



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

## — ANNUAL REPORT OF THE — BOARD OF DIRECTORS

FOR 2014 FINANCIAL YEAR

PREPARED PURSUANT TO LAW NO. 297/2004 AND CNVM REGULATION NO. 1/2006

*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*

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## MAIN FINANCIAL AND OPERATIONAL INFORMATION

<b>MAIN BALANCE SHEET ITEMS</b> [RON mn]				
	2011	2012	2013	2014
Total assets, of which	733.93	959.06	1,110.22	<b>1,220.02</b>
Total financial assets	727.52	952.77	1,100.89	<b>1,195.63</b>
Equity	642.60	874.62	1,028.40	<b>1,154.10</b>
Total current liabilities	37.86	33.06	34.15	<b>15.79</b>

<b>FINANCIAL PERFORMANCE</b> [RON mn]				
	2011	2012	2013	2014
Total revenues	141.75	159.13	142.09	<b>255.50</b>
Total expenses	65.06	42.29	51.15	<b>94.69</b>
Gross profit	76.69	116.84	90.94	<b>160.81</b>
Net profit	63.01	100.51	80.14	<b>134.17</b>

<b>FINANCIAL INDICATORS</b> [%]				
	2011	2012	2013	2014
ROE (net profit / equity)	9.8	11.5	7.79	<b>11.63</b>
ROA (net profit / total assets)	8.6	10.5	7.22	<b>11</b>
Gross profit margin (gross profit / total revenues)	54.1	73.4	64	<b>62.9</b>
Income tax rate (tax expense / gross profit)	17.8	14	11.9	<b>16.6</b>
Dividend payout ratio*	87.1	-	-	40.9*

<b>SHARES AND NET ASSET PERFORMANCE</b>				
	2011	2012	2013	2014
Share price (year end, RON)	0.9030	1.213	1.292	1.303
Net asset value** / share (RON)	2.3698	2.4061	2.9094	2.9228
PER	7.87	6.62	8.85	5.33
Dividend / share (RON)	0.100	-	-	0.1*
Accounting net asset / share (RON)	1.2682	1.6871	1.9606	2.1938
Nominal value of share (RON)	0.1	0.1	0.1	0.1
Number of shares	548,849,268	548,849,268	548,849,268	548,849,268

<b>OPERATIONAL DATA</b>				
	2011	2012	2013	2014
Number of employees at year end	78	78	51	48
Number of branches	4	4	2	2

<b>SHAREHOLDING STRUCTURE</b> as at December 31, 2014		
	number of shareholders	holdings
Romanian individuals	5,783,646	46.32%
Non-resident individuals	1,921	0.93%
Romanian legal entities	248	31.80%
Non-resident legal entities	39	20.95%
<b>TOTAL</b>	<b>5,785,854</b>	<b>100%</b>

\* proposal of the Board of Directors

\*\* calculated acc. to FSA regulations

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## GENERAL INFORMATION

CORPORATE NAME	<b>Societatea de Investiții Financiare Banat-Crișana S.A.</b> (hereinafter referred to as "SIF Banat-Crișana" or "Company")	
COMPANY TYPE	<ul style="list-style-type: none"><li>▪ Closed-end investment company with a diversified investment policy, registered by FSA in "Other Undertakings for Collective Investments" (AOPC/UCITS) category</li><li>▪ set up as a joint stock company in November 1996 pursuant to Law no. 133/1996 for the transformation of Private Ownership Funds in Financial Investment Companies</li><li>▪ 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 shares issued</li><li>▪ RON 0.10 per share nominal value</li></ul>	
RECORDINGS	<ul style="list-style-type: none"><li>▪ Registered at the Trade Registry under no. J02/1898/1992</li><li>▪ Unique Registration Number 2761040</li><li>▪ Number in FSA Registry PJR09SIIR/020002/2006</li></ul>	
MAIN ACTIVITY	<ul style="list-style-type: none"><li>▪ financial investments to maximize the value of own shares pursuant to the regulations; management of portfolio of investments and exercising all of the rights related to the instruments in which invested; other additional and related activities pursuant to the regulations in force.</li><li>▪ Main object of activity, acc. to the classification of activities from national economy (CAEN): other financial intermediation n.c.a. (CAEN code 6499)</li></ul>	
TRADING MARKET	The company is listed on the regulated market of Bucharest Stock Exchange (BSE or BVB) under ticker <b>SIF1</b> since November 1, 1999	
FINANCIAL AUDITOR	KPMG Audit S.R.L. Bucharest	
DEPOSITARY	BRD - Groupe Société Générale	
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest	
HEADQUARTERS	<b>Arad</b> , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro	
BRANCHES	<b>Bucharest</b> 175 Calea Floreasca , 7th floor, room A1, sector 1, 014459, Bucharest	<b>Cluj-Napoca</b> 1 Muzeului Sq., Cluj-Napoca 400019, Cluj county

## 1. ANALYSIS OF SIF BANAT-CRIȘANA ACTIVITY

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### Analysis of the portfolio

#### Net asset value

Net Asset Value (NAV) of SIF Banat-Crișana recorded a growth of 0.46% in 2014 as compared to the end of 2013, reaching **RON 1,604 mn** at December 31, 2014 (2013: RON 1,596.84 mn).

Net asset value per share (NAV/share) was of **RON 2.9228** at December 31, 2014, compared to RON 2.9094 at December 31, 2013.

The monthly values of the net asset were calculated by SIF Banat-Crișana pursuant to Financial Supervisory Authority (Regulation no. 15/2004 and Disposal of Measures no. 23/2012) and have been certified by BRD - Groupe Société Générale, the depository bank of Company's assets. The contract for depository services for the assets of SIF Banat-Crișana concluded with BRD-Groupe Société Générale was endorsed by FSA Endorsement no. A/4/ 28.01.2014. At the end of January, the transfer of assets deposited by SIF Banat-Crișana from ING Bank NV Amsterdam Bucharest Branch - as depository transferor - to the new depository - BRD Groupe Société Générale was completed. The contract for depository services concluded by SIF Banat-Crișana with BRD - Groupe Société Générale entered into force starting January 1, 2014.

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

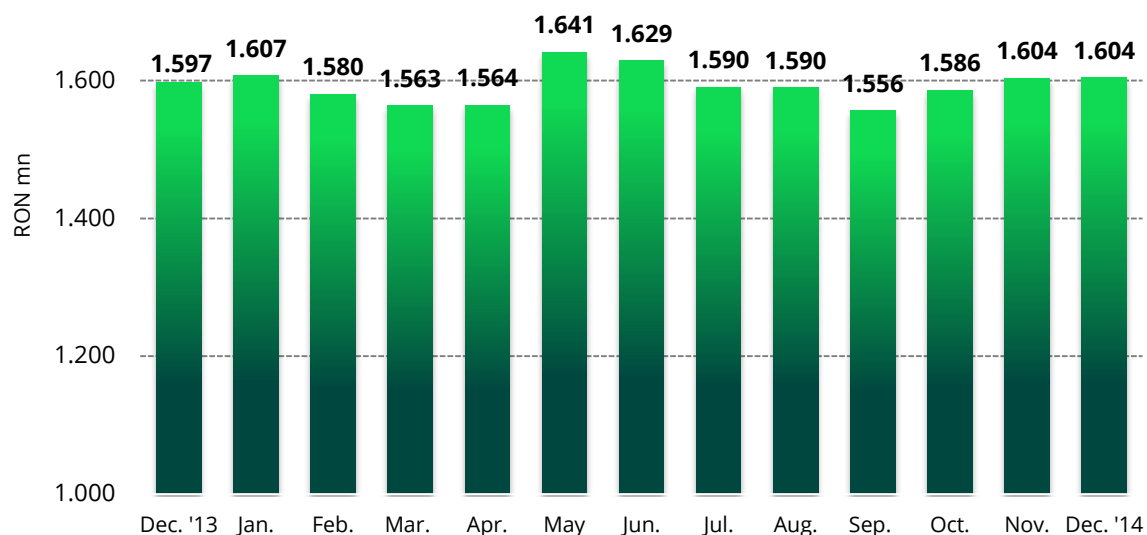
#### **The calculation methodology of the net asset value**

By Measure no. 23/2012, entered into effect starting March 2013, was set a unitary and harmonized framework for the valuation methods of the assets of collective investment undertakings authorized and/or endorsed by the regulatory authority. Previously SIF Banat-Crișana calculated the net asset value pursuant to the regulations issued by National Securities Commission (CNVM) – Regulation no. 15/2004 and Measures no. 9/2010 and no. 21/2010.

According to Measure no. 23/2012, listed shares are valued at the market closing price of the day for which the calculation is made. Securities not admitted to trading on a regulated market or not traded in the last 30 trading days are valued at book value per share resulting from the last annual financial statements, respectively the own equity value comprised in the monthly reports submitted to National Bank of Romania in the case of credit institutions. The company applied throughout 2014 this treatment for valuating the value of shares in calculating monthly net asset value.

Shares of companies undergoing insolvency proceedings, judicial liquidation or reorganization procedure are valued as zero until the conclusion of the procedure.

## MONTHLY EVOLUTION OF NET ASSET VALUE December 2013 - December 2014



The statement for SIF Banat-Crișana assets and liabilities as at December 31, 2014, prepared pursuant to the provisions of Regulation no. 15/2004 (Annex 16) is presented in Annex 2 of this report.

The evolution of SIF Banat-Crișana net asset value was a rather flat one in 2014, influenced by purchases of UCITS (AOPC) securities and derivatives in the first half of the year. The evolution of the listed shares in the portfolio, especially Erste Bank and BRD have influenced the NAV in the second half the year, this influence weakening as the exposure on these stocks diminished.

### Portfolio structure

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

The strategy for asset allocation aims to maximize the portfolio performance in 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 2014, 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 December 31, 2014 is presented in the following table, compared with December 31, 2013:

## ASSETS MANAGED BY SIF BANAT-CRIȘANA

Asset category*	December 31, 2013		December 31, 2014	
	value (RON)	weight in total assets	value (RON)	weight in total assets
State bonds, T-bills	16,469,234	1.01%	16,450,898	1.02%
Available cash	2,302,128	0.14%	538,870	0.03%
Receivables	1,478,669	0.09%	1,757,216	0.11%
Bank deposits	88,717,641	5.44%	93,262,594	5.76%
Corporate bonds	35,427,474	2.17%	34,446,351	2.13%
Listed shares	1,292,224,452	79.23%	1,097,169,353	67.72%
Unlisted shares	174,364,977	10.69%	204,211,230	12.60%
UCITS securities **	14,986,474	0.92%	150,436,586	9.29%
Derivatives	-	-	17,015,426	1.05%
Other assets	5,018,545	0.31%	4,850,753	0.30%
<b>TOTAL ASSETS</b>	<b>1,630,989,596</b>	<b>100%</b>	<b>1,620,139,277</b>	<b>100%</b>
Total debts + deferred income	34,153,880	2.09%	15,971,999	0.99%
<b>NET ASSET</b>	<b>1,596,835,716</b>	<b>97.91%</b>	<b>1,604,167,278</b>	<b>99.01%</b>
<b>NAV/S (net asset value/share)</b>	<b>2.9094</b>		<b>2.9228</b>	

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

\*\* pursuant to applicable regulations, the category includes stakes held in financial investment companies (SIFs) and units in closed funds

As at December 31, 2014, the value of portfolio of shares was of RON 1,397,074,583 (value calculated acc. to Regulation no. 15/2004 and Measure no. 23/2012) being the weightiest, with a share of 86.23%, in the assets managed by SIF Banat-Crișana, representing 87.09% of the net asset value.

The detailed statement of SIF Banat-Crișana's investments as at December 31, 2014 prepared pursuant to Regulation no. 15/2004 (Annex 17), is presented in Annex 3 to this report.

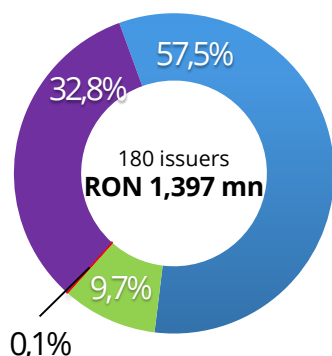
### STOCK PORTFOLIO – sector breakdown

Sector	Number of issuers		Value in NAV* (RON mn)	
	2013	2014	December 31, 2013	December 31, 2014
financial - banking	13	13	861.5	722.4
commerce - real-estate	28	22	163.3	191.7
tourism and public food services	10	9	114.7	125.2
pharmaceuticals	3	2	80.7	68.2
pulp and paper	8	7	56.4	61.6
energy - utilities	19	9	45.6	59.2
wood processing	37	37	11.3	13.8
chemicals and plastics	6	2	19.9	10.8
food industry	4	4	5.7	5.9
metallurgy	10	8	4.2	4.5
constructions	8	7	2.4	1.7
other industries	27	17	73.8	82
other activities	49	43	41.7	49.9
<b>TOTAL</b>	<b>222</b>	<b>180</b>	<b>1,481</b>	<b>1,397</b>

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

Significant positions in NAV are held by sectors: financial - banking (45.03%), commerce - real estate (11.95%), tourism and public food services (7.81%), pharmaceuticals (4.25%), pulp and paper (3.84%) and energy - utilities (3.69%).

## STOCK PORTFOLIO - breakdown by shareholding



### ■ up to 5%

shareholding **up to 5%** in **62** issuers  
total value **RON 803 mn** (Dec. 31, 2013: RON 931 mn)

### ■ 5-33%

shareholding **between 5-33%** in **99** issuers  
total value **RON 135 mn** (Dec. 31, 2013: RON 146 mn)

### ■ 33-50%

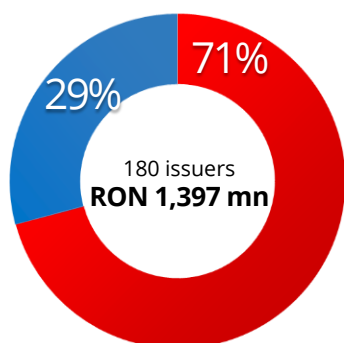
shareholding **between 33-50%** in **3** issuers  
total value **RON 1.03 mn** (Dec. 31, 2013: RON 1.03 mn)

### ■ above 50%

majority shareholding, **above 50%**, in **16** issuers  
total value **RON 457.5 mn** (Dec. 31, 2013: RON 402.7 mn)

*percentages in the chart represent the weight of the respective category in the value of stock portfolio as at Dec. 31, 2014; values calculated acc. to Regulation no. 15/2004 and Measure no. 23/2012*

## STOCK PORTFOLIO - breakdown by region



### ■ Romania

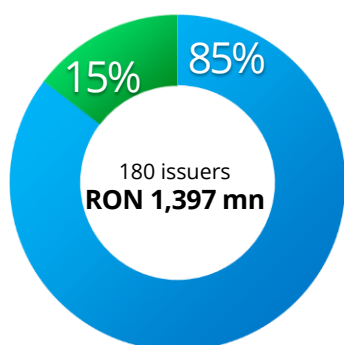
**RON 990.21 mn** (Dec. 31, 2013: RON 931.11 mn) value of holdings in **178** issuers (Dec. 31, 2013: 196)

### ■ external markets

**RON 406.86 mn** (Dec. 31, 2013: RON 567.2 mn) value of holdings in **2** issuers (Dec. 31, 2013: 26): Austria (1 issuer – Erste Bank), Cyprus (1 issuer – SIF Imobiliare)

*percentages in the chart represent the weight of the respective category in the value of stock portfolio as at Dec. 31, 2014; values calculated acc. to Regulation no. 15/2004 and Measure no. 23/2012*

## STOCK PORTFOLIO - breakdown by liquidity



### ■ listed companies

**RON 1,192.86 mn** (Dec. 31, 2013: 1,306.83 mn) value of holdings in **72** issuers (31 dec. 2013: 109)

### ■ unlisted companies

**RON 204.21 mn** (Dec. 2013: RON 174.36 mn) value of holdings in **108** issuers (Dec. 31, 2013: 113)

*percentages in the chart represent the weight of the respective category in the value of stock portfolio as at Dec. 31, 2014; values calculated acc. to Regulation no. 15/2004 and Measure no. 23/2012*



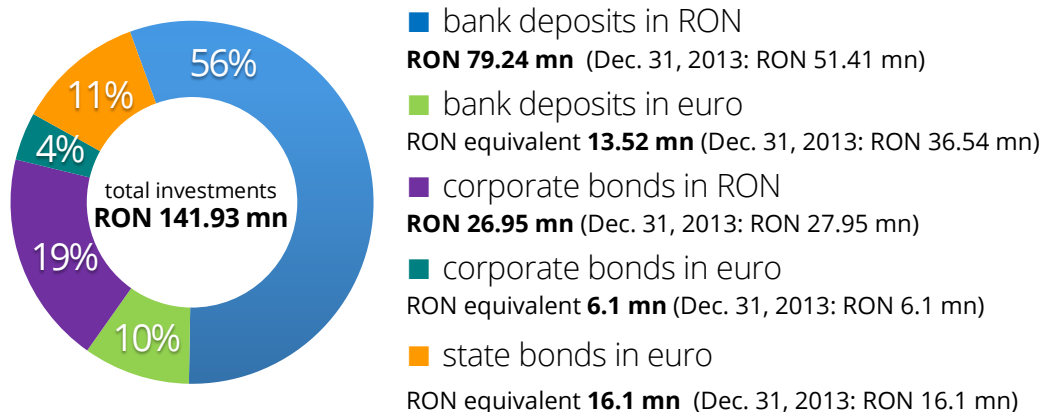
## TOP 10 COMPANIES IN SIF BANAT-CRIȘANA PORTFOLIO as at December 31, 2014

Issuer	Sector	holding percentage	Value in NAV* (RON mn)	% of NAV
Erste Group Bank AG	financial - banking	0.68%	253.1	15.78%
Banca Transilvania	financial - banking	4.44%	220.8	13.77%
SIF Imobiliare Plc	Financial services applicable to real estate	99.99%	153.7	9.58%
BRD - Groupe Société Générale	financial - banking	2.41%	147.1	9.17%
Biofarm București	pharmaceuticals	19.53%	59.9	3.73%
Vrancart Adjud	cellulose and paper	74.72%	57.5	3.58%
Azuga Turism	tourism & public food	98.98%	43.9	2.74%
Napomar Cluj-Napoca	machinery & equipment	99.43%	42.1	2.62%
SIF Hoteluri (Calipso Oradea)	tourism & public food	98.66%	41.2	2.57%
SIF Moldova	other financial intermediations	4.96%	40.9	2.55%
<b>TOTAL</b>			<b>1,060</b>	<b>66.11%</b>

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

## PORTFOLIO OF FIXED INCOME FINANCIAL INSTRUMENTS

breakdown by type of investment



*percentages in the chart represent the weight of the respective category in the value of the portfolio of fixed income financial instruments as at Dec. 31, 2014; values calculated acc. to Regulation no. 15/2004 and Measure no. 23/2012; amounts do not include interest receivable*

The financial placements in fixed income financial instruments represented 8.85% of NAV at 2014 year end, the value of this portfolio being RON 141.93 mn, with RON 3.8 mn more than previous year end (2013: RON 138.12 mn)

## Noteworthy elements on the managed portfolio

The strategic vision of SIF Banat-Crișana is for developing the company through an efficient management of the stakes 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.

## Administration of the majority shareholdings

At the end of 2014, SIF Banat-Crişana holds the majority stake in 16 companies with an aggregate value of RON 457.5 mn, representing 28.52% in NAV. The list of these companies is presented in the following table:

### MAJORITY SHAREHOLDINGS AS AT DECEMBER 31, 2014

	<b>Corporate name</b>	<b>Activity</b>	<b>Stake</b>	<b>Value in NAV Dec. 31, 2014 (RON mn)</b>
1	SIF IMOBILIARE plc	other financial intermediations n.c.a.	99.99%	153.73
2	VRANCART SA Adjud	manufacture of corrugated paper, paperboard and packages	74.72%	57.44
3	AZUGA TURISM SA	hotels and similar accommodation facilities	98.98%	43.97
4	NAPOMAR SA Cluj-Napoca	manufacture of machinery and machine tools for metal processing	99.43%	42.09
5	SIF HOTELURI SA Oradea	tourism an public food services	98.66%	41.24
6	IAMU SA Blaj	manufacture of machinery and machine tools for metal processing	76.70%	31.48
7	CENTRAL SA Cluj-Napoca	Retail in non-specialized stores	63.51%	17.79
8	TRANS EURO HOTEL SA Baia Mare	hotels and similar accommodation facilities	99.93%	12.59
9	SAI MUNTENIA INVEST SA Bucureşti	other financial intermediations n.c.a.	74.98%	12.51
10	SILVANA SA Cehu Silvaniei	manufacture of textiles	96.28%	9.69
11	SOMPLAST SA Năsăud	manufacture of plastic packaging	70.75%	9.38
12	HOTEL MESEŞUL SA Zalău	hotels and similar accommodation facilities	98.40%	7.48
13	VALY-TIM SA Timişoara	hotels and similar accommodation facilities	99.99%	7.24
14	RUSCA SA Hunedoara	hotels and similar accommodation facilities	99.23%	6.23
15	BETA TRANSPORT SA Cluj-Napoca	hotels and similar accommodation facilities	99.76%	4.67
16	ARIO* SA Bistriţa	manufacture of taps and valves	93.64%	-

\*ARIO Bistriţa is in insolvency proceedings – its value in NAV is zero value acc. to Measure no. 23/2012

Throughout the year, SIF Banat-Crişana's management focused on streamlining the administration of the majority stakes, in order to ensure a high financial return, a competitive management and the shaping of the development programs. These companies are subject to permanent analysis and monitoring by our analysts, the managerial involvement of SIF Banat-Crişana focusing on:

- providing assistance in preparing and optimizing budgets, adopting measures to rationalize the use of resources, cost optimization and coordination of major investment processes;
- negotiating competitive performance criteria with the management teams;
- valuating and monthly analysing the recorded results and supporting the implementation of measures to streamline the activities;
- introducing best practice of corporate governance, modern management techniques and promoting efficient management teams;
- implementation of cohesive management techniques
- regular visits (monthly) to companies and analyses, together with the management teams, of the results, prospects, opportunities and potential risks.

### SIF Imobiliare

At the end of 2014, by value, SIF Imobiliare Plc is the largest majority stake held by SIF Banat-Crişana, representing 10% of the NAV. SIF Imobiliare Plc, registered in Cyprus, was founded in August 2013 as an investment vehicle by incorporating 18 companies from SIF Banat-Crişana portfolio with activities in the real estate sector, to ensure a unified management, the growth of rates of return for the companies in the portfolio and to seize the opportunities arising in the

market. Since December 2013, the company SIF Imobiliare Plc is listed on the Bucharest Stock Exchange - ATS segment, being traded with the symbol SIFI (ISIN: CY0104062217).

The companies that were incorporated into the equity of SIF Imobiliare PLC by the majority shareholder SIF Banat-Crișana are the following: Agrorent SA Arad, Comalim SA Arad, Administrare Imobiliare SA București, Legume Fructe (at present SIFI BH Est SA), Vest Metal (at present SIFI BH Ind Vest SA), Arta Culinară (at present SIFI CJ Cluj Retail SA), Bistrița SA Cluj-Napoca, Comat Cluj (at present SIFI CJ Logistic SA), Comcereal Cluj (at present SIFI CJ Agro SA), Complex Laboratoare (at present SIFI CJ Office SA), Napotex (at present SIFI CJ Storage SA), Agmonia (SIFI CS Retail SA), Central SA Petroșani, Cora SA Hunedoara, M.C.B. (at present SIFI Baia-Mare SA), Soiza (at present SIFI Sighet SA), Uniteh SA and Urban SA.

Of these, seven are listed on the Bucharest Stock Exchange, Rasdaq market: Comalim, Legume Fructe, Arta Culinară, Comat Cluj, Comcereal Cluj, Napotex and Uniteh. Following the implementation of Law no. 151/2014 the delisting of companies BH IFIS Est (Legume Fructe Oradea) and SIFI CJ Agro (Comcereal Cluj) is intended and the listing on the alternative system AeRO for the others.

The value of shares as contribution in kind from SIF Banat-Crișana to SIF Imobiliare equity was of RON 100.5 mn, representing the value of shares held by the Company in those 18 companies that were, value as at May 31, 2013 calculated pursuant to FSA regulations on the calculation of net asset. Subsequently, the Company participated in the capital increase of the holding with € 10 mn.

In May 2014, SIF Imobiliare Plc contributed in the establishment of three new companies that entered into its portfolio: SIFI BH Retail SA and SIFI B One SA - companies with activities in rental commercial capacities and SIFI TM Agro SA to which lent RON 6.84 mn with the purpose of purchases of real estate assets in agriculture.

Main measure administrating the companies in SIF Imobiliare Plc portfolio taken during 2014:

- Administrare Imobiliare SA provided support analysis and implement corrections in the process of preparing statutory financial statements, for the 18 affiliate companies SIF Banat-Crișana contributed with and mediated the process of statutory audit performed by KPMG Romania. The statutory financial statements have been restated on IFRS principles.
- It was designed and the implementation was initiated across all companies in SIF Imobiliare portfolio of a system for resource planning - ERP Atlantis, to integrate the entire set of information from the subsidiaries in a single platform, thus ensuring transparency of data within the group and facilitate decision making, improving the return and effectiveness of business.
- Analyses were conducted for several business opportunities in order to improve the overall performance of SIF Imobiliare portfolio, as well as rationalization and reviewing the business processes for the affiliates, to increase their efficiency, as well as achieving a qualitative leap on performance measures, such as return on investment, reduce costs and improve quality of services.

The independent auditor for SIF Imobiliare Plc is KPMG Limited Cyprus

For the financial years 2013 and 2014, the financial reports of the 18 companies in the SIF Imobiliare Plc that SIF Banat-Crișana contributed with are audited by KPMG Audit SRL Romania.

### **Stages in the merger of hotel companies**

In 2014, SIF Banat-Crișana, as majority shareholder of several companies in the hospitality industry, opted for centralizing the management of their activities, in order to strengthen the position occupied in their market segment, providing a unified management, reducing operating costs, increase their income level and seizing the opportunities arising in the respective market.

The measure is part of the strategy announced in the activity plan for 2013, to consolidate the real estate and the hospitality portfolios of SIF Banat-Crișana in two holding companies, SIF Imobiliare (incorporated in 2013) and SIF Hoteluri.

For the assets in tourism, SIF Hoteluri SA Oradea (formerly Calipso SA Oradea - name changed by the decision of the EGM dated May 19, 2014) was used as an investment vehicle, a company owned 98% by SIF Banat-Crișana, listed on the main market of BSE – with CAOR as symbol. Originally a public food company operating several restaurants and bistros in Oradea and the neighbouring areas, SIF Hoteluri SA Oradea has significantly narrowed this activity, letting to other companies most of the spaces owned. The most valuable asset is its five-star hotel in Oradea, operated by the international network Hilton under DoubleTree brand. The hotel was opened in September 2012 and has 147 rooms, the investment of € 21 mn being financed in a significant proportion by SIF Banat-Crișana through capital increases, and bank loans.

In 2014, SIF Hoteluri SA Oradea (Calipso) sold in an auction 41 assets from its portfolio for RON 18 mn (€ 4 mn) to SIFI BH Retail from Bucharest, a company controlled by SIF Banat-Crișana through SIF Imobiliare Plc. SIFI BH Retail was the only bidder in the tender for the sale of the 41 commercial premises, and sale price of the assets was the same with the auction starting price, furthermore paying for tangible assets and inventory items accompanying the assets acquired the amount of RON 620,000.

SIF Hoteluri will merge by absorption with five other companies in which SIF Banat-Crișana holds the control: Rusca SA Hunedoara, Hotel Meseșul SA Zalău, Beta Transport SA Cluj-Napoca, Trans Euro Hotel Baia Mare and Valy-Tim SA Timișoara. These five are closed (unlisted) companies and one of the advantages of this operation is that their shareholders will come to have shares in a company listed on BSE, with the benefits of the increased liquidity and transparency for their holdings.

Creating an integrated system for the management and the coordination of activities of the acquired companies are expected to improve their financial performance, offering the company resulted from the merger superior competitive advantages, creating value for the shareholders. Reorganizing this part of SIF Banat-Crișana portfolio aims at: building a stronger company and more efficient in economic and financial terms, increasing the effectiveness of the managerial decision act, eliminating redundancies in administrative structures of the acquired companies, administrative and operational cost reduction, efficient control over cash flows and a better mobilization of financial resources, joining the assets of the acquired companies will increase the financial strength of the group, with benefits in the financing needed for their development, strengthening the negotiating power in dealing with suppliers, financial and credit institutions, improvement of marketing and advertising strategies. These effects of creating the holding will lead to strengthening the market position and the financial performance of SIF Hoteluri.

### **Consolidation of holdings**

In 2014 SIF Banat-Crișana increased its holding in Central SA Cluj-Napoca, becoming the majority shareholder with a stake of 63.5%. The increase was achieved by purchasing stakes from existing shareholders of the company, in compliance with statutory provisions

Central SA Cluj-Napoca owns the shopping centre "Central", located in the central area of Cluj-Napoca, built on five floors, with a commercial area of 20,000 sqm. Recently, the store has undergone a major expansion and modernization process aiming to become again the main landmark for the city in terms of retail and one of the most modern shopping centres in the region. The objectives SIF Banat-Crișana has for Central aim to strengthen a top position in retail in Cluj, increase the turnover and profitability margins.

## Portfolio management of fixed income financial instruments

SIF Banat-Crişana held during 2014 fixed income financial instruments diversified in bank deposits in RON and foreign currency, government bonds on the primary market in foreign currency and corporate bonds in RON and foreign currency.

The cash management objectives were to achieve real positive returns, liquidity risk dispersion and ensuring necessary cash to conduct the company's business.

Risk dispersion was ensured by diversifying the investments (deposits, bonds) and placing amounts in deposits to several banks, selected after analysing their creditworthiness and rating.

An efficient collaboration with the banks satisfied the requirement to achieve a high yield for the cash investments and flexibility in ensuring at the required terms the necessary sums for investment objectives or to finance current activities. The average annual return of the cash investments made in 2014 in RON was 5.42%, higher throughout the year than ROBOR rate (3M). The average yield of deposits in euros achieved in 2014 was of 4.15%, higher throughout the period than EURIBOR (3M).

On January 15, 2014 and on July 15, 2014 respectively (maturity date) the interest for coupon 2 (15.07.2013 – 14.01.2014) and respectively coupon 3 (15.01.2014 – 14.07.2014) was redeemed, totalling RON 406,611 for the euro bonds issued by Banca Transilvania.

On June 6, 2014, before the due date, the interest for coupon 1 (21.06.2013 – 09.06.2014), was redeemed, the amount of RON 2,120,067, for the corporate bonds issued by the company Industrial Energy (formerly Romenergo).

On July 29, 2014, the due date, the interest for coupon 3 (29.07.2013 - 28.07.2014) was redeemed amounting RON 742,331, for the euro bonds issued by the Romanian Ministry of Finance.

## Workout portfolio

In the internal structure of holdings management, workout portfolio includes companies in various stages during the procedure of judicial liquidation, insolvency or those inactive, and those likely to enter the insolvency proceedings.

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2014</b>
No. of companies in workout portfolio	77	74
Book value of companies in workout portfolio (RON mn)	61.5	62.2

These companies originate from the historic portfolio taken from FPP1 at the moment of SIF Banat-Crişana incorporation, and they are not the result of a portfolio investment decision.

During 2014, the following changes occurred in workout portfolio: an inactive company went into liquidation; one of the company in insolvency exit from the scope of Law no. 85/2006, becoming active again; four companies in liquidation were deleted (their purchase value totalling RON 338,693, amount that was provisioned in the previous years); an operating company (unregistered as inactive) became insolvent.

The Company monitors the evolution of these companies, without allocating substantial resources. The main activities regarding these companies are: (i) monitoring and recording important events that occur in their status; (ii) exercising shareholders duties in accordance with the Company's objectives, monitoring the legality and appropriateness of the decisions of their governing bodies; (iii) choosing the appropriate legal means to protect the interests of the Company as a result of possible unlawful OGM decisions; (iv) preparing and submitting declarations of debt / other legal papers that need to be prepared; (v) periodically checking of the

files for insolvency in Insolvency Bulletin and Courts' Portal and Trade Register website; (vi) the removal of records when companies are de-registered.

## Summary of transactions performed in 2014

Transactions during 2014 followed the coordinates set by the operational plan approved by the general meeting of shareholders, pursuing the objectives of diversifying and improving the quality of the portfolio.

The investments aimed at providing a mix of growth and value, in order to provide solutions to ensure a constant cash flow.

Significant acquisitions were made in shares issued by SIFs and derivatives with underlying these titles, given the discount these securities are traded at, their solid basis for evaluation, growth potential and income beget.

Opportunities in energy sector, offered by companies with constant dividends and high dividend yield, above the market average, were seized, while the investments also pursued a sectoral diversification of the portfolio on a less consolidated segment.

While the estimates for the banking system profitability worsen, stakes held in this sector were reduced, in order to avoid possible risks of the portfolio.

Therewith, it was addressed the reduction of the illiquid part of portfolio, with low profitability and no prospects for growth and profitability regardless of the sector, seizing the exit opportunities in these companies.

### **Financial assets acquisitions and inflows:**

- Purchases of listed shares of 18 issuers on the domestic and foreign markets totalling RON 121,77 mn, of which RON 6.33 mn investments in shareholdings and RON 115.44 mn in shares as short term investments (RON 114.97 mn traded on the domestic market and RON 0.46 mn on foreign markets);  
Significant acquisitions: SIF Muntenia (RON 38.73 mn), SIF Moldova (RON 35.27 mn), SIF Oltenia (RON 22.67 mn), SNGN Romgaz (RON 13.40 mn), Transelectrica (RON 4.67 mn), Conpet (RON 2.20 mn);
- Direct acquisitions amounting to RON 15.97 mn in three companies  
Significant acquisitions: Central Cluj (RON 11.59 mn), SAI Muntenia Invest (RON 4.17 mn)
- Participation at share capital increases at four companies, amounting to RON 2.43 mn, of which in cash RON 1.77 mn and RON 0.67 mn by contribution with land; Significant amounts: Petrocart SA (RON 0.85 mn), Hidrotim (RON 0.86 mn)
- Shares received at no cost, as a result of share capital increases by incorporation of reserves performed by two companies in SIF Banat-Crişana portfolio, totalling RON 20.02 mn, of which Banca Transilvania RON 15.95 mn and IAMU Blaj RON 6.07 mn.
- Fund units is closed-end investment funds amounting to RON 53.19 mn in two investment funds: FII Active Plus (RON 41.40 mn) and FII Omnitrend (RON 11.99 mn);
- Other short term investment in securities amounting to RON 21.69 mn, of which acquisitions of derivatives (SIF4 Pnote certificates and minilong SIF4) amounting to RON 21.69 mn. Details on derivatives are presented in Note 16 of the Financial statements for 2014.

## Sales and outflows of financial assets:

- Sales of listed shares on the domestic and foreign markets amounting to RON 241.17 mn, recording a profit of RON 171.52 mn;  
Significant transactions: BRD - Groupe Société Générale (RON 112.76 mn), Erste Bank (RON 81.97 mn), Fondul Proprietatea (RON 13.92 mn), Biofarm (RON 8.04 mn), Teraplast (RON 6.55 mn), OMV Petrom (RON 4.1 mn), Zentiva (RON 3.33 mn), Transgaz (RON 2.52 mn) Ductil (RON 2.02 mn)
- Direct sales of shares held at closed (unlisted) companies generating an income amounting to RON 0.28 mn, with a profit of RON 0.19 mn;
- The value of securities erased from the portfolio as a result of the liquidation of the companies amounting to RON 0.34 mn;
- Value of outflowed titles as a result of contribution to share capital, amounting to RON 0.67 mn;
- Value of other short term holdings, with a sale value of RON 2.20 mn and a loss of RON 2.47 mn, representing mainly sale of SIF4 minilong with a sale value of RON 2.19 mn and a loss of RON 2.47 mn;
- Value of fund units with an income of RON 0.38 mn and a profit of RON 0.025 mn.

## Risk management

Given the kind of the business activity, the Company is exposed to various risks, including: market risk, credit risk, liquidity risk, cash flow risk, operational risk, taxation risk, and economic environment risk. Company's management is aware of the risks with significant impact over the Company and seeks to minimize the potential adverse consequences associated to the risk factors over the business and financial performance of the Company.

**a) Market risk** includes currency risk, interest rate risk, price risk, investment risk.

### Currency risk

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

In 2014 the Company carried out transactions both in Romanian currency (RON) and foreign currency. The Romanian currency fluctuated during 2014 compared to foreign currencies, EUR and USD, at the end of the year recording a slight appreciation.

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

The Company did not perform any transactions with derivative instruments during 2013 and 2014 to cover the currency risk.

### Interest rate risk

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

Interest rate risk consists of the risk of fluctuation in value of a particular financial instrument due to changes of interest rates and of the risk of differences between the maturity of interest-bearing financial assets and interest-bearing debt used to finance the respective assets.

The period for which the interest rate is set for 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 significantly differ 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 2014 the market capitalization of listed issuers with high liquidity dwindled as compared to 2013. Since the Company holds in portfolio a large amount of listed shares, it was adversely affected by price risk in 2014.

#### Investment risk

- The risk of exposure on a single issuer - total exposure on issuers with significant weight in SIF Banat-Crişana portfolio is within the limits allowed by FSA/CNVM regulation.
- The risk arisen by the exposure on securities and money market instruments not admitted to trading - as at Dec. 31, 2014, the total exposure on these types of instruments is of 18.11% of total assets calculated according to FSA regulations, below the maximum limit of 20%.
- The risk arisen by the exposure to counterparty risk in a transaction with derivatives traded outside regulated markets. The weight of derivatives held as at Dec. 31, 2014 (Minilong certificates and PNote) in total assets is of 1.046%, well below the maximum limit of 20% of SIF Banat-Crişana assets.
- The global exposure to derivatives is of 1.05% of net asset and is within the limits permitted by the FSA/CNVM regulations. In terms of risks associated with derivatives:
  - there is a probability to record a partial loss of the amount invested as a result of the evolution of the quotation in an opposite direction than preferred. A relative protection against loss is the permanent monitoring of the underlying asset, financial and technical economic analysis, followed by appropriate disinvestment decisions, if necessary. Against the total loss of the invested amounts there is the protection by setting a "Stop Loss" level;
  - the sale of the investment instruments may be difficult if market liquidity of the products/ underlying is poor.

#### b) Credit risk

Credit risk is the risk that one of the parties to a financial instrument fails in fulfilling an obligation, causing the counterparty to record a financial loss.

Financial assets which potentially subject the Company to potential 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.

#### c) Liquidity risk

Liquidity risk is associated to difficulties encountered by the Company in attaining the necessary funds to fulfil due obligations.

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 analysed based on the remaining period to the contractual maturity in Note 5 "Statement of receivables and payables" to the Financial Statements for 2014.

#### d) 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 changes of the interest rate.

#### **e) 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 and the generally accepted standards for investment management. Operational risks arise from all the business lines of the Company.

The Company's objective is to manage the 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.

#### **f) Tax risk**

Starting January 1, 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 the 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 and the Company have different views.

Furthermore, 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.

#### **g) Operating environment risk**

The process of risk repricing based on the risks 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 by the Romanian financial market particularly in the form of: significant increase of non-performing loans volume in the local banking system, making more difficult the access to funding both for population and companies, banks aiming more towards financing the state authorities through purchases of government bonds rather than financing the economic and consumption growth, the national currency depreciation, the drop of prices in the real estate, 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 2014 has adopted the necessary measures for the sustainability and the development of the Company in current conditions of the financial market, by monitoring cash flows and adjusting the investment policies.

The avoidance of risks and the 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 has adopted risk management policies through which an active management is performed, specific procedures being applied for the identification, assessment, measurement

and control of risks, in order to provide reasonable assurance regarding the objectives of the Company, a constant balance between risk and expected profit being sought.

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

## Human resources

### Labour relations

The number of SIF Banat-Crişana's employees, as at December 31, 2014 was of 48, of which 38 in the headquarters in Arad and 8 in branches in Bucharest and Cluj-Napoca.

The structure of the education among employees is as follows: 77% of employees have higher education, 23% secondary education. In terms of staff with higher education: a person is PhD in economics; seven hold a Master's Degree in areas of interest for the Company's business (business administration, auditing, marketing, finance and project management, IT applied to Economics); nine have graduated from a second faculty (mainly Economics and Law).

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

The employment relationships are regulated by the Individual Labour Contracts and by the Collective Labour Contract. During 2014, the Collective Employment Contract for the employees of the Company was renegotiated and was registered with the Arad Labour Inspectorate under no. 609 / 27.08.2014. The validity of the contract is for two years.

There were no conflicting aspects throughout 2014 in the relations between management and employees. SIF Banat-Crişana provides a positive working environment and offers equal opportunities to all of its employees.

### Human resources development

Development and training of personnel were a priority in 2014 for the Company's strategy, aiming at, through training programs or study, acquiring skills and expertise of employees in all key operational areas. During the year, 81% of staff with higher education participated in various specialized trainings delivered by various methods: lectures, seminars, e-learning websites. The training programs covered a broad area: valuation of companies and real estate, the implementation of IFRS, insolvency and bankruptcy, information technology, certain training according to regulatory requirements, commercial law. The expenses incurred for professional development in 2014 was of RON 54.7 k.

During 2014, there were harmonized, integrated and developed several computer applications for personnel monitoring started in the previous years, in order to achieve a useful and easy to use tool for the human resource management.

## Litigations

As at December 31, 2014, as documented in the Legal Department records, the Company was involved in 165 litigations in Court.

The Company had an active procedural activity in 125 litigations and passive procedural activity in 38 litigations, while in the other two 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.

The management will continue make all the efforts to protect the interests of Company's shareholders in all such litigations, in accordance with the law.

## Perspectives for 2015

SIF Banat-Crișana's management will have as a strategic priority the investment process focused on increasing the return of the assets managed, ensuring a prudent diversification of the portfolio and an increased level of income generated for the Company.

The company will continue the optimization of the resource allocation and the portfolio management to higher efficiency parameters, in order to attain higher returns of capital.

Investment projects are considered in sectors with growth potential and the identification of companies with development potential on medium term that provide a lower risk / return ratio.

In an effort to increase value for shareholders, the Company's management is considering the implementation of several corporate actions, allowing SIF Banat-Crișana's net asset value to be better reflected in the market price of SIF1 shares. In this respect, the management believes that a program of share buyback would be beneficial for shareholders of the Company, and can lead to lowering the discount SIF1 shares are traded at. Due to recent legislative changes allowing the reduction of the quorum for the extraordinary general meetings of shareholders for the SIFs and the measures already taken by the Company to amend the By-Laws in this regard, we believe the way is paved for the start of a process of share buyback by the Company that could be approved by the shareholders.

Not least, we shall aim at enhancing communication with shareholders and diversifying the communication channels with the investors and analysts, to increase the visibility of SIF Banat-Crișana and providing the most relevant information on Company's activity.

## 2. SIF BANAT-CRIȘANA SHARES

### CHARACTERISTICS OF SHARES ISSUED BY SIF BANAT-CRIȘANA

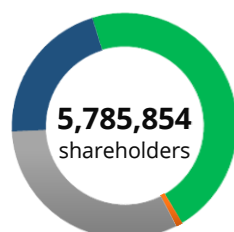
Total number of issued shares (Dec. 31, 2014)	<b>548,849,268</b>
Nominal value	<b>RON 0.1000 / share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of the Bucharest Stock Exchange (BSE/BVB), since November 1, 1999</b>
Free float	<b>100%</b>
BSE symbol	<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 December 31, 2014, SIF Banat-Crișana had 5,785,854 shareholders, according to the data reported by Depozitarul Central SA Bucharest, the company that keeps the registry of shareholders for SIF Banat-Crișana.

### SHAREHOLDERS' STRUCTURE

by shareholding as at December 31, 2014



■ 46.32%	Romanian individuals (5,783,646 shareholders)	■ 0.93%	non-resident individuals (1,921 shareholders)
■ 31.80%	Romanian legal entities (248 shareholders)	■ 20.95%	non-resident legal entities (39 shareholders)

### DIVIDEND DISTRIBUTION

History of dividend distributions from the net profit of the Company in the financial years 2010 - 2013 is shown in the following table:

Financial year for which the distribution was made	2010	2011	2012	2013
Net profit (RON mn)	63	63.01	100.51	80.14
Total number of shares	548,849,268	548,849,268	548,849,268	548,849,268
Gross dividends payable* (RON mn)	56.48	54.88	-	-
Net dividends payable (RON mn)	48.84	47.83	-	-
Gross dividend per share (RON)	0.103	0.1	-	-
Dividend payout ratio	89.7%	87.1%	-	-
Payment stage at 31.12.2014	82.4%	76.1%	-	-

\* as approved by the General Meeting of Shareholders

For 2012 and 2013 financial years, the general meeting of SIF Banat-Crișana shareholders held on April 24, 2013, and respectively April 15, 2014 decided the capitalization of the entire net profit for the respective year, without any dividend distribution and allocation of the net profit to other reserves for own financing sources.

## SIF1 SHARES ON BSE

	2012	2013	2014
Price (RON, closing quotation)			
low	0.800	0.991	<b>1.005</b>
high	1.260	1.390	<b>1.405</b>
year end	1.213	1.292	<b>1.303</b>
Net profit per share (RON)	0.1831	0.1460	<b>0.2445</b>
PER	6.62	8.85	<b>5.33</b>
NAV per share (RON)	2.4061	2.9094	<b>2.9228</b>
Dividend (RON/share)	-	-	0.1*
Market capitalization ** (RON mn)	665.75	709.11	<b>715.15</b>

\* as proposed by the Board of Directors \*\* calculated on the closing price on the last trading session of the year

BSE indices including SIF1:

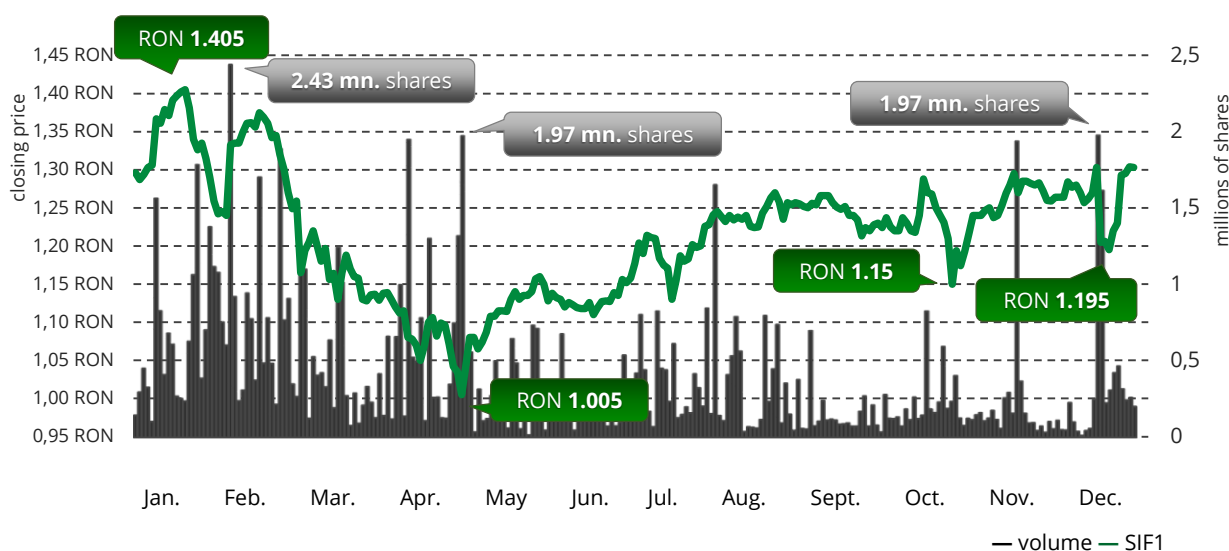
**BET-FI** is the first sectorial index of the BSE and reflects the overall trend of prices of financial investment funds (SIFs and Fondul Proprietatea) traded on the BSE regulated market. The weighting of the companies in the index is performed on the basis of the free-float capitalization. The BET-FI methodology allows the use of the index as underlying for derivatives and structured products. The variation of BET-FI in 2014: -3.22%. Weight of SIF1 in BET-FI: 13.09% (Dec. 31, 2014)

**BET-BK K** 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 2014: +3.7%. Weight of SIF1 in BET-BK: 4.70% (Dec. 31, 2014).

**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 2014: +6.33%. Weight of SIF1 in BET-XT: 2.57% (Dec. 31, 2014).

Changes in share price and trading volumes SIF1 in 2014 are shown in the following chart:

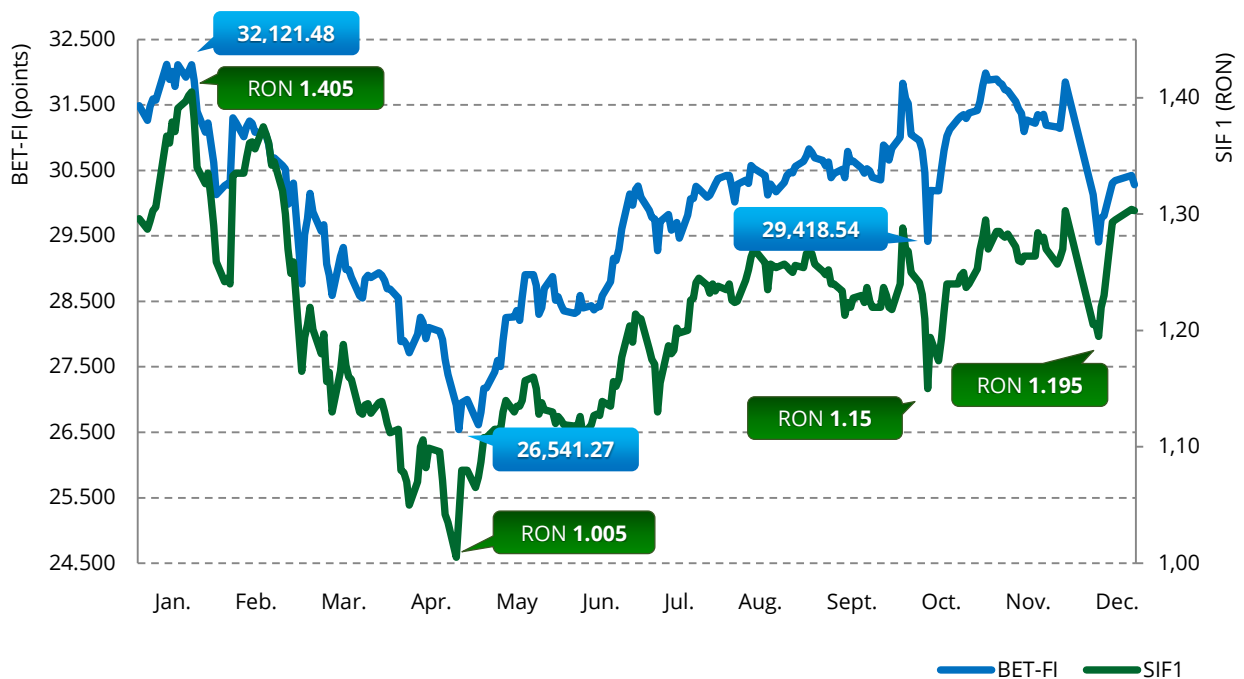
SIF1 SHARE PRICE AND VOLUMES TRADED IN 2014



During 2014, SIF1 shares were traded on BSE in 242 trading sessions, in 114 of which the price rose, and in 113 the price lowered.

- SIF1 share price rose by 0.54%, from RON 1.2960 (closing price in January 3, 2014, first trading session of the year), to RON 1.3030 (closing price in December 30, last trading session in 2014);
- highest price of RON 1.4050 was recorded during the trading session from January 22; the lowest being on trading session from April 28, when SIF share price shrank to RON 1.0050. The spread between the highest and the lowest price for the period was of 40%;
- the highest daily volume, of 2,434,000 shares, traded on February 6, in the context of the price increase during the period;
- the liquidity of the SIF1 title during 2014 was quite low, with a total of 117,392,567 shares traded, representing 17.51% of total shares issued, less than the total shares traded during the previous year;
- on "DEAL" market 15 transaction were concluded, totalling 45,784,380 shares, amounting to RON 56.7 mn;
- market capitalization for SIF1 was RON 715.15 mn on December 30, 2014 (calculated using the closing price).

#### SIF1 vs. BET-FI INDEX IN 2014



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

### 3. CORPORATE GOVERNANCE

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SIF Banat-Crișana's corporate governance represents a set of principles underlying the governance framework through which the Company is managed and controlled. Good corporate governance is essential for effective decision making, leading to long-term sustainability of the business, accomplishment of the company goals and creating sustainable value for all stakeholders (shareholders, management, employees, and partners).

Starting with 2011 SIF Banat-Crișana has adopted the Corporate Governance Code (CGC) issued by Bucharest Stock Exchange. The provisions of SIF Banat-Crișana's Corporate Governance Regulation, adopted in February 2011, supplement the Romanian laws and FSA regulations, applicable to the issuers listed on BSE.

The level of implementation by SIF Banat-Crișana of the principles and recommendations stated in the CGC are reported in the "Comply or Explain" statement, which will be communicated to BSE along with the Annual report for 2014 approved by the OGM, and published on the Company's website [www.sif1.ro](http://www.sif1.ro).

#### Administration and Management of the Company

Pursuant to its By-Laws, SIF Banat-Crișana is administrated on a unitary system, able to ensure an efficient operation of the Company, in accordance with the objectives of good corporate governance and the protection of the shareholder's interests.

#### The Board of Directors

The Board of Directors (i.e. administrators) is comprised of seven members, elected by the ordinary general meeting of shareholders, by secret ballot, based on a transparent procedure and with the majority of votes. The members are elected for a mandate of four years, with the possibility of being re-elected.

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

#### **Duties and responsibilities of the Board**

The main duties of the Board of Directors, including those that cannot be delegated to senior executives, are determined by law, By-Laws and Internal Regulations.

The Board of Directors has decisional powers regarding the administration of the Company in between the general shareholders meetings. The Board convenes and organizes the general meeting of shareholders and implements its resolutions.

The Board of Directors sets the main targets for the Company's business and development, the general investment policy, and supervises the activity the Company and of the executive management, approving limits of competence decisions on Company's operations.

The Board of Directors appoints and removes directors appointed pursuant to Law no. 31/1990 and the executive management according to FSA regulations and sets their remuneration.

The Board of Directors establishes the accounting policies and those of the financial control system and approves the financial plan.

The Board of Directors approves the policies, methodologies and procedures for identifying the significant risks and the risk management and makes sure that the activity of the executive management follows the approved strategy.

The Board of Directors approves the contract with the depository of assets, with the central depositor, and the financial auditor. The Board of Directors approves the strategic plan and annual internal audit plans and the plan of investigations for the Internal Control.

The Board of Directors approves the methods for evaluating the performance and for the evaluation of assets and makes sure the company has the technical systems allowing to safely keep the information and to efficiently run the operations.

The Board of Directors approves the Company's Internal Regulations, the general organizational structure and staff remuneration policy.

Board of Directors delegates some of its powers to the General Director (CEO), within the limits set by law, Articles of Incorporation and decisions of the Board.

The Board elects from its members a chairman and a vice-chairman. Pursuant to By-Laws provisions, the chairman also holds the General Director (CEO) executive position. The chairman, 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 the Company.

#### **Changes in the composition of the Board of Directors in 2014**

The company was administered between January 1, 2014 - April 15, 2014 by a Board of Directors comprised of seven members, of which: six administrators were elected by the OGM April 23/24, 2013 (endorsed with FSA Endorsement no. A /8/27.06.2013) and a provisional administrator appointed by the Board of Directors in July 26, 2013 and endorsed by the FSA with Endorsement A / 22 / 06.11.2013.

As of January 2014, the composition of the Board of Directors was the following:

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

The Ordinary General Meeting of Shareholders of April 15, 2014 elected Mr. Najib El Lakis as administrator of SIF Banat-Crişana. The Company submitted to FSA – Financial Instruments and Investments Sector Instruments the authorization request for Mr. Najib El Lakis as an administrator in accordance with the regulations in force.

By Decision no. 991/08.08.2014, FSA rejected the request for the endorsement of the change in the composition of the Board of Directors of SIF Banat-Crişana following the election of Mr. Najib El Lakis as administrator. Subsequently, FSA, by Decision No. 1379/26.09.2014, admits the prior complaint of Mr. Najib El Lakis submitted by SIF Banat-Crişana against the Decision no. 991/08.08.2014. As a result, the composition of the Board of Directors in the period September 26, 2014 - December 4, 2014 was as follows: Dragoş George Bîlteanu - Chairman, Stefan Dumitru – Vice-Chairman, Valentin Chiser – Member, Ali Lakis - Member, Ion Stancu – Member, Adrian Petreanu – Member, Najib El Lakis - elected member of the Board by the OGM of 15.04.2014, but without voting right, failing the FSA endorsement.

On December 5, 2014, Mr. Ali Lakis submitted his resignation as administrator of SIF Banat-Crişana.



On December 9, 2014, Mr. Adrian Petreanu filed his resignation as administrator of SIF Banat-Crișana.

On December 11, 2014, the Board acknowledged the FSA Decision no. 1980/10.12.2014, cessating the applicability for FSA Endorsement no. A/8/27.06.2013, regarding Mr. Dragoș-George Bîlteanu's capacity as administrator of the company and the FSA Decision no. 1981/10.12.2014 rejecting SIF Banat-Crișana's request for the approval of the change in the Board of Directors' composition, following the election of Mr. Najib El Lakis as administrator of the company by the OGM of April 15, 2014. Further information regarding these decisions are presented in Chapter 4 – Other significant information.

Following these events, on December 31, 2014, the Board of Directors was comprised as follows: Ștefan Dumitru – Vice-Chairman, Valentin Chiser - member, Ion Stancu - member.

BOARD OF DIRECTORS as at December 31, 2014		
	Position	Other information
Ștefan DUMITRU (1980)	Vice-Chairman of the Board, non-executive director	<p><b>Studies</b> National Institute for Training Lawyers (2004 – 2005) Law Faculty, University Bucharest (1999 – 2003)</p> <p><b>Experience</b> Societatea Civilă de Avocați „Stănescu, Miloș, Dumitru &amp; Asociații” - partner (2006 - present) Societatea Civilă de Avocați „Călin Andrei Zamfirescu” - lawyer (2004 - 2006) RVA Insolvency Specialists SPRL – partner (2011 – present);</p>
Toma-Valentin CHISER (1972)	Member of the Board, non-executive director, member of the Audit Committee	<p><b>Studies</b> Executive Master of Business Administration - ASEBUSS - Kennesaw Atlanta University Program (2003 - 2005); Faculty of Finance, Banking and Accounting - Academy of Economic Studies, Bucharest (1991-1996)</p> <p><b>Experience</b> Grup Bog'Art – Bog'Art SRL, Chief Financial Officer (since Feb. 2014 - present) Romenergo group - Romenergo SA , CEO (Nov 2012 – 1 Oct 2013) ; CFO (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&amp;D Pharma - A&amp;D Holdings - Group Management, Financial Director / Head of Controlling. Operational Board member of A &amp; D Pharma Romania (Mar. 2007 - Sept. 2008); A&amp;D Pharma - A&amp;D Holdings - Group Management, Financial Director Mediplus (distribution). Mediplus Board Member (Dec 2005 – Mar 2007); Group AQUILA - Aquila&amp;Seca Distribution, Chief Financial Officer. Board member Aquila (May 2004 – Dec 2005); SEF Trans - Balkan Fund - Subsidiary in Romania 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);</p> <p><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 Jul. 2007.</p>
Ion STANCU (1950)	Member of the Board, non-executive director, member of the Audit Committee	<p><b>Studies</b> PhD in Economics, Academy of Economic Studies, Bucharest (1976 – 1980); Economist, Academy of Economic Studies, Bucharest (1969 – 1973).</p> <p><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)</p> <p><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)</p>

## The activity of the Board of Directors in 2014

During 2014, the Board of Directors of SIF Banat-Crişana was convened 19 times.

The convocation for the meetings of the Board of Directors was performed at least five days in advance of the date of the meeting. The presence of Board members at the meetings in 2014 was in accordance with the legal requirements.

The Chairman of the Board of Directors presided 17 meetings, and the Vice-Chairman presided two meetings, pursuant to the statutory provisions.

As a result of the meetings, a number of 102 management decisions were agreed concerning the activity of the Company, by the vote "for" by the majority of those present, pursuant to legal and statutory provisions.

Agenda of the Board of Directors' meetings included: decisions related to specific objectives to be attained (54 decisions were issued); mandatory periodic reports annual / half-yearly / quarterly sent to FSA/Ministry of Finance and policies and procedures (48 decisions were issued); activity reports from Company's Departments (2 decisions were issued); ratification of several decisions of the Investment Committee and decisions of the General - Director (13 decisions were issued). The Decisions of the Board of Directors issued in 2014 have been fulfilled entirely.

For 2014, the OGM of April 15, 2014 approved the individual monthly remuneration for the Board members and the general limits of all additional remunerations of directors and the general limits of directors' remuneration.

## The Audit Committee

The Board of Directors established therein an audit committee having a consultative role, comprised of two non-executive members of the Board, pursuant to legal requirements. As at December 31, 2014, the members of the Audit Committee were Mr. Ion Stancu and Mr. Valentin Chiser. The Audit Committee members have the appropriate experience for specific duties required in this capacity.

The Audit Committee assists the Board of Directors in fulfilling the responsibilities related to financial reporting, internal control and risk management and supports the Board of Directors in monitoring the reliability and integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting standards it applies.

During 2014, the Audit Committee reunited six times. These reunions were dedicated to: monitoring the process of financial reporting, namely the annual financial statements prepared pursuant to FSA Regulation no. 4/2011, those prepared in accordance with International Financial Reporting Standards (IFRS) and the consolidated annual financial statements; monitoring the half-yearly financial statements and the quarterly report prepared pursuant to FSA regulation; and annual consolidated financial statements; monitoring the effectiveness of internal control and internal audit of the Company.

## Executive directors

The executive management and the coordination of daily activities of SIF Banat-Crişana is performed by three Executive Directors, appointed by the Board of Directors pursuant to the Government Emergency Ordinance (GEO) no. 32/2012 and of the CNVM Regulation no. 15/2004, and respectively FSA Regulation no. 9/2014 (in force since June 2014).

The Executive Directors have to meet the general requirements provided by Law no. 31/1990 to perform this function, amended by those established by Law no. 297/2004, GEO no. 32/2012 and

CNVM Regulation no. 15/2004 / FSA regulation no. 9/2014, and endorsement from FSA being compulsory for holding this position.

The Board of Directors has delegated part of its powers to the General Director, pursuant to Law no. 31/1990, within the limits set by the law and the Company's By-Laws.

The-General- Director holds his office under a "Contract for delegation of powers" granted by the Board, is vested with all powers to act on behalf of the Company and to represent it in dealings with third parties. The other two directors / managers are employees of the Company and have limited powers of representation.

The responsibilities and duties for the members of the executive management are set by the Board and are detailed in the Internal Regulations and in the "Powers of decision and signature" document approved by the Board.

### Changes in the composition of executive management during 2014

During January 1, 2014 – March 19, 2014, the Executive Directors of SIF Banat-Crişana were: Mr. Dragoş-George BÎLTEANU – Chairman of the Board/President and General Director/CEO, Mrs. Gabriela GRIGORE – Deputy General Director Operations, and Mrs. Carmen DUMITRESCU – Deputy General Director Development, endorsed by FSA by Endorsement no. 43/29.11.2014.

The Board of Directors convened in the meeting March 19, 2014, took note of Mrs. Carmen DUMITRESCU's resignation of from the position of Deputy General Manager Development and as employee of SIF Banat-Crişana. The employment of Mrs. Carmen Dumitrescu at SIF Banat-Crişana ceased at that date.

On April 3, 2014, the Board decided to appoint Mrs. Teodora SFERDIAN for the position of Deputy General Director Development, with executive management status. By Endorsement A/28/05.22.2014, FSA - Financial Instruments and Investments Sector approved the change in the the composition of the executive management of the Company, having the following composition: Mr. Dragoş George BÎLTEANU - Chairman of the Board/President and General Director/CEO, Mrs. Gabriela Grigore - Deputy General Director Operations and Mrs. Teodora SFERDIAN, Deputy General Director Development.

In December 2014, by Decision no. 1980/10.12.2014, FSA decided the cessation of applicability for FSA Endorsement no. A/8/27.06.2013, regarding Mr. Dragoş-George Bîlteanu's capacity as administrator of the company, and as a result, also for the capacity of General Director/CEO.

EXECUTIVE DIRECTORS OF SIF BANAT-CRIŞANA as at December 31, 2014	
Position	Other information
Gabriela GRIGORE Deputy General Director - Operations	<b>Studies</b> Economic Sciences University, Timișoara University (1975 – 1979)
	<b>Experience</b> SIF Banat-Crişana, Arad (1992 – present) Deputy General Director – Operations (2004 – present); Finance Director (1995 – 2004); Head of Finance Department (1992 – 1995) Vrancart S.A., Adjud – member of the Board (2000 – present) Astra Vagoane S.A., Arad (1979 – 1992) Head of Finance Department (1985-1992); Chief Accountant – Technical Assistance and Service Division (1982 – 1985); Trainee Economist (1979-1982)
	<b>Specializations</b> Investments on international financial markets (Millenium); Competitive Management / Financial Management (CODECS); Financial institutions and portfolio management (Booz Allen & Hamilton); Capital markets / analysis and portfolio management / company analysis (Bank Akademie & CDG Germany); Communication and conflict resolution / understanding and organization development / strategic planning (GTZ Eschborn); diagnostic analysis of companies / evaluation of companies / methods for evaluating intangible assets (ANEVAR); English and Business English (Torquay International School); training concerning privatization (Treuhandanstalt - German Institute for privatization).
	<b>Responsibilities</b> Coordinates the activities of the Portfolio, Transactions and Valuation – Net Asset Compartments

EXECUTIVE DIRECTORS OF SIF BANAT-CRIȘANA as at December 31, 2014	
Position	Other information
Teodora SFERDIAN	<p><b>Studies</b>  Faculty of Economics - Aurel Vlaicu University Arad (2000 – 2004)  Faculty of Electronics and Telecommunications – Polytechnic Institute of Timișoara, (1975 – 1980)</p> <p><b>Experience</b>  SIF Banat-Crișana, Arad (1994 – present)  Deputy General Director – Development (2014 – present); Communication &amp; Logistics Manager, Director of development Direction (2004 – 2013); Head of Development Office (2001 – 2004); Counsellor – Transactions Dept. (1999 – 2001); Head of Office Sale by private treaty – Portfolio Management Dept. (1996 – 1999), Head of post-privatization Office – within Private Ownership Fund (PPP) I Banat-Crișana (1994 – 1997)</p> <p>Member of the Board of Directors at COMALIM SA Arad (2010 – present); Arta Culinară SA Cluj-Napoca (2006 – present); Saturn SA Alba Iulia SA (2001 – present)  Rolling Stock Company Arad – electrical engineer (1981 – 1994)</p> <p><b>Specializations</b>  Capital markets / analysis and portfolio management (Bank Akademie &amp; CDG Germany); General management (Austrian Chamber of Commerce &amp; WIFI Vienna); Investment consultant; Implementing IFRS (KPMG); Business Valuation (ANEVAR); Risk Management; Corporate governance standards; Development and HR performance management.</p> <p><b>Responsibilities</b>  Coordinates the activities of Economic Dept., and the compartments IT and Communication &amp; Logistics</p>

The participation of executive directors in the share capital of SIF Banat-Crișana

Name	Position	SIF1 shares held as at December 31, 2014	
		Number of shares	% of share capital
Ion STANCU	Non-executive administrator	24,425	0.0045%
Teodora SFERDIAN	Deputy General Director - Development	13,005	0.002%

Litigation involving persons from the Company's management in the last 5 years

As per the records of the Company, in the last 5 years there following litigations involving people from Company's management, concerning their activities in the Company:

- Case file no. 9023/2/2010 of Bucharest Court of Appeal on the annulment of Ordinance no. 337 / 27.07.2010 issued by CNVM ordering the sanctioning by warning of Mr. Ioan Cuzman as Chairman of the SIF Banat-Crișana Board of Directors - the action was dismissed as groundless by High Court of Cassation and Justice (HCCJ);
- Case file no. 9119/2/2011 of Bucharest Court of Appeal for the annulment of the decision from CNVM meeting on 03.08.2011, by which the Board members were warned on the violation of the provisions of Law no. 297/2004 regarding groundless suspension of voting rights for the OGM from 28.04.2011 - the action was dismissed as inadmissible by HCCJ;
- Case file no. 8400/2/2013 of Bucharest Court of Appeal on annulling FSA Decision A/457/ 7.10.2013 ordering the fine of Mr. Dragoș George Bîlteanu in his capacity as Chairman of SIF Banat-Crișana's Board – the action has been admitted in the first instance.

## Respecting shareholders' rights

SIF Banat-Crişana ensures an equitable treatment for all shareholders, including minority and foreign shareholders, pursuant to legal provisions and those of Company's By-Laws.

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

The Board approves procedures for the orderly and efficient organization of GSM works, pursuant to the incident laws and FSA regulations. The information and materials concerning the General Meeting are made available at Company's headquarters and posted on its website for the shareholders: the convening notice for the GSM, informative materials and the documents to be discussed and approved by the meeting, the participation and voting procedures, proxy forms and correspondence voting forms, the resolutions approved by GSM, and the results of votes for each item on the agenda.

In 2014, the Board convened the Ordinary General Meeting of Shareholders (OGM), met on the second call on April 15, 2014. OGM approved: the financial statements of the year 2013; capitalization of the entire net profit without dividend distribution; discharge of the directors for the financial year 2013; income and expenditure budget and the plan of activity for 2014; remuneration of board members and the general limits for the remuneration of directors and managers of all additional remunerations; election by secret ballot of an administrator (member of the Board) on the vacant seat in the Board, the date of registration pursuant to Art. 238 para. 1 of Law no. 297/2004.

For the general meeting of shareholders, the suspension of voting rights for the holdings above the legal and statutory threshold of 5% of the share capital was made in accordance with the legal provisions.

**Right to information** SIF Banat-Crişana respects the right of shareholders to be informed, 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 market was subject to current reports or announcements, 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 announcements destined to the market participants is made after the information is published by the market operator, BSE on its website [www.bvb.ro](http://www.bvb.ro)

In order to inform the shareholders and investors, the Company sets a financial reporting calendar that is communicated to BSE and FSA, and also published on the Company's website, [www.sif1.ro](http://www.sif1.ro).

The organizational structure providing the relationship with shareholders, potential investors, analysts, mass-media and the interested public is the *Communication and Investor Relations Compartment*. Contact details: 35A Calea Victoriei, Arad 310158, Romania, tel | fax: +40257 304 446, email: [comunicare@sif1.ro](mailto:comunicare@sif1.ro).

**Right to dividend** All existing shareholders as at the registration date are entitled to the dividends approved by the Ordinary General Meeting of Shareholders. The payment is made pursuant to the legal requirements and the resolutions of the general meeting of shareholders. The OGM of April 15, 2014 approved the capitalization of the entire profit of 2013, without dividend distribution.

## Transparency in communication

SIF Banat-Crișana pays a great importance to transparency in communication, convinced that the confidence of the public is essential for the proper 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 means for communicating with the shareholders. The section dedicated to investor relations hosts information of interest for the shareholders and all the announcements and reports of the Company are made available in Romanian as well as in English.

### **Financial reporting**

The financial statements for 2014 were prepared pursuant to 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).

On June 30, 2014, the Company issued Separate Financial Statements as at December 31, 2013 - prepared pursuant to International Financial Reporting Standards (IFRS) adopted by the European Union and the provisions of CNVM Instruction no. 6/2011 on the implementation of International Financial Reporting Standards by the entities authorized, regulated and supervised by CNVM, as amended by Measure no. 14 / 21.06.2012.

On August 27, 2014, the Company issued Consolidated Financial Statements for the financial year 2013 - prepared pursuant to the provisions of CNVM Order no. 12/2011 for the approval of Regulation no. 3/2011 regarding the Accounting Regulations Compliant with Directive VII of the European Economic Communities applicable to the entities authorized, regulated and supervised by CNVM/FSA and CNVM Decision no. 1176/15.09.2010 regarding the obligation for the financial investment companies, entities registered with CNVM/FSA in UCITS category with a diversified investment policy, to prepare and submit to CNVM/FSA consolidated annual financial statements pursuant to IFRS adopted by the European Union, within 8 months from the end of the financial year - accompanied by the Report of the Board of Directors.

The financial statements prepared pursuant to CNVM President Order no. 13/2011 and the separate financial statements prepared pursuant to IFRS were audited by KPMG Audit SRL, the independent financial auditor of the Company.

## Internal control and risk management

SIF Banat-Crișana acknowledges its exposure to risks arising from daily operations as well as from achieving its strategic objectives. The company has a proactive approach regarding risks, by identifying and containing them before the generating events take place. However, the Company's management is concerned with providing the specific technical, operational and financial solutions in order to minimize and prevent potential losses.

SIF Banat-Crișana's management structure, through the Board of Directors, approves and periodically reviews both the risk strategy, and the management policy for significant risks.

Company's Board of Directors oversees the execution of risk management practices and their implementation in the Company alerting on significant risks and the management responses. The Board of Directors has assigned the task of monitoring the effectiveness of internal control systems, internal audit, internal audit, and risk management to the Audit Committee of SIF Banat-Crișana.

SIF Banat-Crișana's Internal Control and Risk Management Compartment reports directly to the Board of Directors, being responsible for verifying the effectiveness of risk control system, the classification of financial assets on classes / categories held within regulated prudential limits, endorsement of NAV and NAV/share calculation, identifying the significant risks the Company is exposed to and their analysis as to provide recommendations, advice and proposals for mitigation / keeping under control the risks identified. The responsibility for risk management lies with staff in all business lines and should not be limited to the position of risk management.

Risk management incorporates a dedicated system and representative at Company level, consisting of sound integrated regulations and procedures.

Documented work procedures implemented in the organization pursue the activation of preventive and corrective actions for risk management. The procedures are readily available for the personnel, as they are published on the company Intranet to be inspected by the responsible persons.

At the end of 2014 there were 52 operational documented procedures pursuing the observance of legal provisions, the generating of information flows and effective operations, and to strengthen the internal control.

SIF Banat-Crișana achieved in 2012 the certification for Information Security and Management (SMSI), 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. The audit for the oversight of SMSI is conducted yearly. In March 2014 the oversight of SMSI audit was conducted by ROS SYSTEMA Romania.

### **Internal Control**

Pursuant to Regulation no. 15/2004, the Board of Directors created under its authority a Compartment for Internal Control, with the role of supervising 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 Compartment 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 work of Internal Control Compartment was carried out pursuant to the plan of investigation and control for 2014, approved the Board of Directors of SIF Banat-Crișana in the meeting held on January 31, 2014, to the FSA Regulations no. 15/2004 and no. 9/2014, the internal procedures and regulations.

Lines of action considered were: monitoring compliance with regulations of the capital market and/or internal procedures, providing the Company and personnel with the information concerning legal regime of the capital market, endorsement of documents by SIF Banat-Crișana to FSA in order to obtain the authorizations provided by FSA regulations, the endorsement of reports submitted to capital market entities and FSA, endorsement of the announcements and advertisements issued by the Company, other activities related to Company's and its staff compliance with the legislation in force for the capital market and the internal regulations.

As part of internal control activity during 2014, 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 to FSA of the rate of 0.1% of net asset value, 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 signalled.

Based on the control results, proposals and recommendations for the improvement of activities and procedures were made.

### **Internal Audit**

Company activities are subject to periodic internal audit, in order to provide an independent assessment on the operations performed, the control and the management of its processes, weighs the possible exposure to risk of various business segments (security of assets, compliance with regulations and contracts, integrity of operational and financial information, etc.), make recommendations for improving the systems, controls and procedures to ensure the efficiency and effectiveness of the operations and aims the proposed corrective actions and their results.

The Internal audit activity is performed under the following methods: 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 the legal norms - *compliance audit*.

The internal audit activity is carried out based on the audit plan prepared pursuant to the Company's objectives. The audit plan and the necessary resources are approved by the Audit Committee and by the Board of Directors, pursuing the inclusion of all activities and operations carried out by the Company.

The internal audit activity is an independent and objective activity that offers the Company a guarantee of a certain control over the 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 its period.

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.

The main activities and operations of the Company subject to internal audit in 2014 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;
- the management of human resources, compliance with the Collective Labour Agreement, internal regulations and approved procedures;
- compliance with law and working procedures for calculating and reporting of SIF Banat-Crişana's net asset value;
- organization of the meetings of the Board of Directors and monitoring the degree of fulfilment of the resolutions issued by the latter;
- monitoring of collecting dividends from portfolio companies.
- compliance by the branches with the internal regulations, work procedures and any dispositions issued by the management of the Company.

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.



Internal Audit appreciates that the activities and operations performed by SIF Banat-Crişana in 2014 which were subject to the audit, are compliant with the policies, programs of the Company and with the legal and internal regulations.

Until August 2014, a Compartment of Internal Audit functioned within SIF Banat-Crişana. Since September 2014, the internal audit activity was outsourced to the company New Audit SRL from Arad.

## Conflict of interest and transactions with related parties

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

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

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

Pursuant to the provisions of Law no. 297/2004 and CNVM Regulation no. 1/2006, insiders and people with access to inside information about SIF Banat-Crişana have to notify FSA and the Company of any transaction with SIF Banat-Crişana shares. Notifications are published on the BSE website. SIF Banat-Crişana disseminated these notifications throughout 2014 on its website, as well.

## Corporate information regime

The members of the Board, directors and employees of SIF Banat-Crişana are required to maintain the confidentiality of the 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 of the documents and the disclosure to third parties of documents and information concerning SIF Banat-Crişana, 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

As the companies are no longer judged only by their economic performance, but also by their contribution to the communities they operate in, SIF Banat-Crişana understands to be an involved and responsible player, attentive and responsive to the need of the community and to the sustainable development of the society. SIF Banat-Crişana chooses to carry out activities, projects and campaigns for social responsibility that are consistent both with the company's strategy and community needs, aiming to promote and strengthen its brand values. The role of social actor for SIF Banat-Crişana is to promote professionalism, excellence, innovation, responsibility, teamwork, diversity, and commitment.

During 2014, SIF Banat-Crişana sponsored of several projects in education (International Finance and Banking Conference – FI BA 2014), culture (*ProMusica* anniversary concert in Timișoara), the project "Cultural Interference – Books in libraries" prepared by *Eudoxiu Hurmuzachi* Institute) capital market (projects and events held by Brokers Association, Organization of Capital Market Professionals, Businessmen Association of Romania, Bursa newspaper etc.) and other cultural, educational or in the social welfare fields.

## 4. ACCOUNTING AND FINANCIAL POSITION

The financial statements for 2014 have been prepared in accordance with the Accounting Regulations compliant with Directive IV of EEC applicable to entities authorized, regulated and supervised by FSA (former CNVM), approved by Order of the President of CNVM no. 13/2011 and with applicability conjunctively 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 2014.

### BALANCE SHEET

<i>(all amounts are expressed in RON)</i>	2011	2012	2013	2014
Securities and other non-current financial instruments	590,765,130	809,243,201	992,652,771	979,016,242
Receivables	584,861	748,040	4,350,750	19,571,404
Short term financial investments	136,234,798	143,374,756	105,901,521	216,047,038
Other assets	6,344,874	5,698,632	7,319,133	5,390,158
<b>TOTAL ASSETS</b>	<b>733,929,663</b>	<b>959,064,629</b>	<b>1,110,224,175</b>	<b>1,220,024,842</b>
Current liabilities	37,863,920	33,058,982	34,153,880	15,795,247
Provisions	53,467,411	51,337,769	47,667,668	49,951,951
Other liabilities	0	44,160	0	176,752
Equity	642,598,332	874,623,718	1,028,402,627	1,154,100,892
<b>TOTAL LIABILITIES</b>	<b>733,929,663</b>	<b>959,064,629</b>	<b>1,110,224,175</b>	<b>1,220,024,842</b>

Securities and other non-current financial instruments mainly include the value of securities held in companies from the portfolio, recorded in the accounts carried at historical cost adjusted with impairment losses identified and calculated at the end of the year, having the highest stake in total assets. At the end of 2014, the volume of securities has declined as compared to December 31, 2013 due to sales of shares in BRD and Erste.

Receivables show a significant increase as compared to December 31, 2013, as this position include the state bonds purchased with the term of 4 years, due in July, 2015 (RON 16.1 mn).

Short-term financial investments include the value of shares purchased for speculative purpose, bank deposits and other investment securities (SIF4 certificates and SIF4 minilong) with maturity less than one year. The significant increase in their volume as at December 31, 2014 compared to the previous year is the result of the purchase of shares in speculative purpose.

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

Company's current liabilities as at December 31, 2014 primarily include unclaimed dividends by the shareholders for the year 2011, trade payables, liabilities related to personnel, social security and tax. The decrease of liabilities as at December 31, 2014 compared to the previous year is the result of the transfer to reserves of the unclaimed dividends for 2010.

Provisions mainly include provisions for taxes, representing the income tax calculated for the reserves related to securities held as non-current assets, revaluation reserves and reserves for tax incentives. Their volume is slightly higher than the previous year due to the record deferred tax for the assets acquired free of charge.

Equity holds the largest weight in the liability structure. The increase in value and weight in total liabilities is the effect of the increase of reserves for the portfolio and maintaining in equity of a portion of the result of each financial year.

The increase in equity as at December 31, 2014 compared to 2013 is the result of maintaining in the equity of the result for the previous year and the result achieved in 2014.

## PROFIT AND LOSS ACCOUNT

<i>(all amounts are expressed in RON)</i>	2011	2012	2013	2014
Income from non-current financial assets	12,500,230	14,106,496	18,339,692	14,154,508
Income from disposal of financial assets	94,312,744	118,856,410	98,974,344	230,765,357
Income from reversal of provisions, reactivated receivables and sundry debtors	10,318,045	10,862,121	9,307,046	1,422,513
Interest income	6,337,124	9,104,342	6,489,121	6,506,501
Other income	18,284,026	6,203,413	8,984,272	2,651,277
<b>TOTAL INCOME</b>	<b>141,752,169</b>	<b>159,132,782</b>	<b>142,094,475</b>	<b>255,500,156</b>
Expenses with the disposal of financial assets	24,658,409	15,637,769	16,301,174	61,833,926
Fees and commissions expense	2,548,099	2,367,196	3,289,654	3,512,744
Expenses with amortization, provisions, losses from receivables	19,108,918	5,569,138	6,749,375	1,438,714
Other operating expenses	18,747,569	18,714,389	24,807,621	27,900,545
<b>TOTAL EXPENSES</b>	<b>65,062,995</b>	<b>42,288,492</b>	<b>51,147,824</b>	<b>94,685,929</b>
<b>GROSS PROFIT</b>	<b>76,689,174</b>	<b>116,844,290</b>	<b>90,946,651</b>	<b>160,814,227</b>
<b>INCOME TAX</b>	<b>13,682,655</b>	<b>16,330,246</b>	<b>10,802,701</b>	<b>26,641,363</b>
<b>NET PROFIT</b>	<b>63,006,519</b>	<b>100,514,044</b>	<b>80,143,950</b>	<b>134,172,864</b>

Total revenues show a different progression over the years, both in volume and structure. The increase by 79.8% of the total volume of revenues in 2014 as compared to 2013 is due to achieving a higher volume of income from the disposal of financial investments.

The evolution of revenues with significant weight is as follows:

Income from financial assets (dividends) recorded a decline in 2014, as a result of the decrease of the dividends amount distributed by the companies in SIF Banat-Crişana portfolio. In 2014, revenues from dividends (for financial year 2013) in the amount of RON 13,310,816 were recorded, cashed-in entirely by year end.

The income from disposal of financial investments (sales of shares and short term financial investments) had an uneven evolution. As at December 31, 2014 the volume of such revenue is well above the level of revenues recorded in the in previous years, due to the sale of shares held in Erste Bank and BRD.

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 2014, the level of these income is sizeably below the income recorded in 2013 (as for 2013 the revenues included reversals of provisions for incentives).

Interest income includes interest on bank deposits, corporate and government bonds. These revenues are directly influenced by the volume of the monetary investment (presented in the cash flow statement). For 2014, the amount of interest income is at the level of the previous year.

Other revenues diminished compared to the previous year, and mainly include income from foreign exchange differences, as in 2013 there was a greater variation in the exchange rate.

Evolution of total expenses is mainly linked to the cost of disposal of financial investments, the growth of total expenditures by 85.1% over the previous year has the same reason.

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

Expenses with the disposal of financial assets have a significant weight in the total expenses during the year, their level and their dynamics were influenced by the sales of securities and the historical cost for these instruments. For 2014 the volume of these expenses significantly exceeded those of the previous year, weighting 65.3% of the total expenses.

Expenses for depreciation, provisions and losses on receivables recorded a decrease in 2014 as compared to the previous year and mainly included adjustments for impairment related to companies into liquidation in 2014 and no recovery is not expected for them.

The category of other expenses from current activity mainly includes administrative expenses (supplies, energy, water, travel, telephones, etc.), personal expenses, depreciation expenses, advertising and publicity and other administrative expenses. The expenses incurred in 2014 exceed by 12.5% those during the previous year mainly as a result of the increase in spending on external services including adjustments for impairment related to investment securities (shares and certificates SIF4 PNote and Minilong).

#### CASH FLOW STATEMENT

<i>(all amounts are expressed in RON)</i>	2011	2012	2013	2014
Receipts from customers	16,419,074	370,203	160,386	318,091
Payments to suppliers and employees	-15,548,727	-16,746,482	-19,118,381	-13,615,469
Income tax paid	-645,015	-28,440,859	-3,696,935	-34,760,842
<b>CASH FLOW USED IN OPERATING ACTIVITIES</b>	<b>225,332</b>	<b>-44,817,138</b>	<b>-22,654,930</b>	<b>-48,058,220</b>
Receipts from sale of financial assets and other receipts from investing activities	97,008,431	117,658,539	165,773,332	316,490,252
Payments for acquisition of financial assets and other payments from investing activities	-47,264,422	-48,264,959	-269,521,373	-249,225,766
Dividends received	13,515,309	15,373,836	18,897,902	13,455,031
Interest received	6,638,604	8,122,265	6,049,301	6,759,017
Receipts from sale of tangible and intangible assets	487,304	0	541,133	-
Payments to acquire tangible and intangible assets	-320,045	-71,750	-18,751	-46,507
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>70,065,181</b>	<b>92,817,931</b>	<b>-78,278,456</b>	<b>87,432,027</b>
Dividends paid	-42,402,042	-44,093,205	-3,539,483	-204,211
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>	<b>-42,402,042</b>	<b>-44,093,205</b>	<b>-3,539,483</b>	<b>-204,211</b>
<b>INCREASE / (DECREASE) OF NET TREASURY AND CASH EQUIVALENTS</b>	<b>27,888,471</b>	<b>3,907,588</b>	<b>-104,472,869</b>	<b>39,169,596</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>92,334,854</b>	<b>120,223,325</b>	<b>124,130,913</b>	<b>19,658,044</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>120,223,325</b>	<b>124,130,913</b>	<b>19,658,044</b>	<b>58,827,640</b>

The significant increase in 2014, as compared with the previous year, of the net cash flow used in operating activities is mainly due to increasing of payments of income tax.

In 2014, 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 the previous year is due to a higher level of transactions with securities and proceeds from the liquidation of monetary investments (bank deposits) with a residual maturity greater than three months.

The volume of dividends paid in 2014 is lower as compared to 2013 is due to the fact that were not dividends distributed from 2013 profits, the dividend payments referring only to previous years.

As at December 31, 2014 *Cash and cash equivalents* increased significantly as compared to the beginning of the year due to investments targeting monetary investments with residual maturity of less than three months.

## EXECUTION OF INCOME AND EXPENSES BUDGET FOR 2014, summary statement

<i>(all amounts are expressed in RON, unless otherwise stated)</i>	<b>realization 2013</b>	<b>forecast 2014</b>	<b>realization 2014</b>	Percentage of realization as compared to	
				2013	forecast 2014
<b>I TOTAL INCOME</b>	<b>142,094,475</b>	<b>129,720,000</b>	<b>255,500,156</b>	<b>179.8%</b>	<b>197.0%</b>
<b>II TOTAL EXPENSES</b>	<b>51,147,824</b>	<b>36,641,200</b>	<b>94,685,929</b>	<b>185.1%</b>	<b>258.4%</b>
<b>III GROSS RESULT</b>	<b>90,946,651</b>	<b>93,078,800</b>	<b>160,814,227</b>	<b>176.8%</b>	<b>172.8%</b>
IV INCOME TAX	10,802,701	12,861,000	26,641,363	246.6%	207.1%
<b>V RESULT FOR THE YEAR</b>	<b>80,143,950</b>	<b>80,217,800</b>	<b>134,172,864</b>	<b>167.4%</b>	<b>167.3%</b>

**Total income** revenues is 97% above the forecast for 2014 and 79.8% higher than the realization for 2013.

**Total expenses** incurred in 2014 are 158.4% over the forecast for 2014, and exceeding by 85.1% the achievements for the previous year as a result of a higher volume of expenses on disposed shares, their growth is linked to the volume of income.

**Gross profit** amounts to RON 160,814,227, beating by 72.8% the forecast for 2014, as a result of achieving a higher volume of revenues, offsetting the increase of expenses.

**Income tax result** is above the forecast for 2014 and the realization in 2013 due to the significant growth of the gross income.

**Net result for the year** amounted to **RON 134,172,864**, beating by 67.3% the forecast for 2014 and by 67.4% the previous year's achievements.

## 5. OTHER SIGNIFICANT INFORMATION

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### Relocation of Bucharest branch

SIF Banat-Crișana's Board of Directors, pursuant to the provisions of Law no. 31/1990 and Company's By-Laws, approved the relocation of Company's Bucharest branch, from the former address in Bucharest, sector 4, No. 16 Splaiul Unirii, 1st floor, rooms no. 101, 102, 114A and 109, to the new address in Bucharest, Sector 1, no. 175 Calea Floreasca, 7th floor, room A1;

By Endorsement no. 192/28.10.2014, FSA endorsed the amendment of Company's By-Laws, following the move of Bucharest branch office to the new address.

This information was subject of current reports issued by the Company on September 26, and October 29, 2014.

### Extraordinary measures imposed by the FSA on the Company's business

On 8 December 2014, the Directorate for Investigating Organized Crime and Terrorism - Central Structure issued a statement declaring that there is an ongoing investigation into alleged criminal acts purportedly committed by persons from the Company's Board.

On December 8, 2014, prosecutors from the Directorate for Investigating Organized Crime and Terrorism - Central Structure together with judicial police officers from the General Directorate for Combating Organized Crime conducted a search at the Company headquarters in Arad and Bucharest branch. Following the search, the investigators retained several documents from the Company. This event was the subject of the current report issued by the Company and transmitted to BSE and FSA on December 8, 2014.

On December 10, 2014 FSA issued three decisions:

1. Decision no. 1980/10.12.2014 ordering the termination of applicability for the Endorsement A/8/27.06.2013 regarding Mr. Dragoș-George Bîlteanu's quality as administrator of the company SIF Banat-Crișana. In the same decision, FSA also refers to the imposition of preventive arrest for a period of 30 days, for Mr. Dragoș-George Bîlteanu following the judgment of the Court of Appeal pronounced in case file no. 7336/2/2014 (4231/2014).

2. Decision 1981/10.12.2014 rejecting the request for the approval submitted by SIF Banat-Crișana for the change in the Board of Directors' composition following the election of Mr. Najib El Lakis as administrator of the company, pursuant to Resolution no. 1 / 15.04.2014 of the Ordinary General Meeting of SIF Banat-Crișana's Shareholders. In the same decision, FSA also refers to the imposition of preventive arrest for a period of 30 days, for Mr. El Lakis Najib following the judgment of the Court of Appeal pronounced in case file no. 7336/2/2014 (4231/2014).

3. Decision 1982/10.12.2014 ordering SIF Banat-Crișana's Board of Directors to convene a general meeting of shareholders - no later than 30 days from the date of this Decision's entering into force - with the inclusion on the agenda of an item concerning the appointment of new administrators thus completing the Board of Directors in the number provided by Company's By-Laws.

Through the current report issued on December 11, 2014, SIF Banat-Crișana informed the shareholders about the aforementioned individual acts issued by FSA.

Through the current report issued on December 12, 2014, SIF Banat-Crișana informed the shareholders on the decisions of the Board of Directors in order to ensure the normal operation of the Company's business. Thus, pursuant to Art. 7 par. (16) of the Company's By-Laws, in the

absence of the Chairman, the Vice-Chairman of the Board of Directors, Mr. Ștefan Dumitru, represents the Company in relations with third parties. Therewith, the Board has established explicit limits of competence for signing, on operations, for the deputy general directors.

The Company has complied with the obligations imposed by FSA. The Board convened for March 2/3, 2015 the Ordinary General Meeting of Shareholders, having on the agenda the election of administrators on the vacant seats in the Board of Directors of the Company.

To the date of this report, the Company has not received any other official communication from other judicial bodies than those presented hereinbefore.

Following the hereinbefore presented events, KPMG Audit SRL, the Company's independent auditor, performs further audit procedures both related to the financial statements for 2014, and concerning the compliance with the internal procedures of the Company for the period 2013-2014.

## Applications in the process of revising the capital market legislation

In 2014, SIF Banat-Crisana was actively involved in the process initiated by public authorities entrusted with regulating the capital market and amending tax legislation to harmonize the provisions of national legislation with the European one. The company has formulated opinions and proposals for amendments to the draft submitted to public debates, which were communicated to the initiators - Financial Supervisory Authority or the Ministry of Finance.

Our contributions have mainly focused on: the drafts of laws for the approval of GEO no. 32/2012 and the amending of Law no. 297/2004, the draft law on alternative fund managers, the draft regulation for approval of IFRS accounting rules - applicable to entities authorized, regulated and supervised by FSA Financial Instruments and Investments, the draft regulation for FSA income, the draft FSA regulation on Rasdaq market, the draft Instruction on the adequacy of IT systems used by regulated entities authorized and supervised by FSA, submitting proposals for amending and supplementing the Fiscal Code.



## 6. SUBSEQUENT EVENTS TO THE DATE OF THE BALANCE SHEET

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The convening and process of OGM on March 2/3 2015 to complete the Board

SIF Banat-Crișana's Board of Directors, pursuant art. 117 in Law no. 31/1990 and FSA Decision no. 1982/10.12.2014, convened the ordinary general meeting of shareholders (OGM) for the election of the administrators on the vacant seats in the Board, for March 2 (3), 2015, at the company headquarters located in Arad, 35A Calea Victoriei.

Held on March 3, 2015, on the second call, with the direct participation, by representative or by correspondence of the shareholders holding 140,807,184 shares, representing 25.65% of the share capital, SIF Banat-Crișana's OGM elected a single administrator, namely Mr. Bogdan-Alexandru Drăgoi, for a term of office valid until the expiry of their term in office of the current administrators (24.04.2017), with 77.09% votes for, 14.24% votes against and 8.67% abstain from the total of 120,114,594 votes expressed. Following the secret vote cast by shareholders in the OGM, the other candidates did not gather the majority of the votes cast, requisite set by the legal provisions in force and Company's By-Laws.

SIF Banat-Crișana commenced the necessary steps to obtain from FSA the authorization for the administrator elected by OGM, pursuant to Art. 23 and art. 24 of FSA Regulation no. 9/2014.

Amendment of Company's By-Laws pursuant to the provisions of Law no. 10/2015

SIF Banat-Crișana's Board of Directors, pursuant to art. 286<sup>3</sup> of Law no. 297/2004 - as amended by Law no. 10/2015, has approved, in the meeting held on February 20, 2015, the amendment of Company's By-Laws with regard to the quorum requirements for the extraordinary general meetings of shareholders.

Art. 6 para. (18) of Company's By-Laws should read as follows:

*"To validate the proceedings of the extraordinary general meeting it is required at the first convening the presence of the shareholders holding at least a quarter of the total number of voting rights, and at the subsequent convenings, the presence of shareholders representing at least one fifth of the total voting rights. The resolutions are passed with a majority of the votes held by shareholders who are present or represented. The decision to change the main activity of the company, to reduce or increase the share capital, to change the legal form, the merger, division or dissolution of the company shall be taken by a majority of at least two thirds of the voting rights held by shareholders who are present or represented."*

The By-Laws' amendment shall be registered with the Trade Register, pursuant to the decision of the Board of Directors, after obtaining the authorization from FSA (conforming to art. 286<sup>3</sup> of Law no. 297/2004).

Deferral in applying the IFRS accounting reporting

According to FSA Instruction no. 2/06.08.2014 on the application of International Financial Reporting Standards (IFRS) by entities authorized, regulated and supervised by FSA - Financial Instruments and Investments Sector (FIIS), starting from January 1, 2015, the regulated entities authorized and supervised by ASF-FIIS were to keep the accounts in accordance with IFRS adopted under the procedure laid down in Art. 6 para. (2) of (EC) Regulation no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting

standards. According to the Instructions, the provisions of Instruction no. 6/2011, as amended, were to be applicable for fiscal year 2014. FSA Board, by a decision adopted on February 6, 2015, approved the deferral of obligation to implement IFRS for January 1, 2016.

## 7. THE BOARD OF DIRECTORS' PROPOSAL FOR PROFIT APPROPRIATION

The Board of Directors of SIF Banat-Crişana proposes and recommends to the Ordinary General Meeting of Shareholders the appropriation of net profit for 2014 fiscal year in the amount of **RON 134,172,864**, as follows:

Destination	Amount (RON)
<b>1. Other reserves, for own financing sources</b> , to be further used pursuant to the decision of the ordinary general meeting of shareholders	<b>79,287,937</b>
<b>2. Dividends</b> , representing a gross dividend of RON 0.10 per share	<b>54,884,927</b>

Dividends are due to the shareholders who will own shares as at the registration date approved by the Ordinary General Meeting of Shareholders convened for April 28/29, 2015.

### This report is accompanied by the following annexes:

- Annex 1** Financial statements as at December 31, 2014
- Annex 2** Net asset statement as at December 31, 2014 (acc. to annex 16 of Regulation no. 15/2004)
- Annex 3** Detailed statement of investments as at December 31, 2014 (acc. to annex 17 of Regulation no. 15/2004)
- Annex 4** List of companies in which SIF Banat-Crişana holds direct control as at December 31, 2014
- Annex 5** List of public reports and communications prepared by SIF Banat-Crişana in 2014

The version prepared in Romanian of the Annual Report of the Board of Directors was approved by the Board of Directors of SIF Banat-Crişana in the meeting held on March 12, 2015, and amended on March 27, 2015.

**Ştefan DUMITRU**

Vice-Chairman of the Board of Directors