



SIF BANAT-CRIȘANA
SOCIETATE DE INVESTIȚII FINANCIARE

CONSOLIDATED REPORT OF THE BOARD OF DIRECTORS

— FOR THE YEAR ENDED DECEMBER 31, 2017 —

PREPARED PURSUANT TO LAW NO. 24/2017 AND ASF NORM NO. 39/2015

FREE TRANSLATION from Romanian which is the official and binding version

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ANNEX 1 The consolidated financial statements for the year ended December 31, 2017, prepared pursuant to Norm no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) – Financial Instruments and Investments Sector – audited	

INTRODUCTION

This report presents the annual consolidated financial results of SIF Banat-Crişana, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and ASF Norm no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF from the Financial Instruments and Investments Sector.

The Company's consolidated financial statements prepared for the year ended on December 31, 2017 include the Company, its subsidiaries and affiliated entities (hereinafter referred to as "Group").

Pursuant to the requirements of ASF Norm no. 39/2015, the Board of Directors of SIF Banat-Crişana as parent company of the Group is required to prepare a consolidated report of administrators presenting the development and the performance of the activities and the position of the entities included in the consolidation. SIF Banat-Crişana also drew up a report of the Board of Directors for the parent entity, which accompanies the Separate Financial Statements as at December 31, 2017, subject for the approval of the Ordinary General Meeting of Shareholders convened for April 26 (27), 2018.

The company examined the cases of excepting SIF Banat-Crişana from drawing up consolidated financial statements, given the provisions of IFRS 10 "*Consolidated Financial Statements*" (in force starting 01.01.2014) on investment entities, obligations of a parent company and the definition of investment entities.

Paragraph 27 of IFRS 10 provides that "*A parent (company) shall determine whether it is an investment entity. An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing this (those) investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.*"

Considering that the Company does not measure and assess the performance of almost all its investments on a fair value basis, SIF Banat-Crişana considered that currently does not qualify to be considered investment entity, and thus cannot apply the exception provided by IFRS 10.

Since the adoption of Directive 2013/34 EC on the annual financial statements, the consolidated financial statements and related reports of certain types of undertakings, the groups are defined as "a parent company and all its subsidiaries". What determines whether an entity is a subsidiary of a parent is the notion of "control". Recital in pt. 31 of the Directive details the specific circumstances in which control is deemed to have been exercised.

Although the relationship between an investment fund in general (and a financial investment company in particular) and its portfolio companies is fundamentally different from the one existing in a group of companies (undertakings) or a conglomerate, these structures fall under the definition of "Group" as currently defined by EU legislation.

Investment funds select companies to invest in, holding a minority or majority stake in these companies, and from a legal point of view, they can be group companies (undertakings). However, in practice: (i) these portfolio companies will operate independently of one another and the parent (i.e. the fund itself); (ii) the financing structures of the portfolio companies will generally be independent of each other.

From the perspective of a fund manager or an investment fund, its business purpose will be to invest funds only to benefit from the appreciation of the invested capital or investment income, or both. This is very different from seeking to derive benefits from the operational activities of the portfolio companies it invested in.

1. GENERAL INFORMATION

1.1 GENERAL INFORMATION ON SIF BANAT-CRIȘANA

COMPANY NAME	Societatea de Investiții Financiare Banat-Crișana S.A. (hereinafter referred to as "SIF Banat-Crișana" or "the Company")
COMPANY TYPE	<ul style="list-style-type: none">▪ closed-end investment company with a diversified investment policy▪ set-up as a joint stock company in November 1996 pursuant to the provisions of Law 133/1996 for the conversion of the Private Property Funds (FPF) into Financial Investment Companies (SIF)▪ Romanian legal entity with private capital
SHARE CAPITAL	<ul style="list-style-type: none">▪ RON 52,000,000 – subscribed and paid-in capital▪ 520,000,000 issued shares▪ shares with a nominal value of RON 0.10
REGISTRATIONS	<ul style="list-style-type: none">▪ J02/1898/1992 at Trade Registry of the Arad Court▪ Unique Fiscal Registration Code RO 2761040▪ Number in ASF Registry PJR09SIIR/020002/2006▪ Legal Entity Identifier (LEI Code) 254900GAQ2XT8DPA7274
MAIN ACTIVITY	<p>Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funding (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499):</p> <ul style="list-style-type: none">▪ financial investments to maximize the value of own shares pursuant to the regulations in force;▪ management of the investment portfolio and exercising all rights associated to the investments;▪ other additional and related activities pursuant to the regulations in force.
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – Premium category - ticker SIF1
FINANCIAL AUDITOR	PricewaterhouseCoopers Audit SRL
DEPOSITARY	BRD - Groupe Société Générale
SHARES AND SHAREHOLDERS' REGISTRY	Depozitarul Central S.A. Bucharest
HEADQUARTERS	Arad , 35A Calea Victoriei, 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
BRANCH OFFICE	Bucharest 175 Calea Floreasca, 7th floor, room A1, sector 1, 014459, Bucharest, Romania

1.2 ENTITIES INCLUDED IN THE CONSOLIDATION

Subsidiaries

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

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

The list of SIF Banat-Crișana's holdings in subsidiaries is as follows:

No.	Company name	Percentage held (%)	
		31.12.2016	31.12.2017
1	SIF Imobiliare PLC Nicosia*	99.99	99.99
2	SAI Muntenia Invest SA Bucharest	99.96	99.98
3	Napomar SA Cluj-Napoca	99.43	99.43
4	SIF Hoteluri SA Oradea	98.99	98.99
5	Azuga Turism SA Bucharest	98.94	98.94
6	Silvana SA Cehu Silvaniei	96.28	96.28
7	Iamu SA Blaj	76.69	76.69
8	Central SA Cluj	63.51	63.51
9	Vrancart SA Adjud	74.72	75.06
10	Somplast SA Bistrița	70.75	70.75
11	Ario SA Bistrița	93.64	93.64

* SIF Imobiliare PLC has 22 branches, presented under Cap. 6 - Other information - Branches of subsidiaries

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

Associated entities

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

The companies in which SIF Banat-Crișana holds between 20-50%, on which exerts a significant influence, and which fall within the scope of consolidation are presented in the following table:

No.	Company name	Percentage held (%)	
		31.12.2016	31.12.2017
1	Gaz Vest SA Arad	25.82	25.82
2	Biofarm SA Bucharest	23.22	23.22

The company has representatives in the Board of Directors of both entities and takes part in the development of their policies. In accordance with IFRS (IAS 28, paragraph 6), SIF Banat-Crișana exercises a significant influence on these two entities. The consolidated financial statements comprise the two companies in the scope of consolidation by equity method from the date on which the Group began to exercise significant influence.

Transactions eliminated on consolidation

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

The accounting policies disclosed in *Note 4 of the consolidated financial statements for 2017* have been consistently applied by all entities within the Group in the periods presented in these consolidated financial statements.

2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP

2.1 INFORMATION OF THE ACTIVITY OF SIF BANAT-CRIȘANA

KEY FINANCIAL AND OPERATIONAL INFORMATION

FINANCIAL POSITION [RON mn]				
	2014	2015	2016	2017
Total assets, of which	1,638.61	1,941.52	2,110.19	2,488.15
Total financial assets	1,537.76	1,763.12	2,071.89	2,462.83
Equity	1,540.04	1,788.81	1,954.25	2,291.24
Total liabilities	98.56	152.72	155.94	196.91

FINANCIAL PERFORMANCE (IFRS) [RON mn]				
	2014	2015	2016	2017
Revenues	22.60	51.28	107.16	84.93
Gains from investments	140.52	52.85	2.26	3.31
Expenses	14.61	15.78	25.12	15.75
Gross profit	148.51	88.34	84.30	72.49
Net profit	139.00	75.32	81.36	69.55

FINANCIAL INDICATORS [%]				
	2014	2015	2016	2017
ROE (net profit / equity)	9.03	4.21	4.16	3.04
ROA (net profit / total assets)	8.48	3.88	3.86	2.80
Gross profit margin (gross profit / total revenues)	61.6	63.5	36.91	35.55

PERFORMANCE OF SHARES AND NET ASSET				
	2014	2015	2016	2017
Share price (end of period, RON)	1.303	1.688	1.848	2,770
NAV*/S (RON)	2.9228	3.3541	3.7075	5.0098
PER	5.14	12.30	11.5	20.71
Dividend / share (RON)	0.1	-	-	**
Accounting net asset / share (RON) RAS	2.8059	3.2592	3.7727	4.4062
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	520,000,000
Outstanding shares	548,849,268	548,849,268	518,000,000	517,460,724

OPERATIONAL DATA				
	2014	2015	2016	2017
Number of permanent employees, year end	48	41	38	37
Branch offices	2	1	1	1

SHAREHOLDING STRUCTURE as at December 31, 2017		
	number of shareholders	stake
Romanian individuals	5,758,694	40.29%
Non-resident individuals	1,987	0.36%
Romanian legal entities	166	36.61%
SIF Banat-Crișana (treasury stock) ***	1	0.49%
Non-resident legal entities	32	22.26%
TOTAL	5,760,880	100%

* non-portfolio items calculated based on accounting records pursuant to RAS for 2013-2015; and under IFRS for 2016-2017

** as per GMS decision

*** own shares repurchased in the buy-back programs from August 2016 and September 2017

MILESTONES OF SIF BANAT-CRIȘANA'S ACTIVITY DURING 2017

Portfolio management

SIF Banat-Crișana has as investment objective the management of a diversified portfolio of high-quality assets, able to provide a constant flow of revenues, the preservation and the medium-long term growth of capital, to increase the value for shareholders.

The strategic vision is the development of the Company through and effective administration and the increase of the value of the assets under managements, by improving resource allocation and attaining higher yields for the invested capital.

The asset allocation strategy aims to maximize portfolio's performance under the prudential conditions imposed by the regulations governing the operation of the Company. The prudential limits applicable to investments made by the Company are 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.

The net asset value (NAV) of SIF Banat-Crișana recorded a positive progress in 2017, **34.98%** above the value recorded 2016-year end, reaching **RON 2,592.4 mn** as at December 30, 2017 (2015: RON 1,920.5 mn).

The net asset value per share (NAV/S) was of RON 5.0098 as at 2017 year-end, as compared to RON 3.7075, the value recorded on December 31, 2016. The difference in terms of variation (%) between NAV and NAV/S is due to the change in the number of outstanding shares following the public tender for repurchase of own shares from September 2017. The own shares purchased under the buyback program (treasury stock) are excluded from the number of shares used in the calculation of NAV/S.

As at December 31, 2017, the value of SIF Banat-Crișana's stock portfolio reached **RON 2,228 mn** (calculated pursuant to ASF Reg. no. 9/2014 and ASF Reg. no. 10/2015), having the dominant weight, of 85.27% of the total assets under management.

As at December 31, 2017, SIF Banat-Crișana was majority stakeholder (with a stake above 50%) in 11 companies, (2016:11) with an aggregate value of RON 784.95 mn, standing for 30.27% of NAV.

The companies in which SIF Banat-Crișana holds majority stakes and control are classified as subsidiaries according to International Financial Reporting Standards.

During 2017, SIF Banat-Crișana's management focused on streamlining administration of the majority holdings in order to ensure high financial returns, a competitive management and structuring of development programs.

The companies in which SIF Banat-Crișana holds majority stakes are are subject to careful analysis and monitoring from company's analysts, the managerial involvement from SIF Banat-Crișana focusing on:

- providing support in preparing and optimizing budgets;
- negotiating competitive performance criteria with the management teams; 4 management contracts have been concluded between the companies and the boards of directors, as well as mandate contracts in the companies where applicable, setting objectives and performance criteria for the development of the respective companies' activities;
- monthly assessment and analyse of results and supporting the implementation of some measures to increase efficiency of the activity;
- the performances of company managers and boards of directors in relation to budgetary provisions and contractual commitments were monitored throughout the year.

- introducing good corporate governance practices, modern management techniques, and promotion of highly managerial teams;
- regular visits to companies and analyses, together with the management teams, of the results, prospects, opportunities and potential risks;
- changes have been made in the management teams in companies where performance has been unsatisfactory and below the expected performance and / or assumed by contract. Napomar SA was involved in this process.

Special attention is paid to all the companies in the portfolio by monitoring their business and involving, where possible, in shareholders or administrators' decisions.

In 2017, were pursued objectives of increasing the quality of the stock portfolio by focusing on companies with stable dividends and a high dividend yield, above the market average. At the same time, it was aimed at reducing the inert and lacking return portion of the portfolio, by selling some holdings, e.g. Caromet (ARMT), Alumil Rom Industry (ALU).

Budget indicators for 2017 were focused on the performance of the assets under management and their capacity to generate revenue translating into real profit. The commitment of SIF Banat-Crișana's leadership was to achieve sustainable results and avoiding company's decapitalization by selling assets as the primary means of making a profit. The proposed objectives were attained, as a consistent profit was achieved from the dividends collected from the portfolio companies, without resorting to the sale of valuable assets.

During the year, there have been taken advantaged of several sale opportunities, mainly divestments from holdings that fell outside the investment strategy.

Portfolio concentration risk is monitored through the evolution of shareholdings in companies in the financial sector by implementing measures leading to the advance of portfolio liquidity and lowering risk exposure on the banking sector.

Purchases and sales of financial assets in 2017

During 2017 the following acquisitions of financial assets were performed:

- on the domestic markets in a total amount of RON 8,443,273, out of which RON 30,000 investments in securities in subsidiaries and RON 8,413,273 purchases of securities available for sale;
- direct investments in the amount of RON 12,906,934 in the share capital increase in subsidiaries (Vrancart);
- shares acquired free of charge as a result of the share capital increase by the incorporation of reserves by Banca Transilvania (30.85 million shares);
- fund units: FII Active Plus (RON 60 million), FII Optim Invest (RON 35 million);
- govt. bonds denominated in RON, amounting to RON 39,109,055 (including the coupon accumulated at acquisition date and acquisition costs);
- corporate bonds denominated in RON (Vrancart), in the amount of RON 36,885,125 (including acquisition costs);
- corporate bonds denominated in euro (Impact), equivalent of RON 4,864,860 (using exchange rate valid at the acquisition date).

Disposals financial assets during 2017 include:

- sales of shares listed on the domestic markets totalling RON 8,702,107, with a profit of RON 2,249,771;
- value of the securities written-off the portfolio following the liquidation of companies amounting to RON 4,766,103 (provisions for the full amount was performed in the previous years);
- sales of govt. bonds in a total amount of RON 75,921,210, with a loss of RON 98,785 and a

- coupon collected on the date of transaction of amounting to RON 1,313,021;
- sale of building owned in Oradea (the former office of the branch) for RON 413,856, including VAT.

Objectives and lines of action for 2018

Rigorously analysing the factors and elements that generate effects on the investment activity and on the domains on which SIF Banat-Crişana has exposures, the following lines of action were defined for 2018:

- consolidating the “core” portfolio structure aimed at providing steady, constant and predictable returns to shareholders, while keeping a reasonable risk level;
- active involvement in majority-owned companies to improve their performance;
- restructure the existing portfolio with an aim to reduce exposure in minority-stake companies;
- increase visibility, transparency and improve corporate governance;
- promote SIF Banat-Crişana in capital market events (either individually or along with BVB, brokers) to increase transparency and attract new investors/shareholders.

Detailed information on SIF Banat-Crişana's activity during 2017 and the company's activity program and budget for 2018, submitted for the approval of the Ordinary General Meeting of Shareholders convened for April 26 (27), 2018, is available on the company's website, www.sif1.ro, in the *Investor Relations General Shareholders' Meetings* section.

2.2 INFORMATION ON THE CONSOLIDATED ENTITIES INCLUDED IN THE CONSOLIDATION

SIF IMOBILIARE PLC

Stake held by SIF Banat-Crișana as at 31.12.2017: 99.99%

SIF Imobiliare Plc is listed on BVB since December 23, 2013, its securities being traded on AeRo under the ticker SIFI (ISIN: CY0104062217). The independent auditor for SIF Imobiliare Plc is Evoserve Auditors Limited from Cyprus.

The holding SIF Imobiliare Plc, registered in Cyprus, was founded in August 2013 as an investment vehicle by incorporating 18 companies from SIF Banat-Crișana's portfolio with activities in the real estate sector, to ensure a unified management, increase the rates of return for the companies in the portfolio and to seize the opportunities arising in the market.

The holding SIF Imobiliare Plc has optimized its activity by restructuring the management and the activities of the companies held in the portfolio. Thus, it was implemented a resource planning system - ERP Atlantis at companies' level, the integration of all internal information at subsidiaries level into a single platform, aiming to ensure data transparency within the group and facilitate decision-making process in order to improve the efficiency and effectiveness of the business.

The analyses of the business opportunities were continued, aiming to improve the performance of SIFI's global portfolio, and rationalization and review of operational processes at affiliates level, in order to increase their efficiency, as well as achieving a quantum leap on performance measures such as return of investments, cost reduction and improving the quality of services.

In 2016 the company increased its capital by EUR 2.99 million, by cash contribution of the shareholders, for the development of activity with investments in the agricultural field.

During 2017, the restructuring of the portfolio continued, by finalizing the two merger projects, namely SIFI B One (acquiring company), merged with SIFI CS Retail, Urban SA and Agrorent SA as absorbed companies, and the merger of Cora SA (acquiring company) with Central SA (acquired company).

SAI MUNTENIA INVEST SA BUCHAREST

Stake held by SIF Banat-Crișana as at 31.12.2017: 99.98%

The Investment Management Company (SAI) Muntenia Invest SA was established in 1997, and is in SIF Banat-Crișana's portfolio since 2013. The company is the manager of SIF Muntenia SA and FDI Plus Invest.

The company's main activity consists in specific services on the management of undertakings for collective investment in transferable securities (UCITS) and the management of other collective investment undertakings (non-UCITS), holding the ASF authorization for operating as investment management company (SAI). The activity of SAI Muntenia Invest is regulated and supervised by the ASF.

NAPOMAR SA CLUJ-NAPOCA

Stake held by SIF Banat-Crișana as at 31.12.2017: 99.43%

The company was founded in 1973 under the name *Întreprinderea de Mașini Unelte* (Factory of Grinding Machines), and in 1991 was transformed into joint stock company Napomar SA. Since 1998, SIF Banat-Crișana is the majority shareholder.

Company's business is the manufacture of equipment and machinery - tools for metal processing and the main lines of activity are the production of machine tools and machine tool components, energy production equipment, production of marine rescue equipment.

During 2010 - 2013 the company was retrofitted to European standards through an extensive investment program (over RON 55 mn).

The most serious problem the Company is facing for several years now is the lack of qualified staff available on the labour market.

The management gap faced by the company at the end of 2016 has led to an excessive prudence of business partners materialized by a drastic reduction in orders in the first half of 2017, which has led to the under-use of technological equipment and implicitly to the achievement of results below expectations at 2017-year end.

SIF HOTELURI SA ORADEA

Stake held by SIF Banat-Crişana as at 31.12.2017: 98.99%

The company SIF Hoteluri resulted from the change of Calipso's company name in 2014.

SIF Hoteluri is listed on BVB, with the ticker CAOR.

With the completion of the merger in October 2015, it was intended the establishment of an integrated management system to improve the financial performance of the acquired units and creating more value for the shareholders. During 2017, unitary operational processes at all the workplaces were implemented, and a rigorous cost and operational profit control.

The most important asset of the Company's portfolio is still *DoubleTree by Hilton* hotel in Oradea offering tourist services at the highest level. In August 2016, the hotel was reclassified to 4 stars following the new commercial strategy and the higher potential in this market segment, and the projected results began to confirm starting with 2016 (revenues above RON 12 million and increase in occupancy to 57% (2015: 49%), and in 2017 revenues of RON 13 million and occupancy of 59.56%.

AZUGA TURISM SA BUCHAREST

Stake held by SIF Banat-Crişana as at 31.12.2017: 98.94%

The company Azuga Turism SA is part of SIF Banat-Crişana's portfolio of closed unlisted companies, operating in the field of tourism services.

The company has as assets a three-star hotel, an entertainment centre, a sports field, the facility of cableway transportation - gondolas, ski lifts, baby ski, a centre for renting sports equipment, public food services units, all assets located in the city Azuga, in the upper valley of Prahova touristic area.

The facility of cableway transportation with gondolas, the most valuable asset of the company, has a transport capacity of 1,200 persons per hour, on a length of 2 km, covering a difference in height of 600 m and serves the two ski slopes Sorica and Cazacu. The city of Azuga entered in the winter tourism circuit starting with this equipment entering into service.

The Hotel "Azuga Ski&Bike Resort", with an accommodation capacity of 60 beds, ranked as a three-star hotel, is located at the bottom of the ski slopes, offering guests accommodation, food and leisure. For the high-quality services offered to customers, the hotel was honoured by Booking.com with the award of excellence "Award Guest Review 2015".

Located in a mountainous tourist area, the company operates mainly in two seasons - winter and summer - which induces large periodic fluctuations cash inflows.

To counteract the less productive periods in terms of tourism, the company offers services for hosting events organized by private companies for training courses, team-buildings and other events.

At the same time, the company has a tradition of organizing in the spring - autumn periods several annual mountain biking competitions (on difficulty categories), providing full services to the participants (accommodation, food, transport at the place of departure, washing and repairing for bicycles, etc.).

The year 2017 was a good one for the company, with an increase of 56% in operational revenues.

The growth of revenues was due to a winter season of about two calendar months in 2017 and a summer season with a record number of tourists. For the first time since 2012, the company records profit and an annual average occupancy of 44%.

SILVANA SA CEHU SILVANIEI

Stake held by SIF Banat-Crișana as at 31.12.2017: 96.28%

The company was founded in 1977 under the name *Întreprinderea de tricotaje* (Knitwear factory) Cehu Silvaniei. In 1991, it transformed into a joint stock company under the name SILVANA SA, and since 1997 SIF Banat-Crișana is the majority shareholder.

Silvana SA is listed on BVB, ATS segment – AeRo standard (symbol SIXX).

The business of the company is the manufacture of knitted and crocheted clothing items.

Over 85% of the company's annual production is exported (to England), which caused difficulties in 2017, both by the depreciation of the British pound and the deterioration of the market because of Brexit.

IAMU SA BLAJ

Stake held by SIF Banat-Crișana as at 31.12.2017: 76.69%

The company IAMU SA Blaj was founded in 1972 as *Întreprinderea de Accesorii pentru Mașini-Unelte* (Factory of Accessories for Machine Tools) and in 1990 turned into SC IAMU SA. SIF Banat-Crișana became majority shareholder in 2001.

IAMU SA is listed on BVB, ATS segment - AeRo standard (symbol - IAMU).

The business of the company is the manufacture and supply of precision engineering products ranging from accessories, equipment and components parts for machine tools and components for linear technique and mini-technique.

During 2009-2015 the company was almost entirely modernized, reaching advanced technological standards today and aiming to become a European leader in the field of linear mini-technique. In 2017, the company began a new investment cycle aiming to expand the range of products in the field of hydraulic pump parts.

Starting 2008, the company has implemented a new tracking system production, IPS, based on lean management and the principle of 'just in time'. The company has a stable market, both domestic and foreign, developing a partnership of over 19 years with Bosch-Rexroth Mechatronics company. IAMU obtained "preferential supplier status" for companies in the Bosch concern.

VRANCART SA ADJUD

Stake held by SIF Banat-Crișana as at 31.12.2017: 75.06%

Vrancart SA (market symbol VNC) is listed on the Bucharest Stock Exchange since July 15, 2005, currently being traded in the Main segment, Standard category.

The main activity of Vrancart is the production and sale of papers for the production of corrugated cardboard in various assortments, corrugated cardboard, packages made of corrugated cardboard (boxes) of different sizes, embossed and printed, toiled and various hygienic-sanitary papers.

The large investments made in the recent years have led to a steady increase in turnover and the company's profitability.

Significant in company's activity during 2017 were:

- registration of the share capital increase carried out during 2016;
- the issue of the bonds worth RON 38.2 million during February-March;
- the acquisition, in July, of the second tranche of shares in Rompaper SRL Braşov, one of the most important converters in industry, the stake held reaching 85%;
- acquisition and integration of the cardboard machine from Vilcart Calimăneşti;
- ongoing investments in technological upgrades, especially in the paper machine and the corrugated cardboard machine.

SOMPLAST SA NĂSĂUD

Stake held by SIF Banat-Crişana as at 31.12.2017: 70.75%

The company was founded in 1978 under the name *Întreprinderea de Prelucrare Mase Plastice Năsăud* (Plastic Processing Factory) and in 1991 turned into joint stock company Somplast SA. In 2001 SIF Banat-Crişana became the majority shareholder following a share capital increase.

Somplast SA is listed on BVB ATS segment - Standard Aero (symbol-SOPL).

The main activity of the company is the processing of plastics polypropylene and polyethylene of low and high density (injected, blown, pipes, foils and flexible packaging).

With over 140 employees, Somplast SA produces plastic parts, its products can be divided into three broad categories: polythene foils and products made from foil, pipes for the transportation and distribution of water and gas, blown and injected products. Somplast SA is authorized recycler for polyethylene and polypropylene products.

CENTRAL SA CLUJ-NAPOCA

Stake held by SIF Banat-Crişana as at 31.12.2017: 63.51%

The company was founded in 1991, on the structure of the department store in Cluj-Napoca. SIF Banat-Crişana became the majority shareholder in July 2014.

The object of activity is retail trade in non-specialized stores. Since 2015, the largest share in company's turnover is the activity of rental of commercial spaces.

The company owns a single asset, Magazinul Central (Central Department Store), located in the central area of Cluj-Napoca. The store has a built area of 18,686 sqm, of which 1,126 sqm underground parking, and a useful floor area of 15,571 sqm.

Following the acquiring of the majority stake, SIF Banat-Crişana involved in restructuring and streamlining of the activity of the company, which led to good financial results in 2017 (net profit margin = 14%) with prospects for further improvement.

There was an operation of share capital increase with the amount of RON 582,800 during 2017, needed to finance investments for modernization and improvement of the comfort of the shopping center. Following the participation in the increase, SIF Banat-Crişana rose its stake from 63.51% to 67.08% (the registration of the increase occurred in February 2018)

GAZ VEST SA ARAD

Stake held by SIF Banat-Crişana as at 31.12.2017: 25.82%

The company was established in 2000 with entire private capital, with the following shareholders: Comera Arad with a stake of 62.22%, EIP NV Amsterdam NV with 36.37%, other shareholders 1.11%. SIF Banat-Crişana became shareholder in 2002 with an investment of RON 9,789,300 and subsequently participated in a capital increase with RON 717,500.

The main activity of the company is the distribution and supply of natural gas in areas from the West side of Romania, in the counties Arad, Timiș, Bihor, Satu Mare and Gorj, rural areas and small towns. With 81 employees, the company operates a network of over 1,000 km of pipelines, serving over 18,000 consumers. In addition to the main business, the company also provides other services and works related to gas distribution and supply (design, commissioning, verification).

BIOFARM SA BUCUREȘTI

Stake held by SIF Banat-Crişana as at 31.12.2017: 23.22%

Company founded in 1921, Biofarm is one of the first medicines and dietary supplements manufacturers in Romania, having a competitive portfolio, of over 200 products, covering 62 therapeutic areas.

Biofarm, ticker BIO, is listed on BVB since November 19, 1996, currently traded in Main segment, Premium category.

Biofarm has a continuous business development and a robust balance sheet in a highly competitive business environment. It has a stable position on the Romanian pharmaceutical market and remains among the top 10 producers and aims to improve its position on the international market. Biofarm is currently present in 13 countries.

PRESENTATION ON SEGMENT

The activity performed by the Group is segmented on the following main activities: financial, industry, commerce - restaurants - hospitality.

The financial activity includes the business of three companies in the group: SIF Banat-Crișana SA, SAI Muntenia and SIF Imobiliare Plc. (2016: 3).

The industry activity includes the business of 5 companies in the group: Vrancart SA, Napomar SA, IAMU SA, Somplast SA and Silvana SA (2016: 5), having as main activity the manufacture of machinery and machine tools for metal processing, manufacture of plates and profiles of plastic, paper and corrugated cardboard, and the manufacture of knitted garments.

The activity of agriculture includes one company (2016: 1)

The activity of commerce, restaurants and hospitality includes the business of three companies in the group: SIF Hoteluri SA, Azuga Turism SA and Central SA (2016: 3).

The main financial indicators, namely total assets, liabilities, equity, operating income, financing expense, profit before tax and net profit are presented in the reporting on segment in *Note 30 of consolidated financial statements*, annexed.

Transactions between business segments are conducted under normal market conditions, and assets and liabilities on segment include both items directly attributable to those segments and items that can be allocated using a reasonable basis.

3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 31.12.2016

3.1 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(extract from the accompanying consolidated financial statements)

	2017	2016
Operating revenue	631,140,323	544,540,691
Operational expenses	(535,380,966)	(439,381,441)
Gain / Loss on investment property	14,746,764	(24,348,453)
Gain / Loss on financial assets	2,983,552	(4,639,710)
Other gains / (losses), net	(1,166,846)	(4,630,871)
Operating profit	112,322,827	71,540,216
Finance income	5,284,378	7,535,079
Finance costs	(12,126,546)	(12,601,291)
Financial result – net	(6,842,168)	(5,066,212)
Share of loss / profit of associates	10,252,117	9,404,288
Profit before tax	115,732,776	75,878,292
Income tax expenses	(4,140,711)	(13,167,369)
Profit for the year	111,592,065	62,710,923
Profit for the financial year - from continuing operations	111,592,065	63,674,457
Loss for the financial year - from discontinued operations	0	(963,534)
Profit for the financial year	111,592,065	62,710,923
Profit is attributed to:		
Parent company	104,730,239	61,614,584
Non-controlling interests	6,861,826	1,096,339
Total profit for the financial year	111,592,065	62,710,923
Earnings per share attributable to shareholders in the year		
Basic earnings per share	0.22	0.11
Diluted earnings per share	0.22	0.11
Other comprehensive income		
Net amount transferred to profit or loss	(2,442,752)	3,861,082
Change in fair value	282,334,379	41,897,946
The effect of the income tax related to them	(44,792,897)	(7,321,445)
Change in the revaluation reserve of tangible assets	28,465,987	25,967,641
Other comprehensive income	263,564,717	64,405,224
Total other comprehensive income for the period	375,156,782	127,116,147

3.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(extract from the accompanying consolidated financial statements)

	December 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	58,282,699	104,589,882
Bank deposits	31,473,033	53,701,555
Financial assets at fair value through profit and loss	338	309
Trade receivables	101,767,377	85,210,560
Inventories	80,808,539	57,895,933
Non-current assets held for sale	0	9,188,638
Financial assets available for sale	1,642,602,587	1,276,444,115
Investments in associates	68,700,510	64,747,102
Investments held until maturity	6,499,763	6,348,665
Investment property	289,152,520	257,427,670
Tangible assets (property, plant and equipment)	570,200,464	506,606,899
Intangible assets	10,282,641	2,512,183
Other fixed assets	526,261	473,328
Other current assets	1,351,238	1,445,073
Goodwill	8,620,328	3,568,686
Investments	266,055	271,696
Total assets	2,870,534,353	2,430,432,294
EQUITY AND LIABILITIES		
Liabilities		
Trade liabilities	133,367,836	99,362,285
Dividends to be paid	15,586,380	20,204,247
Deferred tax liabilities	207,270,420	158,444,322
Borrowings	129,370,582	135,735,972
Government grants	38,478,444	41,511,736
Provisions for other liabilities and charges	2,316,355	2,141,915
Other liabilities	2,492,333	1,598,457
Total liabilities	528,882,350	458,998,934
Equity		
Share capital	52,000,000	54,884,929
IAS 29 on share capital	648,330,055	684,298,992
Reserves under Law 133	2,105,675,691	2,105,675,691
Effect of applying IAS 29 to items of capital over retained earnings	(2,608,519,657)	(2,644,488,595)
Treasury shares	(4,748,190)	(52,443,756)
Losses from the repurchase of own shares	(124,659)	(734,130)
Other reserves	(21,635,428)	(21,635,428)
Accumulated profit	1,186,668,064	1,139,243,636
Reserves from revaluation of tangible assets	62,597,610	34,131,623
Legal reserves	26,734,310	15,530,829
Reserves from revaluation of financial assets available for sale	808,753,426	573,654,696
	2,255,731,222	1,888,118,488
Non-controlling interests	85,920,781	83,314,872
Total equity	2,341,652,003	1,971,433,360
Total equity and liabilities	2,870,534,353	2,430,432,294

4. DESCRIPTION OF MAIN RISKS FOR THE GROUP

The main types of risks the Group is exposed to are credit risk, liquidity risk, market risk. Market risk includes currency risk, interest rate risk, and equity price risk.

The Group uses of a range of policies and procedures for the management and evaluation of the types of risk to which it is exposed, both at parent company level and its subsidiaries. These policies and procedures are presented in detail in the subchapters dedicated to each type of risk in *Note 5* of the Consolidated financial statements, in annex.

4.1 Financial risks

(a) Market risk

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

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

The management has consistently pursued and sought to minimize the potential adverse effects associated with this financial risk through an active policy of prudential diversification of the portfolio and the use of one or more risk mitigation techniques based on market price developments for the financial instruments held by the parent company.

Concentration risk

The concentration risk concerns all assets held by the Group, no matter the period of their ownership, and by diminishing this type of risk it is intended the avoidance of a too large exposure on a single debtor / issuer at parent company level or respectively, at the level of subsidiaries.

The management's policy of diversification of exposures at parent company level applies to the portfolio structure, to the business model structure, and to the structure of exposures to financial risks. Thus, this diversification policy implies: diversifying the portfolio by avoiding excessive exposure to a debtor, issuer, country or geographical region; the diversification of the structure of the business plan aims at avoiding excessive exposure to a particular business line / business sector at the level of the parent company and at the level of the subsidiaries towards a single product / service, customer or supplier, in line with their business strategy. Diversifying the financial risk structure is intended to avoid excessive exposure to a certain type of financial risk.

The market risk of equity instruments arises mainly from the shares available for sale. The entities in which the parent owns shares operate in various industries.

The objective of market risk management is to control and manage market risk exposures within acceptable parameters, while optimizing the returns.

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

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

(i) Equity price risk

Price risk is the risk of recording losses both on balance sheet and off-balance sheet positions due developments in price of assets.

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

The Board of Directors monitors the manner of implementing market risk management, and the internal procedures provide that when price risks are not consistent with the investment policy and the Company's principles, a rebalancing of the portfolio should be undertaken.

(ii) Interest rate risk

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

Regarding financial instruments bearing interest: the risk of interest rate consists of the risk of fluctuation recorded in the value of a financial instrument due to changes in interest rates and of the risk of differences between maturity of financial assets bearing interest and the debt bearing interest. However, the risk of interest rate may also impact the value of assets bearing fixed interest rates (e.g. bonds) so that an increase in the market interest rate will diminish the value of future cash flows generated by them and might lead to their price reduction, if it generates an increase of investors' preference to invest their funds in bank deposits or other instruments whose interest grew, and vice versa - a reduction in the market interest rate may increase the price of shares and bonds and will lead to an increase of the fair value of future cash flows.

Regarding the Group's financial instruments bearing interest, the policy is to invest in financial instruments generally on short-term, no more than 12 months, thus considerably reducing both the risk of fluctuation and the risk of differences in maturity (the Company does not have liabilities with maturity over 1 year). As for the assets bearing fixed interest or marketable assets, the Group is exposed to the risk that the fair value of future cash flows related to financial instruments will fluctuate as a result of changes in market interest rates. However, most financial assets of the Group are in stable currencies whose interest rates are unlikely to vary significantly.

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

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

(iii) Currency risk

Currency risk is the risk of loss or failure to achieve the estimated profit as a result of unfavourable exchange rate fluctuations. The Group invests in financial instruments and performs transactions which are denominated in currencies other than its functional currency, thus being exposed to risks that the exchange rate of the national currency in relation to another currency to adversely affect the fair value or future cash flows for the portion of those financial assets and liabilities denominated in other currencies.

The Company carried out transactions for the reporting period both in Romanian currency (RON) and foreign currency. The Romanian currency fluctuated compared to foreign currencies, EUR and USD.

The financial instruments used enable the value preservation of monetary assets held in RON, by making investments and collecting interest based on the maturity period.

The Group has not entered into any transaction with derivatives on the exchange rate during the financial years presented.

(b) Credit risk

Credit risk is the risk that one of the parties to a financial instrument fails in fulfilling an obligation or a financial commitment it entered in relationship with the Group, thus causing the Group to record a financial loss.

The Group is exposed to credit risk due to the investments in bonds issued by companies or Romanian State, in current accounts and bank deposits, and other receivables.

The leadership of the Group closely and constantly monitors the exposure to credit risk so as not to suffer losses due to credit concentration in a particular sector or industry.

Further information on Credit risk are presented in Note 5(b) of the *Consolidated Financial Statements*, attached.

(c) Liquidity risk

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

The Group monitors the evolution of liquidity to be able to fulfil its obligations on the date on which they become due, and permanently analyse the assets and liabilities, based on the remaining period until the contractual maturities.

4.2. Other risks

(d) Tax risk

Starting January 1, 2007, following Romania's accession to the European Union, the Group had to comply with EU regulations, and therefore prepared for the implementation of changes brought by the European legislation. The Group has 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 Group have different views.

In terms of corporation tax for the financial year 2015 there is a risk of a different interpretation by the tax authorities for the accounting treatments that determined the transition to IFRS as accounting basis.

Moreover, 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 being issued.

(e) Economic environment risk

Group's management cannot predict all the macroeconomic effects impacting the Romanian financial sector but considers that they have taken in 2017 the necessary measures for the Group's sustainability and development under the conditions existent on the financial market, by monitoring cash flows and the adequacy of investment policies.

Avoiding risks and mitigating their effects are provided by the Group through an investment policy that complies with the prudential rules imposed by the applicable legal provisions and regulations.

The Group has adopted risk management policies for an active asset management, with specific risk identification, measurement, measurement and control procedures that provide reasonable assurance that the Company's objectives are being met, with a view to constant balance between risk and expected return.

The risk management process aims at: (i) identifying and evaluating significant risks with a major impact on the achievement of the investment objective and developing activities that counteract the identified risk; (ii) adapting risk management policies to the financial developments of the capital market, monitoring performance and improving risk management procedures; (iii)

reviewing investment decisions in line with developments in capital and money markets; (iv) compliance with applicable law.

The Eurozone economy has experienced a significant recovery in recent years, both in terms of GDP growth (with annualized growths of more than 1.5%) and the progressive reduction of unemployment and the return of inflation to the ECB target (2%). However, the ECB has also maintained both the benchmark interest rate in absolute historical lows (0%) and the Asset Purchase Program (APP), with prospects of a reduction in monthly purchases of EUR 30bn starting in January 2018, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB. Maintaining these exceptional measures signals the persistence of macroeconomic risks to the Eurozone economy, despite positive developments in recent years.

(f) Operational risk

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

The objective of the Group is to manage operational risk in such way that limits the financial loss, or damages to its reputation and to achieve the investment objective of generating returns for investors.

The prime responsibility for the implementation and development of control over the operational risk lies with the Board of Directors of entities within the Group. This responsibility is supported by the development of general standards of operational risk management, including controls and processes to service providers and service arrangements with providers of services.

(g) Capital adequacy

The policy adopted by Group's leadership regarding capital adequacy focuses on maintaining a solid capital base, in order to support the ongoing development of the Group and attaining the investment objectives.

Group's equity includes share capital, different types of reserves and retained earnings. Equity totalled RON 2,341,652,003 as at December 31, 2017 (1,971,443,360 as at December 31, 2016).

5. CORPORATE GOVERNANCE

SIF Banat-Crişana is committed to maintaining and developing the best practices of corporate governance, to ensure an efficient decision-making process, leading to the long-term viability of the business, achieving the objectives of the company and creating sustainable value for all stakeholders (shareholders, management, employees, partners and authorities). These goals are also pursued by the companies controlled by SIF Banat-Crişana, supporting the introduction of best practice corporate governance, modern management techniques, and by promoting efficient management team in these companies.

The status of compliance with the principles and recommendations of Corporate Governance Code issued by the Bucharest Stock Exchange as at December 31, 2017, is published on Company's website, www.sif1.ro, in Investor Relations › *General Shareholders' Meetings* › 2018.

Administration and management of SIF Banat-Crişana

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

By Resolution no. 1 of the Extraordinary General Meeting of Shareholders held on August 30, 2016 it was approved the amendment of the Articles of Association in the sense of reducing the number of Board members from 7 (seven) to 5 (five) members, effective starting from April 24, 2017. ASF, by Endorsement no. 296/09.11.2016, approved this amendment, and art. 7 paragraph. (1) of the Articles of Association was rewritten accordingly.

SIF Banat-Crişana is administered by a Board of Directors (i.e. administrators) comprised of 5 members, elected by the ordinary general meeting of shareholders for a mandate of four years, with the possibility of being re-elected. The members of the Board must cumulatively meet the general conditions stipulated by Law no. 31/1990 regarding the companies, completed with the criteria established by Law no. 297/2004 regarding the capital market, Law no. 74/2015, Law no. 24/2017, and the regulations issued by the Financial Supervisory Authority (ASF).

Changes in the composition of the Board of Directors during 2017

During January 1, 2017 - April 20, 2017, the Company was administered by a Board of Directors comprising seven members.

The composition of the Board of Directors was the following: Bogdan-Alexandru Drăgoi – Chairman of the Board, Octavian Avrămoiu – Vice-Chairman of the Board, Ştefan Dumitru – member, Valentin Chiser – member, Ion Stancu – member, Dan Weiler – member, Ionel-Marian Ciucioi – member.

The Ordinary General Meeting of Shareholders (OGM) held on April 20, 2017 elected as administrators for a four-year term, starting with April 24, 2017: Bogdan-Alexandru Drăgoi, Radu Răzvan Străuţ, Sorin Marica and Marcel Heinz Pfister.

Following the secret vote cast by shareholders in the Ordinary General Meeting of Shareholders of April 20, 2017, only four candidates gathered at least 50% plus one of the votes cast, requisite set by the Company's Articles of Association and by law for the adoption of the decisions of the ordinary general meeting.

By ASF Opinion no. 405 / 13.07.2017, the Financial Supervisory Authority has endorsed the modifications made in the SIF Banat-Crișana documents following the change in the composition of the Board of Directors of the company.

During April 24 – December 31, 2017, the composition of the Board of Directors was the following: Bogdan-Alexandru Drăgoi – Chairman of the Board, Radu Răzvan Străuț – Vice-Chairman, Sorin Marica – member, Marcel Heinz Pfister – member.

The Audit Committee

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

The Board of Directors created therein, with an advisory capacity, an Audit Committee comprised of two non-executive directors.

As at December 31, 2017, the Audit Committee is comprised of: Mr. Marcel Pfister – Chairman of the Committee and Mr. Sorin Marica – member of the Committee. The members of the Audit Committee have the appropriate experience for the specific duties incumbent as members of this Committee.

The Audit Committee assists the Board of Directors in fulfilling its responsibilities in matters of financial reporting, internal control and risk management. The Committee supports the Board in monitoring the trustworthiness and integrity of the financial information provided by the Company, monitors and evaluate the efficiency of internal control, internal audit and risk management systems of the Company. The competencies of the Audit Committee are detailed in the Company's Internal Regulations.

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is a permanent committee, with an advisory function, subordinated to the Board of Directors, set up in September 2017. The Committee assists the Board of Directors in fulfilling its responsibilities for the nomination of candidates for management positions and their remuneration, recommends the Board of Directors the appointment or dismissal of key personnel and control personnel within the Company, as well as to determine the level of remuneration and their rights and duties, and participate in the development and review of remuneration policies applicable at company level.

As at December 31, 2017, the Nomination and Remuneration Committee is comprised of: Mr. Radu Răzvan STRĂUȚ - Chairman and Mr. Sorin MARICA - Member of the Committee. Members of the Nomination and Remuneration Committee have the experience appropriate to their specific duties within this Committee.

Investment Strategies Committee

The Investment Strategies Committee is a permanent advisory Committee, independent of the executive management of the Company, subordinated to the Board of Directors, set up in September 2017.

The Investment Strategic Committee consists of at least two members elected, as a rule, from non-executive directors.

As at December 31, 2017, the Investment Strategies Committee consists of: Mr. Radu Răzvan STRĂUȚ - Chairman and Mr. Sorin MARICA - Member of the Committee. The members of the Investment Strategies Committee have the appropriate experience for the specific tasks assigned within this Committee.

The Investment Strategies Committee assists the Board of Directors in fulfilling its responsibilities in developing investment strategies and policies, monitoring their implementation, analysing the performance of the portfolio of financial instruments managed by the Company and managing associated risks.

The Executive team

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

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

As per Law no. 31/1990 on trading companies, the Board of Directors has delegated some of his powers to the CEO (General Director), within the limits set by the law, Company's Articles of Association and decisions of the Board of Directors, except for the powers reserved by the law and / or Company's Articles of Association for the general meeting of shareholders or the Board of Directors.

The Chairman - CEO (Director General) exercise the mandate under a "Contract for the delegation of powers" granted by the Board and are vested with all powers to act on behalf of the Company and to represent it in relations with third parties. The other two directors are employees of the Company and have limited powers of representation.

Responsibilities and duties of directors are set by the Board of Directors and are described in the Company's Internal Regulations.

Changes in the structure of executive management 2017

The composition of company's executive team until April 24, 2017 was the following: Mr Bogdan-Alexandru Drăgoi, Mr Octavian Avrămoiu, Mrs Teodora Sferdian and Mr Laurențiu Riviș. The composition of the executive team afterwards was: Mr Bogdan-Alexandru Drăgoi, Mrs Teodora Sferdian and Mr Laurențiu Riviș.

Participation of administrators and executives in the share capital of SIF Banat-Crișana:

Name	Position	SIF1 shares held as at December 31, 2017	
		No. of shares	% of share capital
Bogdan-Alexandru DRĂGOI	Chairman and CEO	200,000	0.03846%
Radu-Răzvan STRĂUȚ	Vice-Chairman	500	0.00010%
Sorin MARICA	Non-executive administrator	250	0.00005%
Marcel PFISTER	Non-executive administrator	0	0%
Teodora SFERDIAN	Deputy General Director	13,005	0.00250%
Laurențiu RIVIȘ	Director	1,500	0.00029%

To the knowledge of the Company, for the administrators and the directors, there are no identified agreements, arrangements or family connections between the respective person and another person for the reason that the respective person has been appointed in this position.

Further information on Corporate Governance for SIF Banat-Crişana can be found in Chapter 3 of the Annual Report of the Board of Directors, available on Company's website, www.sif1.ro in *Investor relations* section.

Information on the main elements of the internal control systems and risk management

At SIF Banat-Crişana

The diversity of activities carried out by SIF Banat-Crişana also creates complex risks as well as a plethora of opportunities for its shareholders, but also for the entire Romanian financial and capital market. Company's management considers that risk management is an integral part of good corporate governance and of best management practices.

Given the company's specific provisions concerning the risk management introduced by the AIFM law, the Company has completely reorganized the risk management activity, strengthening this segment through a rigorous procedure and a complex analysis, evaluation, reporting and management system, unitary on society.

The Company implemented adequate and modern systems of risk management to effectively identify, measure, manage and monitor all the risks relevant for the investment strategy and the existing investment portfolio.

Risk management is an integral part of the Company's control framework and, in addition to its regulatory obligations, an effective risk management function should assist the executives and the board of directors in:

- optimizing growth without exposing the organization to unjustified risks;
- manifest *due diligence* in daily (current) management;
- promoting proactive management and early identification of risks;
- increasing accountability and responsibility within the organization;
- avoiding unjustified exposure to risk.

Risk management is in everyone's responsibility and it is required to be dictated by company's management. An awareness and risk management and risk management culture within an organization is essential for a risk management function to be effective.

The Board of Directors is ultimately responsible for ensuring that the Company effectively manages its risks and portfolios under management and that it has policies and procedures to measure and manage those risks.

The risk management function conducts its role independently of operational compartments, allowing risk managers to interact freely with all activities of the company in order to identify and address risk issues or gaps in the control, without any conflict of interest.

The person in charge of risk management has the necessary authority, has access to all relevant information and maintains regular contacts with the executive directors and the Board of Directors of the Company, and provides updated information based on which prompt remedial action can be taken, if necessary.

Risk management policies implemented by the Company include the procedures necessary to enable the Company to assess the exposure to market risk, liquidity risk, operational risk and credit and counterparty risk, as well as the exposure to all other relevant risks that may have a significant level for the Company, given the objectives and investment strategies, styles or methods of management for the asset management that thus could directly impact the interests of shareholders.

Policy risk management contains comprehensive safeguard measures against potential conflicts of interest, corrective action taken, the reasons why these measures should lead, according to

reasonable expectations, to the independent exercise of risk management function and the manner the company intends to ensure that protective measures have a constant efficiency.

The risk management policy is appropriate for the nature, size and complexity of Company's activities and the assets it manages.

The fulfilment of the risk management function is regularly examined by the internal and external audit functions.

At the consolidated entities

Subsidiaries and associated entities of SIF Banat-Crişana are exposed to a various risk which are carefully monitored by each company by complying to the policies and procedures approved by their boards of directors. The policies and risk management systems are regularly reviewed to reflect the changes in the regulatory environment, market conditions and activities carried out.

The implemented risk management policies aim to identify and analyse the financial and operational risk the respective company is exposed to, as well as the analysis and correction of risk factors associated to the activity carried out. The companies use a variety of policies and procedures for the management and evaluation of the types of risk to which they are exposed to.

Typically, the major concern for the management of the companies in the group is the empowerment and involvement of the personnel in risk the risk management processes, while complying with applicable law and respecting and maintaining the quality standards and internal working rules. From the reports issued by some companies it is clear that measures to improve the performance of the company are being taken, considering that flaws in the quality of processes and internal controls, and the manner of exploitation by their users could lead to underperformance.

There is increased concern within the group to strengthen the internal control systems and adapt the procedures to the ever-changing requirements of each entity.

Within the group companies listed on the BSE regulated market (SIF Hoteluri, Vrancart, Biofarm) and some on ATS (e.g. IAMU SA Blaj) the audit function is operational, periodically auditing the activities of the company in order to provide relevant information on carrying out of these activities, makes recommendations to improve processes, procedures and controls. The internal audit activity is carried out based on annual audit plans approved by the respective board of directors.

6. OTHER INFORMATION

EVENTS OCCURED AFTER THE DATE OF THE BALANCE SHEET

January 2018

- The Board of Directors of SIF Banat-Crişana, in the meeting held on January 16, 2018, approved the appointment of Mr. Ionel-Marian CIUCIOI as provisional administrator of SIF Banat-Crişana until the assembly of the general meeting of the shareholders, being authorized in this quality with the ASF Endorsement no. 99 / 04.04.2019.
- The Board of Directors of SIF Banat-Crişana, in the meeting held on January 25, 2018, according to the provisions of art. 7 par. (15) of Company's Articles of Association, decided to maintain the decisions of the Board of Directors dated 24.04.2017, reconfirming the appointment of Radu Răzvan Străuț, Vice-Chairman of the Board of Directors, as Deputy General Director of SIF Banat-Crişana and delegating the management of the company as per art. 143 of Law no. 31/1990.
- The OGM of Somplast held on January 8, 2018, elected the financial auditor;
- The Board of Directors of Napomar SA appoints a provisional administrator, by Board's decision of 19.01.2018;
- The Board of Directors of Azuga Turism SA appoints a provisional administrator, by Board's decision of 11.01.2018.

February 2018

- SIF Banat-Crişana published, on February 15, 2018, the preliminary financial results for the year ended December 31, 2017, prepared pursuant to IFRS by communicating to the market (BVB) and posting on company's website, www.sif1.ro.
- SIF Hoteluri informed that, on 09.02.2018 it was registered the general director's request for resignation. By decision no. 1 of 09.02.2018, the Boards appointed a new general director.
- On February 19, 2018, it was registered the share capital increase at Central SA, increase approved by the OGM resolution of 29.11.2017 and decision of the Board of Directors of 30.01.2018;
- SIF Hoteluri informed on February 28, 2018 on the resignation of the Chairman of the Board and the convening of the OGM.

March 2018

- SIF Hoteluri informed the shareholders that, at the term of 01.03.2018 in the file no. 2147/111/2014 judged by the Bihor Tribunal (complainant: HAJDU-BAU, defendant: SIF Hoteluri SA), which has as its object the termination of the contract, the court granted a new term for 10.05.2018 for the assessment of evidence.
- On 01.03.2018, SIF Banat-Crişana signed a letter of comfort in favour of Napomar.
- ASF authorized SIF Banat-Crişana as Alternative Investment Fund Manager (Authorization no. 78 / 09.03.2018), and the persons holding the key functions of risk management and compliance officer.
- The management of SIF Banat-Crişana analysed and ascertained that the Company meets the necessary conditions to be classified as an investment entity.

ASSESSMENT OF MATTERS CONCERNING THE EMPLOYEES

Evolution of the number of employees for SIF Banat-Crişana and the consolidated entities is presented in the table below:

Company name	Average no. of employees		
	2015	2016	2017
SIF Banat-Crişana	48	39	36
SIF Imobiliare	128	131	113
Napomar	316	310	252
Azuga Turism	30	22	25
SIF Hoteluri	108	183	181
Silvana	198	175	155
IAMU	724	713	794
Vrancart	936	978	1,247
Somplast	144	143	141
SAI Muntenia Invest	34	37	37
Central Cluj	21	19	18
Biofarm	394	388	348
Gaz Vest	80	81	88
TOTAL	3,162	3,219	3,435

There is no trade/labour union within SIF Banat-Crişana, the employees are represented in the negotiation of the collective labour contract by their representatives, elected pursuant to the legal requirements in force. The employment relationships are regulated by the Individual Labour Contracts and by the Collective Labour Contract.

SIF Banat-Crişana encourages the social dialogue, and provides a positive working environment offering equal opportunities to all its employees.

There were no conflicting aspects throughout 2017 in the relations between management and employees of SIF Banat-Crişana, nor in the companies in the scope of consolidation.

During 2017 there has been no collective layoffs in the case of SIF Banat-Crişana, or the companies in the scope of consolidation.

All the companies in the scope consolidation have organization and operation regulations approved by their Board of Directors, describing their organization, and regulating the functioning of their departments, establishing competencies for each department separately, their tasks and responsibilities.

ASSESSMENT OF MATTERS CONCERNING THE ENVIRONMENT

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

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

Environmental aspects for the companies in the scope of consolidation:

- Vrancart SA - Has implemented an integrated quality-environment-health and occupational safety management system, according to ISO 9001/2008; ISO 14001/2004 and OHSAS 18001/2007, certified by the company Lloyd's Register England, Bucharest agent, valid until 2018.

During 2017 the supervising audits were performed to verify the implementation and maintenance of each system. The results showed that the management systems operate according to the requirements of the standards chosen as reference model.

The impact of company's business over the environment is constantly monitored through the implementation of Environmental Management System and implicitly by observing the legislation in force and the Integrated Environmental Authorization valid until 2025 and the Water Management Permit valid on 2022.

Vrancart operates in compliance with the environmental permits the company holds.

The general objectives of ISO management systems were included in the policies concerning quality, environment, health and work safety. For the achievement of the overall objectives, specific process objectives were set.

- IAMU S.A. – starting March 2006 has implemented and certified an Environmental Management System (EMS), pursuant to SR EN ISO 14001: 2005 standard, valid on 2018.

The company holds the Environment Authorisation - valid until 2022 and Water Management Permit - valid until 2018.

Having regard to the new activities carried out starting from 2015 (the tempering process in the linear tape SAFED oven with the in a hydrogen and nitrogen environment, together with the storage tanks of these hazardous materials), which are not included in the Environment Authorisation referred to above, the company has requested and received a revised authorization and for the new activities in January 2016.

IAMU is monitored both by “Romanian Waters” National Administration through the System of Water Management Alba, respectively Basin Administration of Water Mureş, as well as by the National Guard of Environment through Commissariat of Alba and permanently cooperates with the Agency for Environmental Protection Alba.

The company was not sanctioned or fined for non-conformances relating to legal provisions concerning the protection of the environment.

For the full compliance with the provisions of the legislation in force concerning the avoidance of pollution of environmental factors such as water, air, soil and, having regard other applicable requirement, the organization has established a program of Environment Management.

The company constantly monitors the pollutant indicators of the waters in accordance with the program in the Water Management Permit.

- SOMPLAST S.A. – during 2017 has implemented and certified the environmental management system ISO 14001; the company shall carry out its activity in accordance with the legal provisions, holding an Environment Authorization with validity until 2018.

Company's personnel are properly trained in the temporary storage, grind and re-use of waste results. Twice a year technical checks and measurements of gas emissions from the flare are performed. For the discharged waters duplicate determinations are made upon request. For the organic compounds, determinations in accordance with the provisions of the Environment Authorization are executed. The monitoring of waste is carried out in accordance with the legal provisions on protection of the environment.

- NAPOMAR S.A. - has implemented and certified the environmental management system in accordance with the SR EN ISO 14001-2005 standard, valid until March 2020.

The company holds an authorization to the environment for the pursuit of its business, valid until January 2023, as well as the authorizations for capturing and disposal of waste water (valid until December 2016) and for the welding procedures issued by Bureau Veritas (EN 287-1, EN ISO 9606-1).

- Silvana SA - has environment authorization for the pursuit of its business in accordance with the CAEN code, valid until January 2019. The company has implemented the environmental management system in accordance with ISO 14001:2005 standard.
- Biofarm SA - has implemented and certified the environmental management system according to ISO 14011:2009.

The activities carried out by the company for the protection of the environment allow its management to identify and monitor the environmental impact of the activities, products or services the company supplies.

The company holds an authorisation for water management valid until March 2017 and an environment authorization in effect until 2020. The impact of the activity of the company on the environmental factors has been within the limits imposed by the environmental authorisations issued.

- GAZ VEST S.A. - has implemented a system of environment management ISO 14001:2004; valid until 2018.
- AZUGA TURISM S.A. - holds an environment authorization for the pursuit of the company's business in accordance with the CAEN code, valid until January 2021.
- SIF HOTELURI S.A. - holds environmental authorizations for all the locations in which its activities are carried out in accordance with the CAED code.
- SAI MUNTENIA S.A. - for its activity does not need special environment authorizations.
- SIF IMOBILIARE Plc - for its activity does not need special environment authorizations.
- CENTRAL S.A. - for its activity does not need special environment authorizations.

BRANCHES OF SUBSIDIARIES

Subsidiary of SIF Banat-Crişana	Stake held in	% holding
Vrancart SA	Giant Prodimpex SRL	100
	Rom Paper SRL	85.00
	Comalim SA Arad	91.17
	Administrare Imobiliare SA Bucharest	98.90
	SIFI BH Est SA Bucharest	94.77
	SIFI BH Ind Vest SA Bucharest	98.95
	SIFI Cluj Retail SA Bucharest	96.36
	Bistrita SA Bucharest	91.98
	SIFI CJ Logistic SA Bucharest	84.74
	SIFI CJ Agro SA Bucharest	97.50
	SIFI CJ Office SA Bucharest	98.83
	SIFI CJ Storage SA Bucharest	92.10
	Cora SA Hunedoara	90.43
	SIF Imobiliare Plc	<i>(during 2017 the absorption merger with Central Petrosani - acquired company - was completed)</i>
SIFI Baia Mare SA Bucharest		92.59
SIFI Sighet SA Bucharest		72.28
Uniteh SA Timişoara		50.19
SIFI B One SA Bucharest		90.79
<i>(during 2017 the absorption merger with Agrorent Arad, SIFI CS Retail and Urban Lugoj - acquired companies was completed)</i>		
SIFI BH Retail SA Bucharest		99.90
SIFI TM Agro SA Bucharest		50.00
<i>(SIFI TM AGRO SA holds interests in Pont Automall SRL and Pont Agrinvest SRL which are not included in the consolidated financial statements of SIF Plc)</i>		
SIFI Properties SA Bucharest	99.90	

This report is accompanied by the following annex:

ANNEX 1	Consolidated financial statements for the year ended December 31, 2017 prepared pursuant to Norm no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF – Financial Instruments and Investments Sector - audited
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The version prepared in Romanian of the consolidated report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crişana in the meeting held on March 26, 2018, revised and approved in final form in the meeting held on April 20, 2018.

Bogdan-Alexandru DRĂGOI
Chairman and CEO

Ştefan Doba
Economic Director