments and positions were redefined according to the new organizational chart. The restructuring process was orientated to cost reductions allocated to personnel, which resulted in a decrease of the number of employees from 78 to 51 as at 31 December 2013.

## Measures taken for business efficiency

Taking into consideration the dynamics of the economic conditions and the necessity to optimize the operations of the Company, the Board of Directors approved on 27 May 2013 the initiation of a complex **reorganization process of the activity of SIF Banat-Crișana**.

The objectives of these process aim to ensure an efficient decisional framework, the simplification of operational and informational flows, but also the optimization of the number of positions – in connection with the volume and the complexity of the activities served.

The measures taken by the Board of Directors in May targeted:

- Change of the Internal Regulations by completing and/or amending the attributions and responsibilities of compartments in the new organizational structure.
- Closedown of two of the Company's branches: Bistrița and Satu Mare and the relocation of the branch in Bucharest.
- Redefining the positions in the new Organizational Chart by reducing them.

In order to implement these measures, the Company requested from the Financial Supervision Authority the issuance of the legal authorizations.

Through the Notice No. A/10/16.07.2013, the Financial Supervision Authority approved the amendments to the Internal Regulations of the Company approved by the Board of Directors in May 2013.

Through the Notice No. A/20/24.10.2013, the Financial Supervision Authority approved the modification of the Articles of Incorporation of SIF Banat-Crișana, as a consequence of the relocation of Bucharest branch in accordance with the Decision no. 4.1/26.07.2013 of the Board of Directors. The new address of the Headquarter is Splaiul Unirii, nr. 16, etajul 1, room no. 101, 102, 114A and 109, sector 4, Bucharest.

Through the notice No. A/9/05.07.2013, the Financial Supervision Authority approved the change of the Statute and Articles of Incorporation of SIF Banat-Crișana, as a consequence of the closedown of Bistrița and Satu Mare branches.

## Litigations

As at 31 December 2013, the Company was involved in 153 litigations. The Company had an active procedural activity in 112 litigations and passive procedural activity in 37 litigations, while in the other 4 it had intervening quality.

In most of the litigations where the Company had the quality of claimant, the object of the litigations is the cancellation/ruling of the nullity for some decisions of the general meetings of shareholders from the companies in the portfolio, recovering the dividends or the insolvency procedure for some of the companies from the portfolio.

## Perspectives for 2014

Our strategic priorities remain focused during the next period towards an investment process on the long run and towards ensuring the future diversification of the assets managed and a high income flow for the Company. These objectives can be reached by maintaining a strong financial position, focused on ensuring a high level of performance of investments, a sustainable growth and efficient organizational structure.

In respect of the investment policy, SIF Banat-Crișana will continue the optimization process of the allocation of resources and of an efficient management, in order to obtain higher returns for the invested capital. In the case of securities, the selection will be focused on sectors with higher growth potential, on companies with development potential in the long term, with a high innovation degree, leading position on the market and a lower risk/reward rate.

The project of setting up a Hotel Holding, in order to group the companies in the portfolio that have activities in this domain, remains a priority for 2014, especially because SIF Imobiliare signals that a unitary structure of companies administration in a specific sector is more efficient.

## 2. SIF BANAT-CRIȘANA SHARES

### THE CHARACTERISTICS OF SHARES ISSUED

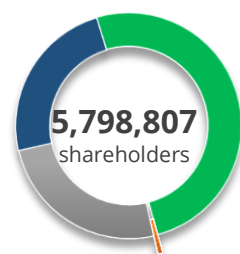
Total number of issued shares (31 December 2013)	<b>548,849,268</b>
Nominal value	<b>RON 0.1000 /share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of the BSE, Tier I- from 1 November 1999</b>
Free float	<b>100%</b>
BSE Ticker	<b>SIF1</b>
International Identifier	<b>Bloomberg BBGID: BBG000BMN388</b>
ISIN Code	<b>ROSIFAACNOR2</b>

Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments, nor has it acquired or held its own shares.

As at 31 December 2013, SIF Banat-Crișana had 5,798,807 shareholders, according to the data reported by Depozitarul Central S.A. Bucharest, the company that keeps the Company's registry of shareholders.

### Shareholders' Structure

by shareholding as at 31 December 2013



■ 50.05%	■ 0.63%
Romanian individuals (5,796,626 shareholders)	Foreign individuals (1,854 shareholders)
■ 26.38%	■ 22.93%
Romanian legal entities (274 shareholders)	Foreign legal entities (53 shareholders)

In line with the objectives presented in the income and expense budget and activity program for 2013, the Board of Directors of SIF Banat-Crișana proposed to the Annual General Meeting of Shareholders of SIF Banat-Crișana from 24 April 2013 three options in relation to the 2012 profit appropriation.

The General Meeting of Shareholders decided the capitalization of the entire net profit, without any dividend distribution and allocation of the amount of RON 100,514,044 to other reserves for own financing sources.

### SIF1 SHARES ON BSE

	2011	2012	2013
Price (RON, closing quotation)			
minimum	0.701	0.800	<b>0.991</b>
maximum	1.325	1.260	<b>1.390</b>
year-end	0.903	1.213	<b>1.292</b>
Net profit per share (RON)	0.1148	0.1831	<b>0.1460</b>
Price/ Profit per share	7.87	6.62	<b>8.85</b>
NAV per share (RON)	2.3698	2.4061	<b>2.9094</b>
Dividend [RON/share]	0.100	-	
Market capitalization **[mil. RON]	495.61	665.75	<b>709.11</b>

\*\* According to GSM approval \*\* calculated on the closing price on the last trading session of the year

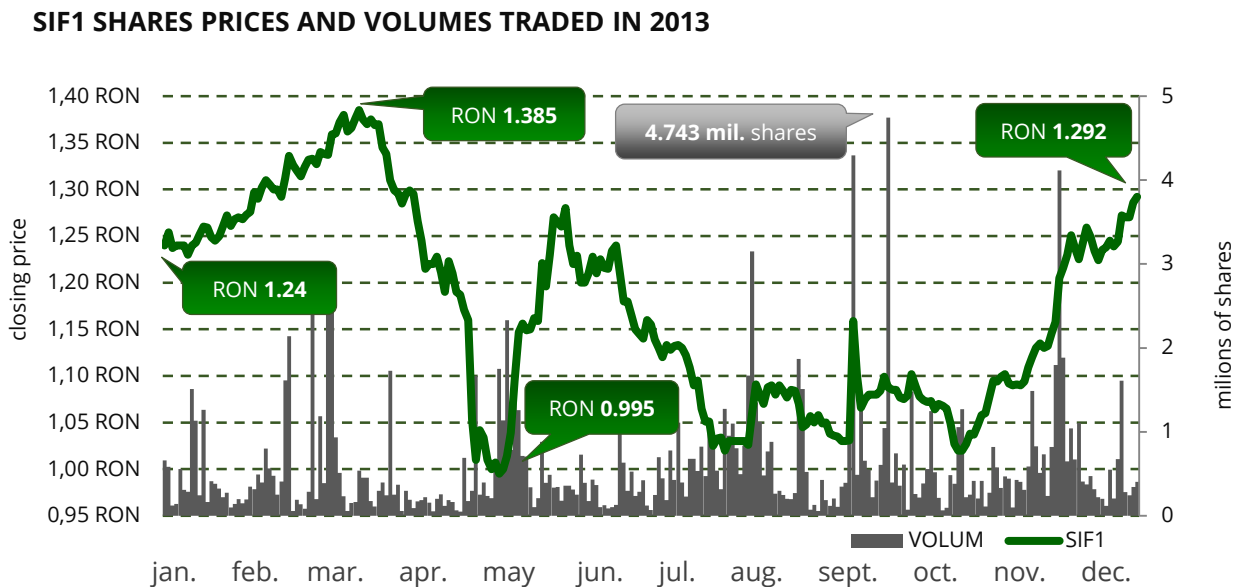
BSE indices that include SIF1:

**BET-FI** is the first sectorial index of the BSE and reflects the overall trend of prices of financial investment funds (SIFs and Fondul Proprietatea) traded on the BSE regulated market. The weighting of the companies in the index is performed on the basis of the free-float capitalization. The BET-FI methodology allows the use of the index as underlying for derivatives and structured products. The variation of BET-FI in 2013: +23.32%. The weight of SIF1 in the BET-FI: 13.31% (31 December 2013)

**BET-BK** is a price index weighted by the free-float capitalization of the most liquid companies listed on the regulated market of the BSE, which can be used as a benchmark by fund managers, and other institutional investors, the calculation methodology reflecting the legal requirements and the investment limits of funds. The variation of BET-BK in 2013: +19.09%. The weight of SIF1 in the BET-BK: 4.72% (31 December 2013).

**BET-XT** is a blue-chip index and reflects the evolution of the prices of the 25 most liquid stocks traded in the regulated market, including the SIFs, the maximum weight of a ticker in the index being of 15%. Its methodology allows the use of the index as underlying for derivatives and structured products. The variation of BET-XT in 2013: +23.40%. The weight of SIF1 in BET-XT: 3.58% (31 December 2013).

Changes in share price and trading volumes SIF1 in 2013 are shown in the following chart:



During 2013, SIF1 was traded on BSE in 251 trading sessions.

- SIF 1 share price increased by 4.19% from a rate of RON 1.2400 (closing price on January 3, 2013, the first trading session of the year), to RON 1.2920 (closing price on the last trading day of 2013, December 30);
- The maximum price was reached during the trading session of 14 March, being of RON 1.3900 per share; the minimum was reached in the trading session of 3 May, when the price fell to RON 0.9910 per share. The trading range between the maximum and the minimum of the period was of 29%;
- The maximum daily volume of 4.743 million shares traded on September 26, was reached in the context of price increase during that period;

- The SIF1 liquidity was quite low, in 2013 being traded 150.87 million shares, representing 23.8% of total issued shares, a level comparable to 2012 trading levels;
- On DEAL market, 21 transactions were made, with a total of 60.594 million shares, their value being of RON 79.8 million
- SIF1 market capitalization was RON 709.11 million on 30 December 2013 (calculated using the closing price).

### SIF 1 vs. BET-FI in 2013



*highlighted values are recorded at the closing of trading day*

## 3. CORPORATE GOVERNANCE

SIF Banat-Crişana understands that solid corporate governance is essential for ensuring an efficient decisional process leading to the long term business viability, attainment of objectives and creating sustainable value for all the interested parties (shareholders, management, employees, partners etc). Corporate governance is important for SIF Banat-Crişana S.A., being one of the characteristics searched for in the companies it invests in.

Starting with 2011 the Board of Directors has voluntarily adopted the Corporate Governance Code of the Bucharest Stock Exchange. In February 2011, the Corporate Governance Regulation of SIF Banat-Crişana was adopted in accordance with the Recommendation no. 3 from the Corporate Governance Code (CGC) applicable on the Bucharest Stock Exchange (BSE).

The level of implementation in SIF Banat-Crişana of the principles and recommendations stated in the CGC are reported in the statement "Comply or Explain", according to the Recommendation no. 3 from the CGC, which will be communicated to BSE along with the annual report for 2012 approved by the GSM and posted on the Company's website [www.sif1.ro](http://www.sif1.ro), cases of non-compliance being explained.

## Company management

### The Board of Directors

In accordance with the Statute, SIF Banat-Crişana is managed based on a unitary system, specific to collective investment organizations regulated by the FSA. This system is able to ensure an efficient operation of the company, in accordance with the targets of good corporate governance and the protection of the shareholder's interests.

The administration of the Company is ensured by a Board of Directors, comprising of seven members. The members are elected by the General Shareholders' Meeting, through secret vote via a transparent procedure and with the majority of votes. The members are elected for a mandate of four years, with the possibility of being reelected.

Board members must meet the general conditions stipulated by Law no. 31/1990 for the exercise of that function, while also meeting the criteria established by Law no. 297/2004 regarding the capital market and regulations issued by the Financial Supervision Authority (FSA). Board members are authorized in this function by the FSA.

The Board of Directors has decisional powers regarding the administration of the Company in between the general shareholders meetings, except for decisions that the law or the Articles of Association provide exclusively for the general meeting.

The Board elects from its members a chairman and a vice-chairman. Through the SIF Banat-Crişana Statute, the chairman also holds the General Director executive position. The president, and in his absence, the vice-chairman, represent the Company in dealing with third parties.

The responsibilities of the chairman and the vice-chairman are established through the internal regulations of SIF Banat-Crişana, approved by the Board and endorsed by the FSA.

As at 1 January 2013, the structure of the Board was as follows:

<b>Name</b>	<b>Position</b>
Dragoş-George BÎLTEANU	Chairman
Ioan CUZMAN	Vice-Chairman
Emil CAZAN	Member
Zoltan HOSSZU	Member
Ion STANCU	Member
Ştefan DUMITRU	Member
Marius Ioan PANTEA	Member

The directors in office as at 1 January 2013 were elected by the Ordinary General Meetings of Shareholders from 25 April 2009, 30 April 2010 and 28 April 2011.

On 24 April 2013, the Ordinary General Meeting of Shareholders elected the members of the Board of Directors of the Company for a term of four years, as follows: George Dragoş BÎLTEANU, Ştefan DUMITRU, Valentin CHISER, Ali LAKIS, Ion STANCU, Adrian PETREANU.

During the meeting from 24 April 2013, the Board elected Mr. Dragoş-George BÎLTEANU as Chairman of the Board, and Mr. Ştefan Dumitru as Vice-chairman of the Board.

Through Notice no. A/8/27.06.2013, the FSA approved the changes of the members of the Board of Directors of SIF Banat-Crişana in accordance with Resolution no. 1 of the Ordinary General Shareholders Meeting from 24 April 2013.

During the meeting of the Board of Directors of SIF Banat-Crişana from 26 July 2013, Mr. Najib EL LAKIS was appointed temporary administrator of SIF Banat-Crişana, until the next Ordinary General Meeting of Shareholders.

Through Notice no. A/22/06.11.2013, the FSA approved the changes to the Board of Directors of SIF Banat-Crişana following the appointment of Mr. El Lakis Najib as provisional administrator of SIF Banat-Crişana, in accordance with the decision of the Board of Directors no. 5 from 26 July 2013, until the Ordinary General Meeting of Shareholders.

As at 31 December 2013, the structure of the Board of Directors was as follows:

<b>Name</b>	<b>Position</b>
Dragoş-George BÎLTEANU	Chairman
Ştefan DUMITRU	Vice-Chairman
Valentin CHISER	Member
Ali LAKIS	Member
Ion STANCU	Member
Adrian PETREANU	Member
Najib EL LAKIS	Member

<b>Board of Directors</b> as at 31 December 2013		
	Position	Other Information
		<p><b>Studies:</b> Executive MBA (2004-2005); International Business Relations (ASE Bucureşti) (1995 – 1999)</p> <p><b>Experience:</b> SIF Banat-Crişana – Member in BOD starting with Jan 2010, Vice-President BoD from June 2012, President BoD and General Director starting with December 2012; Vrancart S.A. – Member of BoD (March 2012 – present) Romenergo S.A. - Member of BoD (2008 – present), General Manager (2008 – October 2012); BG Management Consultants SRL – Unique administrator (2005 – present); IEMI S.A. – main shareholder and unique administrator (2005 – 2007); ENERGOREPARAȚII SERV S.A. – significant shareholder and representative of the majority holder (2004 – 2006). BG Conta SRL – (1997 – 2004) coordinating associate.</p> <p><b>Specializations:</b> Accounting Expert, CECCAR Member (Body of Expert and Licensed Accountants of Romania); Financial Auditor, member of Chamber of Financial Auditors of Romania Fiscal advisor, member of Chamber of Tax Consultants in Romania Insolvency practitioner, member of UNPIR (Uniunea Națională a Practicienilor în Insolvență din România)</p>
Dragoş-George BÎLTEANU (1977)	Chairman of the Board and General Director of SIF Banat-Crişana	
		<p><b>Studies</b> National Institute for Training Lawyers (2004 – 2005) Law Faculty, University Bucureşti (1999 – 2003)</p> <p><b>Experience:</b> Societatea Civilă de Avocați „Stănescu, Miloş, Dumitru &amp; Asociații” – partner (2006 – present) Societatea Civilă de Avocați „Călin Andrei Zamfirescu” – lawyer (2004 – 2006) RVA Insolvency Specialists SPRL – partner (2011 – present);</p>
Ştefan DUMITRU (1980)	Vice-Chairman of the Board, non-executive director	

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**Board of Directors** as at 31 December 2013

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	Position	Other Information
		<b>Studies</b> Executive Master of Business Administration - Asebus - Kennesaw Atlanta University Program (2003 - 2005); Faculty of Finance, Banking and Accounting - Academy of Economic Studies, Bucharest (1991-1996).
		<b>Experience</b> Romenergo group - Romenergo SA , Chief Executive Officer (Nov 2012 – 1 Oct 2013); Romenergo group - Romenergo SA , Chief Financial Officer (Nov 2009 - Oct 2012); CCCF Group - Central Railway Construction (reorganization project), Project based management consultant for the strategy, restructuring / reorganization and financial services. Board member in several companies belonging to the Group (Nov 2008 – Oct 2009); A & D Pharma - A & D Holdings - Group Management, Financial Director / Head of Controlling. Operational Board member of A & D Pharma Romania (Mar 2007 – Sept 2008); A & D Pharma - A & D Holdings - Group Management, Financial Director Mediplus (distribution). Mediplus Board Member (Dec 2005 – Mar 2007); Group AQUILA - Aquila & Seca Distribution, Chief Financial Officer. Board member Aquila (May 2004 - Dec2005); SEF Trans - Balkan Fund - Romania subsidiary of a private equity fund dedicated to financing SMEs; Investment Officer. Board member of several portfolio companies of SEAF (May 2003 – April 2004); Intervam Bucharest (SSIF) - part of Libra Bank Group, Managing Director. Board Member (Jan 2001 – Apr 2003); Intervam Bucharest (SSIF) - part of Libra Bank Group, Financial Analyst (Feb 1999 – Jan 2001); Active International (SSIF), Project Manager (Jan 1997 – Jan 1999).
		<b>Specializations</b> Certificate in Corporate Finance - Chartered Institute for Securities and Investments (CISI) London (Feb 2012); Driving Corporate Performance - Harvard Business School in Boston, USA in July 2007.
		<b>Studies</b> PhD in Economics, Academy of Economic Studies, Bucharest (1976 – 1980); Economist, Academy of Economic Studies, Bucharest (1969 – 1973).
		<b>Experience:</b> Academy of Economic Studies, Bucharest (Vice - rector / Doctoral supervisor/ Professor / Vice Dean / Associate Professor/ Lecturer / Assistant Professor (1974 – present); Banca Românească - Member of BoD, President of Internal Audit Committee (2003 – present) Financial Auditor, member of Chamber of Financial Auditors of Romania (2000 – present)
		<b>Specializations:</b> Academical Documentation in Corporate Finance at Ottawa University, Canada (1999) Academical Documentation in Finance and stock markets at University of Reading, Berkshire, UK (1997); Academical Documentation in Direct Investments; Capital markets at Université de Genève, Switzerland (1996)
		<b>Studies</b> American University of Beirut, Lebanon (2004) - Bachelor in Business Administration (Finance) International Institute of Management, Cyprus (2013) - MBA Finance Department - Rating companies, financial accounting, governmental
		<b>Experience</b> Banque SBA SA, Cyprus - Head of Credit Department (June 2011 - present); First National Bank S.A.L. - Headquarters, Lebanon - Credit Officer (May 2007 - June 2011); Volunteers, local NGOs in Lebanon - independent consultant (2007 - 2010), Division Finance - Administrative MoD Lebanon - responsible audit (2005 - 2006); Allianz Insurance Company, Lebanon - Sales Assistant (2003 - 2004); Merrill Lynch, Pierce, Fenner & Smith (ME), Lebanon - training (2003-6 weeks); Central Bank of Lebanon, Beirut - training (2003 - two months);
		<b>Specializations</b> Credit Rating and Banking Analysis - Moody's & Capital Intelligence Ltd., Cyprus (2012); Certified Management Accountant (CMA) Part 1 and Part 2 - Morgan International, Beirut (2011); Securities certificate from the Chartered Institute for Securities and Investment - cisi.org (2010); Credit & Relationship Manager Certificate - Six Sigma Financial Consultancy LLC (2009); Financial Analysis Basel 2 - Six Sigma Financial Consultancy LLC; Career development - workshop at AUB.
Toma-Valentin CHISER (1972)	Member of the Board, non-executive director, member of the Audit Committee	
Ion STANCU (1950)	Member of the Board, non-executive director, member of the Audit Committee	
Ali H. LAKIS (1981)	Member of the Board, non-executive director	



Board of Directors as at 31 December 2013	
Position	Other Information
Petre Adrian PETREANU (1974)	<p>Member of the Board, non-executive director</p> <p><b>Studies</b>  Master of Business Administration (MBA) - Green College - Templeton, Said Business School University of Oxford (2009-2010);  Scholarship - International Master of Science Program, Erasmus University, Rotterdam School of Management (1996)  Faculty of Economics - Academy of Economic Studies (ASE), Bucharest (1993-1997).</p> <p><b>Experience</b>  Ashmore Investment Management - Fund Manager, Member of Investment Committee of Ashmore Investment in Corporate Bonds (2013 - present);  UBS AG - European Department for trading fixed income market instruments (2010 - 2013);  Cargill Inc. - Department of Treasury, various fund management positions in Romania, Switzerland, USA, UK (1997 - 2009);  Black River Asset Management (London) - active division of Cargill Inc. funds - Managing Director (2004 - 2009);  Cargill Financial Markets (Treasury Dept.) - various positions in offices in London, Geneva, Minneapolis and Bucharest (1997-2004).</p> <p><b>Specializations</b>  Member of the Romanian Business Club, an organization of Romanian working in finance in the City of London (2001 - present);  Member of the Romanian Education Trust, a registered nonprofit organization in the UK and Romania in order to grant scholarships to students from Romania admitted to Masters in Business from prestigious universities in Europe (2004 - present);  Pro Patrimonio Foundation founding member (2001 - present).</p>
Najib EL LAKIS (1963)	<p>Member of the Board, non-executive director</p> <p><b>Studies</b>  Long term Higher education - The College of Business and Public Administration - University of Liberia - Monrovia, Liberia (1984 - 1988)</p> <p><b>Experience</b>  SIF Banat-Crişana - Advisor (2012 - 2013);  Romenergo Group of companies - President of the Board  Sole administrator of Mechanical Romenergo S. A. (2008 - present);  Robinson SA - shareholder representative (2006 - present);  IEMI SA - shareholder (2005 - 2007);  ARIS INVEST CONSULT SRL - shareholder and sole administrator (2004 - present);  ENERGOREPARATII SERV SA - significant shareholder (2004 - 2006);  CALYPSO Trading SRL - Associate (1991-1998).</p>

## The activity of the Board of Directors in 2013

The Board of Directors joined 15 times in 2013, in accordance with statutory provisions. The convocation of the Board of Directors meetings was performed at least five days in advance of the date of the meeting.

The presence of Board members at the meetings in 2013 was in accordance with the legal requirements.

All meetings of 2013 were chaired by the Chairman of the Board of Directors.

As a result of the meetings, a number of 88 management decisions were issued in relation to the activity of the Company. All decisions were taken by the vote "for" by the majority of those present.

From the 88 decisions issued in 2013, 57 were decisions related to specific objectives to be attained, 31 were decisions for the approval of procedures, required reports and activity reports, namely: 6 decisions for the approval of working procedures, one decision for the update of accounting policies, 10 decisions for the approval of mandatory periodical reports (annual, bi-annual and quarterly reports sent to the Financial Supervision Authority, Bucharest Stock Exchange, the Ministry of Finance), 4 decisions for the approval of activity reports of the departments, divisions and compartments and 10 decisions of the Chairman – General Director for the ratification of the decisions of the Investment Committee.

The analysis of the implementation of the 88 decisions of the Board of Directors shows that they have all been fulfilled.

**PARTICIPATION OF BOARD MEMBERS** in the capital share of SIF Banat-Crişana

Name	Holdings as at 31 December 2013	
	Number of shares	Percentage of share capital
<b>Dragoş-George BÎLTEANU</b>	406	0.00007%
<b>Ştefan DUMITRU</b>	-	-
<b>Valentin CHISER</b>	-	-
<b>Ali LAKIS</b>	-	-
<b>Ion STANCU</b>	24,425	0.0045%
<b>Adrian PETREANU</b>	-	-
<b>Najib EL LAKIS</b>	2,000	0.00036%

For 2013, in accordance with legal provisions, the directors' remuneration, limits on the additional remuneration of all board members and limits on the remuneration of directors have been approved by the Ordinary General Meeting of Shareholders from 24.04.2013.

The Board of Directors has assessed the independence of its non-executive members in accordance with the criteria laid down in Art. 138<sup>2</sup> of Law no. 31/1990, republished and updated and in the Recommendation 16 of the Corporate Governance Code of the Bucharest Stock Exchange.

The members of the Board of Directors have been elected in the General Meeting of Shareholders based on the vote of shareholders. Consequently, there are no agreements or family ties between the administrators of the Company and third parties that could have led to the appointment of the directors in their position.

#### The Audit Committee

Within the Board of Directors, an audit committee having a consultative role and made up of two non-executive members of the Board of Directors was set-up, in accordance with the legal requirements. As at 31.12.2013, the members of the Audit Committee were Mr. Ion STANCU and Mr. Valentin CHISER, elected by the resolution of the Board of Directors from 24 April 2013.

The Audit Committee assists the Board of Directors in order to fulfill the responsibilities related to financial reporting, internal control and risk management.

In 2013, the audit committee reunited six times. These reunions were dedicated to: monitoring the financial reporting process; monitoring the effectiveness of the internal control systems or internal audit systems within the Company; monitoring the statutory audit of annual financial statements and annual consolidated financial statements; verifying and monitoring the independence of the statutory auditor.

#### Executive Directors

The Board of Directors has delegated part of its powers to the General Director, in accordance with Law no. 31/1990, within the limits set by the law, the incorporation documents and Board decisions.

The executive management of SIF Banat-Crişana is ensured by three Executive Directors, appointed by the Board of Directors in accordance with the requirements of the Emergency Ordinance of the Government no. 32/2012 and of the Regulation no. 15/2004 and endorsed by the Financial Supervision Authority.

In the period 1 January – 31 December 2013, the Executive Directors of SIF Banat-Crişana were: Mr. Dragoş George BÎLTEANU, Mrs. Gabriela GRIGORE and Mrs. Carmen DUMITRESCU – authorized in this position by the Financial Supervision Authority through decision no. 7 from 24 January 2006 and Decision no. 43 from 29 November 2012.

The Executive Directors are empowered to lead and coordinate the daily activities of the Company and are invested with the power to engage the responsibility of the Company.

The Executive Directors cumulatively meet the general requirements of Law no. 31/1990 to perform this function and those established by Law no. 297/2004 regarding the capital market, emergency ordinance no. 32/2012 and Regulation No. 15/2004.

<b>EXECUTIVE DIRECTORS OF SIF BANAT-CRIŞANA</b> as at 31 December 2013		
Name	Position	Other information
Dragoş-George BÎLTEANU	Chairman of the Board and General Director	<i>Information presented on page 22</i>
Gabriela GRIGORE	Deputy General Director - Operations	<p><b>Studies</b> Economic Sciences University, Timișoara University(1975 – 1979)</p> <p><b>Experience</b> SIF Banat-Crişana, Arad (1992 – present) Deputy General Manager - Operations, 2004 – present Finance Director, 1995 – 2004 Head of Finance Department, 1992 – 1995 Vrancart S.A., Adjud – BoD member (2000 – present) Astra Vagoane S.A., Arad (1979 – 1992) Head of Finance Department (1985-1992) Chief Accountant – Technical Assistance and Services Division (1982 – 1985) Trainee Economist (1979-1982)</p> <p><b>Responsibilities</b> Coordinates the investment activity on the financial markets and the management of SIF Banat-Crişana's portfolio.</p>
Carmen DUMITRESCU	Deputy General Director - Development	<p><b>Studies</b> MBA at Case Western Reserve University School of Management Cleveland, Ohio (1997 – 1999); Post-graduate course on robotics and automated machines at Technical University, Timișoara (1990 – 1991); Mechanical University from the Polytechnic Institute, Cluj-Napoca (1981 – 1986)</p> <p><b>Experience</b> SIF Banat-Crişana, Arad (1993 – present) Deputy General Manager (1999 – present) Head of Strategy Division (1994 – 1997) Analyst in FPP I Banat-Crişana (1993 – 1994) Depozitarul Central S.A. București Vice-president BoD (July 2012 – present) BoD member (December 2006 – July 2012) Bancpost, București - BoD member (September 2004 – May 2012) Napomar S.A., Cluj-Napoca – BoD member (2001 – present) The Institute for Research and Design of Railway Wagons, Arad – design engineer (1989 – 1993) Astra Vagoane S.A., Arad – engineer (1986 – 1989)</p> <p><b>Responsibilities</b> Coordinates the preparation and monitoring of the financial plan of the Company and of the organizational development plans, the investors relationships, and IT</p>

In 2013, no litigations or administrative procedures were started against the members of the Board of Directors or against the Executive Management.

By Decision A/457/04.10.2013 issued by the Financial Supervision Authority, communicated to SIF Banat-Crişana on 7 October 2013, Mr. Dragoş George Bîlteanu was sanctioned with a fine of RON 10,000, as Chairman of the Board of Directors, due to the fact that the public was not timely informed by means of a current report about some characteristics of the SIF Imobiliare PLC, company held by SIF Banat-Crişana. The Company communicated to the market the sanction in the current report from 8 October 2013.

## **THE PARTICIPATION OF EXECUTIVE DIRECTORS** in the capital share of SIF Banat-Crişana

Name	Position	Holdings as at 31.12.2013	
		Number of shares	Percentage of share capital
<b>Dragoş-George BÎLTEANU</b>	Chairman & General Director	406	0.00007%
<b>Carmen DUMITRESCU</b>	Deputy General Director, Development	178,078	0.032%
<b>Gabriela GRIGORE</b>	Deputy General Director, Operations	-	-

### Respecting the Shareholders' rights

SIF Banat-Crişana ensures the equitable treatment to all shareholders, including minority and foreign shareholders in accordance with the law and the Articles of Association.

**The right to vote** SIF Banat-Crişana endeavors to facilitate the participation of shareholders at the general meetings of shareholders ("GSM"). SIF Banat-Crişana shareholders have the opportunity to participate in the GSM directly, by designating a representative by power of attorney or can vote by correspondence (through the post or by electronic voting).

For the Ordinary General Meetings of Shareholders convened in 2013, the Board of Directors approved the procedures for the orderly and efficient organization of the workings of GSM, in accordance with the legal requirements and related FSA regulations. The information and materials related to the General Meeting of Shareholders were made available to shareholders at the Company's headquarters and posted on its website: the convener of the meeting, informative materials and documents proposed for discussion and submitted for approval by the GSM, participation and voting procedures, special power of attorney forms and bulletins for voting by correspondence and the decisions adopted by the GSM and voting results for each item on the agenda.

In 2013, the Board of Directors called the General Meeting of Shareholders which convened at the second call on 24 April 2013. The OGSM approved the following: the financial statements for the year 2012; capitalization of the entire profit, without dividend distribution; revenue and expenditure budget and work program for 2013, the remuneration of board members and limits on the fees and additional remuneration of all directors; election, by secret vote, of Board members for a 4 year mandate; appointment of the financial auditor.

In the General Meetings of Shareholders, the cancellation of voting rights above the legal and statutory ownership threshold was made in accordance with the legal provisions.

**Right to information** SIF Banat-Crişana respects the right to information of shareholders, providing them relevant information to enable them to exercise their rights in a fair manner. Information on the Company's activity considered to affect the price of shares on the stock exchange was subject to current reports transmitted or communicated within 24 hours to the market, being immediately made available to investors on the BSE website and on the Company's website, [www.sif1.ro](http://www.sif1.ro). To ensure equal access to information for investors, posting on the Company's website of reports and press releases to the market participants is made after the information being posted by the market operator, BSE.

The organizational structure that ensures the relationship with shareholders, potential investors, analysts, mass-media and the interested public is the Communication and Investor Relations Department. Contact: Calea Victoriei 35A, 310158 Arad, Romania, tel / fax: 0257 304 446, email: [comunicare@sif1.ro](mailto:comunicare@sif1.ro).

**Entitlement to dividend** All existing shareholders on registration date are entitled to dividends approved by the Ordinary General Meeting of Shareholders of the Company. The payment is made in accordance with the legal requirements and resolutions of the General

Meetings of Shareholders. The OGSM from 24 April 2013 approved the capitalization of the entire 2012 profit, without dividend distribution.

## Transparency in communication

SIF Banat-Crișana pays a great importance to transparency in communication, being convinced that the trust of the public is essential for the activity of the Company. SIF Banat-Crișana aims to ensure continuous and periodic reporting in an objective and fair manner, covering all the important aspects of the Company's business and results achieved.

The Company's website is a useful platform for communication with shareholders. The section dedicated to investor relations hosts information of interest to shareholders and all communications and reports of the Company, are made available in Romanian and English. The list of information published or made available by SIF Banat-Crișana during January to December 2013 is presented in Appendix 5 to this report

## Financial reporting

The financial statements of 2013 were prepared in accordance with the Accounting Regulations compliant with Directive IV of the EEC applicable to entities authorized, regulated and supervised by the CNVM/FSA, approved by the Order of the President of CNVM no. 13/2011, which is applicable together with the Accounting Law no. 82/1991 (republished and amended). In preparing the annual financial statements, CNVM Order no. 3/2013 for the approval of Instruction no. 1/2013 for the modification of the Instruction no. 2/2007 related to preparing and filling of financial statements by the entities authorized, regulated and supervised by the National Securities Commission was also considered.

On 28 August 2013, the Company published the consolidated financial statements for 2012 – prepared in accordance with CNVM Order no. 12/2011 for the approval of the Regulation no. 3/2011 regarding the Accounting Regulations compliant with EU Directive no. VII applicable to the entities authorized, regulated and supervised by CNVM/FSA and in accordance with the Decision no. 1176/15.09.2010 related to the obligation of the financial investment companies registered with CNVM/FSA as Other collective investment organizations with a diversified investment policy to prepare and submit to CNVM/FSA annual consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS), within 8 months from the closing of the financial year – accompanied by the Administrator's Report.

On 28 June 2013, the Company published separate financial statements for 31 December 2012 – prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS) and in accordance with the requirements of CNVM Instruction no. 6/2011 regarding the application of International Financial Reporting Standards by entities authorized, regulated and supervised by the National Securities Commission, modified by Measure no. 14/21.06.2012.

The statutory financial statements prepared in accordance with the Order of the President of the National Securities Commission no. 13/2011 and the separate financial statements prepared in accordance with IFRS were audited by KPMG Audit SRL, the independent financial auditor.

KPMG Audit SRL was re-appointed by General Shareholders Meeting from 24 April 2013 as independent financial auditor of SIF Banat-Crișana for a period of minimum two years.

## Internal control and risk management

SIF Banat-Crişana pursues a proactive approach to risk prevention by identifying and limiting them before generating events occur. At the same time, the Company's management is preoccupied with ensuring the specific technical, operational and financial solutions that mitigate and prevent potential losses.

Risk management includes a dedicated and representative system of the company, made up of regulations and well integrated procedures.

### **Internal Control**

In accordance with Regulation no. 15/2004, the Board of Directors established under its authority a Department of Internal Control, whose role is to supervise the Company's and its employees' compliance with laws, regulations, instructions and procedures for capital market and the internal rules and procedures of the Company. The representative of the Department of Internal Control is authorized by Decision no. 3521/29.12.2005 of the regulatory authority – currently the Financial Supervision Authority (FSA) – and is registered with the FSA Registry under no. PFR13/RCCI/020033.

The activity of the Department of internal control was conducted in accordance with the Investigation Control Plan for 2013 approved by the Board of Directors in its meeting from 25 January 2013, with Regulation no. 15/2004, internal work procedures and internal regulations.

The lines of action considered were: monitoring compliance with the specific regulations of the capital market / or internal procedures, provision of information to the Company and the employees on the legal framework of the capital market, the approval of documents submitted by SIF Banat-Crişana to FSA to obtain permits under FSA regulations, approval of reports submitted to FSA and the capital market entities, endorsing the Company's information and publicity materials, and other activities related to compliance with the legislation specific to the capital market and internal regulations.

As part of internal control activity during 2013, the compliance with work procedures and the capital market legislation was verified in the following areas: trading securities, calculation of net assets, maintenance of the portfolio of assets within the regulated limits, compliance with the legal reporting requirements, calculation and payment of the rate of 0.1% of net assets to FSA, prevention of money laundering and financing of terrorist acts through the capital market, compliance with legal provisions related to the access to inside information.

Following the control actions, no breach of the law, regulations and procedures was signaled. Proposals and recommendations for improvement working procedures were made during the control activities.

### **Internal Audit**

In SIF Banat-Crişana an internal audit department was set-up, which audits the Company's regular activities in order to provide an independent assessment of the operations carried out, of the control and processes, assessing possible exposure to risks of various business segments (security of assets, compliance with regulations and contracts, integrity of financial and operational information, etc.), making recommendations to improve systems, controls and procedures to ensure efficiency and effectiveness of operations and following-up on the proposed corrective actions and results.

The Internal audit activity is exercised under the following forms: evaluation of management and internal control systems - *audit of systems*; assessment of the results in relation to the objectives targeted and assessment of the actual impact - *performance audit*, compliance with legal norms - *compliance audit*.

The internal audit activity is carried out based on the audit plan developed in accordance with the Company's objectives. The audit plan and the necessary resources are approved by the Audit Committee and by the Board of Directors, being pursued the inclusion of all activities and operations of the Company.

The internal audit activity is an independent and objective activity which offers the Company assurance on controls over operations and which is carried out in accordance with the procedures elaborated. Each internal audit assignment is performed based on a detailed program, which comprises the scope, objectives, allocated resources and timing of activities.

The internal audit aims to assist the Company in identifying and evaluating the significant risks in order to provide an independent assessment of the risk management, control, governance processes and to assist the company in maintaining an effective and efficient control system.

During 2013, the main activities and operations of the Company subject to internal audit included:

- managing the portfolio of financial instruments; documenting investment / disinvestment decisions and compliance with the approved limits of competence;
- trading securities, compliance with the short-term investment policy and the approved procedures of work;
- compliance with work procedures related to economical and administrative tasks, including the inventory of the Company's assets;
- compliance with the procedures for distributing and recording the dividends payable to the shareholders of SIF Banat-Crişana;
- organization of the meetings of the Board of Directors and monitoring the degree of fulfilment of the resolutions issued by the latter;
- compliance by the branches with the internal regulations, work procedures and any dispositions issued by the management of the Company.

The internal audit reports to the Audit Committee and to the Board of Directors about audit results, conclusions, recommendations and proposals. No significant issues that would require intervention from the Board of Directors were identified in 2013.

The internal audit appreciates that the activities and operations performed by SIF Banat-Crişana in 2013 which were subject to the audit, are compliant with the policies, programs of the Company and with the legal and internal regulations.

### **Operational risk management**

The primary responsibility for developing and implementing of operational risk controls lies with the Board of Directors. This responsibility is sustained by the implementation of general standards on operational risk management in the following areas: necessity for adequate segregation of duties between different functions, roles and responsibilities; requirements for reconciliation and transaction monitoring, compliance with regulatory requirements and other legal requirements; documentation of the controls and procedures; requirements for periodic assessment of operational risks faced by the Company and the adequacy of controls and procedures for addressing identified risks; emergency plans; standards and business ethics; mitigating risks, including insurance when appropriate.

The documented work procedures implemented at the organizational level contain preventative and corrective actions aimed at enabling the management of this risk. Procedures are made available by being posted on the Company intranet to be consulted by those responsible.

At the end of 2013 there were 49 documented procedures, which aim compliance with the legal requirements, the generation of information flows and effective operations and strengthening of internal control.

SIF Banat-Crișana obtained in 2012 the certification for Information Security and Management, in accordance with ISO 27001:2005, from United Registrar of System LTD, UKAS accredited (United Kingdom Accreditation Service). The audit for obtaining the certificate has been conducted according to CNVM Instruction no. 2/2011, regarding the audit of the informational systems used by entities authorized, regulated and supervised by CNVM/FSA.

In April 2013, the supervision audit of SMSI was carried out by ROS SYSTEMA Romania.

## Conflict of interest and transactions with related parties

The Board of Directors adopted operational solutions to facilitate proper identification and resolution of situations where a manager or an employee had a material interest in its own name or on behalf of third parties.

Each Board member ensures that he/she avoids any direct or indirect conflict of interest with SIF Banat-Crișana or with the companies controlled by it. To the extent that there is a conflict of interest, the concerned administrator has the obligation to inform the Board and shall refrain from debate and vote on those issues.

The Board adopted a *Code of Ethics and Business Conduct*, which includes a series of mandatory rules for management and employees in order to protect shareholders' interest and market integrity. The Code provides clear rules regarding: compliance with legal requirements and compliance with internal procedures, the conflict of interest, information privacy, inside information, prohibited transactions, insiders' trading, refraining from actions of market manipulation.

In accordance with Law no. 297/2004 and CNVM Regulation no. 1 / 2006, insiders and people with access to inside information about SIF Banat-Crișana are obliged to notify the Financial Supervision Authority and the Company of any transaction with SIF Banat-Crișana shares. Notifications are published on the BSE website. SIF Banat-Crișana disseminated these notifications throughout 2013 on its website as well.

## Corporate Information Regime

The Board members, directors and employees of SIF Banat-Crișana are required to maintain the confidentiality of documents and corporate data and comply with the *Code of Ethics and Business Conduct* and with the procedures approved by the Board of Directors regarding corporate information.

The Board of Directors adopted procedures regarding the Company's internal circuit and third party documents disclosure and disclosure of information relating to SIF Banat-Crișana, giving special importance to inside information, as defined by Law no. 297/2004, which may influence the market price of the shares issued by the Company.

## Corporate Social Responsibility

SIF Banat-Crișana is involved in the community by supporting projects with an impact on the local community. During 2013 the following project were funded: health projects (County Emergency Hospital Arad), social assistance (care center for the elderly Arad), sports (Nanga Parbat Expedition 2013), education (National German Olympics, National Music Contest, International Finance and Banking Conference - FIBA 2013), and other projects in culture and cults.



## 4. ACCOUNTING AND FINANCIAL POSITION

The financial statements for 2013 have been prepared in accordance with the Accounting Regulations compliant with Directive IV of EEC applicable to entities authorized, regulated and supervised by CNVM, approved by Order of the President of CNVM no. 13/2011 and with applicability along with the Accounting Law no. 82/1991 (republished and amended). The individual annual financial statements are attached to this report. The following are comments on the main elements of the financial statements and also on budget realization for 2013.

### BALANCE-SHEET

<i>(all amounts are expressed in RON)</i>	2010	2011	2012	2013
Securities and other non-current financial instruments	538,642,535	590,765,130	809,243,201	992,652,771
Receivables	94,239,811	584,861	748,040	4,350,750
Short-term financial investments	16,394,070	136,234,798	143,374,756	105,901,521
Other assets	6,688,471	6,344,874	5,698,632	7,319,133
<b>TOTAL ASSETS</b>	<b>655,964,887</b>	<b>733,929,663</b>	<b>959,064,629</b>	<b>1,110,224,175</b>
Current liabilities	63,012,355	37,863,920	33,058,982	34,153,880
Provisions	54,081,011	53,467,411	51,337,769	47,667,668
Other liabilities	324,757	0	44,160	0
Equity	538,546,764	642,598,332	874,623,718	1,028,402,627
<b>TOTAL LIABILITIES</b>	<b>655,964,887</b>	<b>733,929,663</b>	<b>959,064,629</b>	<b>1,110,224,175</b>

Securities and other non-current financial instruments have the largest share in the total assets and mainly include the value of securities held in companies from the portfolio, carried at historical cost adjusted with impairment losses identified and calculated at the end of the year. The increase by 22.7% in 2013 compared to the previous year is due to the purchases of shares and bonds and due to the share exchange transaction performed by the in-kind contribution of the shares in 18 companies from the real-estate sector to the share capital of SIF Imobiliare PLC, the newly acquired participation being recorded at contribution value.

The decrease in receivables starting 2011 compared to previous years is the effect of presenting the monetary placements with contractual maturity below 1 year (bank deposits, bonds) within the caption "Short term financial investments", in accordance with the Accounting Regulations applicable starting 2011. At the end of 2013, the weight of receivables in total assets is very low, 0.4%, higher than in the preceding year and includes mainly accrued interest receivable, dividends receivable and amounts advanced to two companies for the participation at the share capital increase.

Short-term financial investments include shares held for speculative purposes, fund units, bank deposits with maturity less than one year; the decrease as at 31 December 2013 compared to 2012 is the result of directing the investment strategy towards the capital market (purchase of non-current financial instruments).

Other assets mainly include the value of tangible assets held by the Company for operational and administrative purposes at headquarters and in the branches.

The Company's current liabilities as at 31 December 2013 primarily include dividends unclaimed by the shareholders afferent to the past years, trade payables, payables to employees, social securities and tax. The increase in the volume of liabilities as at 31

December 2013 compared to the prior year is the result of higher amounts related to the income tax payable for the fourth quarter of 2013.

Provisions mainly include provisions for taxes calculated for the reserves related to securities held as non-current assets, revaluation reserves and reserves for tax incentives. Their volume is decreasing because as at 31 December 2013, no provisions for employee benefits were set-up.

Equity has the largest weight in the structure of liabilities. The increase in equity both as absolute amount and weight in total liabilities is the effect of the increase in portfolio reserves and profit appropriation measures.

The increase in equity as at 31 December 2013 compared to 2012 was generated by the increase in the reserves (reserves from the share value and release of the reserves for impairment and adjustments of the shares, other reserves – own funds which were setup from the net profit, etc.)

## PROFIT AND LOSS ACCOUNT

<i>(all amounts are expressed in RON)</i>	2010	2011	2012	2013
Income from non-current financial assets	51,891,144	12,500,230	14,106,496	18,339,692
Income from disposal of financial assets	33,441,654	94,312,744	118,856,410	98,974,344
Income from reversal of provisions, re-activated receivables and sundry debtors	17,041,212	10,318,045	10,862,121	9,307,046
Interest income	7,693,136	6,337,124	9,104,342	6,489,121
Other income	3,444,489	18,284,026	6,203,413	8,984,272
<b>TOTAL INCOME</b>	<b>113,511,635</b>	<b>141,752,169</b>	<b>159,132,782</b>	<b>142,094,475</b>
Expenses with the disposal of financial assets	25,665,672	24,658,409	15,637,769	16,301,174
Fees and commissions expense	2,337,960	2,548,099	2,367,196	3,289,654
Expenses with depreciation, amortization, provisions, losses from receivables and sundry debtors	3,147,922	19,108,918	5,569,138	6,749,375
Other operating expenses	17,158,650	18,747,569	18,714,389	24,807,621
<b>TOTAL EXPENSES</b>	<b>48,310,204</b>	<b>65,062,995</b>	<b>42,288,492</b>	<b>51,147,824</b>
<b>GROSS PROFIT</b>	<b>65,201,431</b>	<b>76,689,174</b>	<b>116,844,290</b>	<b>90,946,651</b>
<b>INCOME TAX</b>	<b>2,205,115</b>	<b>13,682,655</b>	<b>16,330,246</b>	<b>10,802,701</b>
<b>NET PROFIT</b>	<b>62,996,316</b>	<b>63,006,519</b>	<b>100,514,044</b>	<b>80,143,950</b>

Total revenues show a different evolution over the years, both in volume and structure. The 10.7% reduction in the total amount of revenues in 2013 compared to 2012 is due to lower volumes of income from disposal of financial assets

The evolution of revenues with significant weight is as follows:

The income from financial assets (dividends) has registered an increase in 2013, mainly as the effect of recent investments in companies which distributed dividends (Erste Group Bank AG, SAI Muntenia Invest S.A.)

The income from disposal of financial investments (sales of shares and short term financial investments) has an oscillating evolution. The significant increase of these revenues in 2012 is the effect of the sale/contribution contract concluded with Erste Group Bank AG and related to BCR shares, which did not occur in 2013 as well.

Income from reversal of provisions, re-activated receivables and sundry debtors mainly include the reversal of value adjustments for impairment losses on securities upon disposal or increase in value. In 2013, the same level as in previous years was maintained (2011 and 2012).

The interest income includes the interest on bank deposits, government bonds, treasury certificates and municipal bonds. These revenues are directly influenced by the amount of

monetary placements (shown in the cash flow statement). In 2013, the decreasing volume of interest income is a result of the decrease in the average volume of monetary placements and average interest rates.

Other income recorded an increase compared to 2012 and comprise mainly income from foreign exchange differences.

The evolution of total expenses is primarily related to the cost of disposal of financial investments. The increase of total expenditure by 21% in 2013 compared with the previous year was caused by increases in all expense elements.

On the main items of expenses, the evolution is as follows:

Expenses with the disposal of financial investments have a significant share in the total annual expenses, their level and dynamics are influenced by the sales of securities made and the relationship between the historical cost of such securities and any reserves for shares received at no cost. In 2013, the volume of these expenses is above the level of the previous year and their weight in total expense is of 31.9%.

Expenses with depreciation, amortization, provisions, losses from receivables and sundry debtors increased in 2013, and include mainly permanent impairment losses related to the companies which went into liquidation in 2013 and from which a prompt recovery of the activity is not expected.

The category of other expenses includes mainly administrative expenses (consumables, energy, water, travel, phones, etc.), staff costs, depreciation expenses, advertising and publicity and other administrative expenses. The 2013 these expenses are 32.6% higher than the level of 2012 because of increases in the foreign exchange losses and personnel expenses.

### **CASH FLOW STATEMENT**

<i>(all amounts are expressed in RON)</i>	2010	2011	2012	2013
Receipts from customers	225,996	16,419,074	370,203	160,386
Payments to suppliers and employees	-16,880,668	-15,548,727	-16,746,482	-19,118,381
Income tax paid	-2,586,112	-645,015	-28,440,859	-3,696,935
<b>CASH FLOW USED IN OPERATING ACTIVITIES</b>	<b>-19,240,784</b>	<b>225,332</b>	<b>-44,817,138</b>	<b>-22,654,930</b>
Receipts from sale of financial assets and other receipts from investing activities	45,761,341	97,008,431	117,658,539	165,773,332
Payments for acquisition of financial assets and other payments from investing activities	-50,059,849	-47,264,422	-48,264,959	-269,521,373
Dividends received	13,131,098	13,515,309	15,373,836	18,897,902
Interest received	8,300,943	6,638,604	8,122,265	6,049,301
Receipts from sale of tangible and intangible assets	103,200	487,304	0	541,133
Payments to acquire tangible and intangible assets	-360,937	-320,045	-71,750	-18,751
<b>CASH FLOW from investing activities</b>	<b>16,875,796</b>	<b>70,065,181</b>	<b>92,817,931</b>	<b>-78,278,456</b>
Dividends paid	-24,648,800	-42,402,042	-44,093,205	-3,539,483
<b>Cash flow used in financing activities</b>	<b>-24,648,800</b>	<b>-42,402,042</b>	<b>-44,093,205</b>	<b>-3,539,483</b>
<b>Total CASH FLOW</b>	<b>-27,013,788</b>	<b>27,888,471</b>	<b>3,907,588</b>	<b>-104,472,869</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>119,348,642</b>	<b>92,334,854</b>	<b>120,223,325</b>	<b>124,130,913</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>92,334,854</b>	<b>120,223,325</b>	<b>124,130,913</b>	<b>19,658,044</b>

The significant decrease in 2013, compared with the previous year, of the net cash flow used in operating activities is mainly due to decreasing payments of income tax.

In 2013, the investment activity used cash as effect of the payments made for the acquisition of non-current financial assets and other payments from the investment activity. The higher volume of these payments compared to 2012 is due to more investments performed in securities and monetary placements (bank deposits) with residual maturity over 3 months.

The volume of dividends paid in 2013 is reduced compared to that of 2012 due to the fact that no dividends were distributed from 2012 profits, the payments referring only to previous years dividends.

As at 31 December 2013, the Cash and Cash Equivalents have significantly decreased due to the Company's policy to direct monetary placements towards investments with contractual maturities over 3 months.

#### **REALIZATION OF INCOME AND EXPENSES BUDGET FOR 2013**, summary statement

<i>(all amounts are expressed in RON, unless otherwise stated)</i>	realization		forecast		% realization to	
	2012	2013	2012	2013	2012	2013
I. Total income	159,132,782	140,317,800	142,094,475	89.3%	101.3%	
II. Total expenses	42,288,492	71,684,100	51,147,824	120.9%	71.4%	
III. Gross result	116,844,290	68,633,700	90,946,651	77.8%	132.5%	
IV. Income taxes	16,330,246	8,556,700	10,802,701	66.2%	126.2%	
<b>V. Result for the year</b>	<b>100,514,044</b>	<b>60,077,000</b>	<b>80,143,950</b>	<b>79.7%</b>	<b>133.4%</b>	

**The total amount of income** earned is 1.3% above the provisions for 2013 and 10.7% below the realizations for 2012.

**Total expenses** in 2013 are 71.4% above the forecast, and 20.9% above the achievements of 2012.

**Gross profit** amounts to RON 90,946,651, exceeding the forecast for 2013 by 32.5% as a result of achieving a higher volume of revenues compared with the increase of the expenses.

**Income tax** is above the level of the forecast for 2013, as a result of the increase in the gross result and below the 2012 level due to the decrease in the gross results compared to 2012.

**Net income for the year** amounting to RON 80,143,950 exceeded the forecast of 2013 by 33.4% and represents 79.7% of the realizations for 2012.

## 5. OTHER SIGNIFICANT INFORMATION

### **Measures taken for amending the Company's By-Laws in accordance with capital market law**

The Board of Directors of the Company approved<sup>3</sup> on 28 June 2013 the amendments to the Company's By-Laws in accordance with the new stipulations of the capital market law, as

<sup>3</sup> According to art. 286 para. (3) of Law 297/2004 regarding the capital market: "By derogation from Law no. 31/1990, the changes that will be effected to the articles of association of SIFs for compliance with the current law shall be registered with the Trade Register Office, based on the decision of the Board or the SAI, where appropriate, after obtaining prior authorization issued by CNVM "

regulated by the Government Emergency Ordinance no. 32/2012 applicable to collective placement organizations and asset management companies, for the amendment of capital market law no. 297/2004.

The amendment to the Company's By-Laws modified art. 6 paragraph (18), as follows: *"The conditions for the validity of the proceedings of the extraordinary general meetings and decisions made thereof are those provided by Law no. 31/1990.*

Taking in account that the Company's By-Laws stipulate at art. 19, paragraph (2)<sup>4</sup> that in case of **any legislative changes which eliminate or reduce the limitations expressly imposed, the clauses of the By-Laws are considered amended by effect of law**, the Company wanted to formalize, by re-writing the text of the Statute, the legal changes in relation to the quorum of the general meetings of shareholders. These modifications related to less restrictive quorum conditions. The decisional process within the Extraordinary Meetings of Shareholders would be made more flexible by the reduction of limitations related to quorum. These could take place, thus enabling the shareholders to decide upon those issues which the legislation expressly see as attributions of the general meetings of shareholders.

According to art. 286 para. (3) of Law 297/2004, the Company submitted to the Financial Supervision Authority the request for authorization of the changes operated to the Statute. By Decision 564/02.08.2013, the FSA rejected the request of SIF Banat-Crișana, arguing that the quorum requirements set out in the Company's amended Statute do not fall within the provisions of art. 19 para. (2) of the Company's By-Laws .

#### **Measures taken to start a program to repurchase own shares and capital reduction**

On 3 October 2013, in an effort to enhance shareholder value, the Board approved the capital reduction of SIF Banat-Crișana through the redemption by the Company of own shares, followed by subsequent cancellation. The Company announced this decision in the market.

Buyback programs are a common practice especially amongst closed funds. Through such a program, the Company can absorb a limited number of shares from the market, reducing the number of shares outstanding and increasing the relative share of ownership of each shareholder.

The decision to reduce the share capital through repurchase of own shares was adopted by the Board of Directors pursuant to art. 6 para. (8) of the Statute of SIF Banat-Crișana, which provides that "the Extraordinary General Meeting delegated to the Board of Directors the exercise of its powers in relation to [...] c) capital reduction or restoration by issuance of new shares [...]".

The operation of share capital reduction by "*acquisition of own shares, followed by their cancellation*" is governed by art. 207 para. (1). c) of Law no. 31/1990.

In addition to this, art. 104 of Law no. 31/1990 stipulates that the conditions of art. 103 ^ 1 of the same law do not apply to the acquisition of own shares in accordance with art. 207 para. (1) c), operation which may be decided by the Board of Directors of the Company in accordance with art. 6 paragraph (8) of the Statute.

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<sup>4</sup> According to art. 19, para (2) from the Statute of SIF Banat Crisana: "*Any norms subsequently issued which remove or reduce the limitations expressly imposed for SIFs, the clauses of the By-Laws are considered amended by effect of law.*"

Taking into account the above arguments, the Company has requested approval from the FSA **for endorsement of the share capital reduction operation and of a program of redemption of own shares** under the following conditions:

- Maximum number of shares to be redeemed shall not exceed 54,884,926 shares, representing 10% of the total shares issued by the Company;
- The purchase price of own shares will be minimum 0.5 RON / share and a maximum of 2.5 RON / share;
- The redemption program of own shares will be held for a period of 18 months from the date of obtaining the FSA approval;
- At the end of the redemption program, the Board of Directors will determine the amount by which the share capital will be reduced and the number of shares to be canceled.

On 24 October 2013, the FSA notified the Company that according to art. 113 of Law no. 31/1990R irrespective of the method of share capital reduction, assuming a change in the articles of incorporation, the decision can be taken only by organizing an extraordinary general meeting.

#### **Background control conducted by the Financial Supervisory Authority**

During the period 14 - 24 October 2013, the Financial Supervision Authority has conducted the periodical control at SIF Banat-Crișana, in accordance with the control plan for 2013 and the theme of control approved by the FSA Council.

## 6. SUBSEQUENT EVENTS

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- 1 In November 2013, the Board of Directors of SIF Banat-Crișana approved the conclusion of a new contract for depository services with BRD Groupe Société Générale, as a result of unilateral termination by ING Bank NV Amsterdam Bucharest Branch of the depository contract in force at the time.
  - By Decision no. A/4/28.01.2014, the FSA approved the Company's asset depository contract concluded with BRD Groupe Société Générale; the contract came into effect on 29 January 2014.
- 2 According to FSA Decision no. 23/05.02.2014, SIF has the ability to invest in shares issued by listed AOPCs admitted to trading on a regulated market or traded on an alternative trading system.

## 7. THE PROPOSAL OF THE BOARD OF DIRECTORS REGARDING THE PROFIT APPROPRIATION

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The Board of Directors proposes the distribution of the net profit for the financial year 2013 amounting to RON 80,143,950 to other reserves for own financing sources, to be used in the future as decided by the ordinary general meeting of shareholders.

**This report includes the following appendices:**

**Appendix 1** Financial statements as at 31 December 2013

**Appendix 2** Net assets statement as at 31 December 2013  
(according to annex 16 of Regulation no. 15/2004)

**Appendix 3** Detailed statement of investments at 31 December 2013  
(according to annex 17 of Regulation no. 15/2004)

**Appendix 4** List of companies in which SIF Banat-Crişana has direct control as at 31 December 2013

**Appendix 5** List of public reports and communications issued by SIF Banat-Crişana in 2013

The version issued in Romanian of the Report of the Board of Directors was approved by the Board of Directors of SIF Banat-Crişana in the meeting from 21 February 2014.

**Dragoş-George BÎLTEANU**

Chairman of the Board of Directors