

SIF Banat-Crişana S.A.

**Condensed interim financial statements
as at September 30, 2017**

Prepared pursuant to the Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with the International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector

unaudited

FREE TRANSLATION

*prepared for the convenience of English-speaking readers,
as translation of the original document issued in Romanian, which is the official and binding version;
for purposes of interpretation the Romanian text shall be authoritative and final*

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Condensed Statement of profit or loss and other comprehensive income as at September 30, 2017

<i>Denominated in RON</i>	<i>Note</i>	Sept. 30, 2017	Sept. 30, 2016
Income			
Dividend income	4	65,213,545	101,038,250
Interest income	5	2,254,104	3,988,338
Other operating income		141,718	191,916
Gain on investments			
Gain on investment property		-	-
(Loss) / Net gain from foreign exchange differences		63,165	(305,876)
Net Profit/(Loss) from sale of assets	6	(83,821)	436,194
Net Profit/(Loss) from financial assets at fair value through profit and loss		8	(89)
Expenses			
(Expenses) with adjustments for impairment of financial assets available for sale		-	-
Other (expenses)/reversals from adjustments impairment of other assets and provisions		-	-
Fees, commissions expenses	7	(1,929,673)	(1,633,923)
Other operating expenses	8	(7,631,725)	(8,613,914)
Profit before tax		58,027,321	95,100,897
Income tax	9	(2,766,983)	(3,576,713)
Net profit for the period		55,260,338	91,524,184
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (financial assets available for sale):			
Amount transferred to profit or loss		(351,232)	(216.335)
Change in fair value		197,389,837	(125.644.850)
Effect of income tax upon these		(28,796,237)	24.284.767
Reserves from revaluation of fixed assets		-	-
Other comprehensive income		168,242,368	(101.576.418)
Total comprehensive income for the period		223,502,706	(10.052.234)
Earnings per share			
Basic		0,107	0,168
Diluted		0,107	0,168

The condensed interim financial statements were approved by the Board of Directors on October 30, 2017 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Ștefan Doba
Economic Director

Condensed statement of financial position *as at September 30, 2017*

<i>denominated in RON</i>	<i>Note</i>	September 30, 2017	December 31, 2016
Assets			
Cash and cash equivalents	10	41,555,179	16,372,090
Bank deposits (with maturity over 3 months and interest for deposits)	11	1,672	41,253,904
Financial assets at fair value through profit and loss – held of trading		306	309
Financial assets available for sale	12	2,273,914,798	2,007,925,978
Investments held to maturity	13	6,319,934	6,336,716
Investment property	14	19,466,667	19,466,667
Tangible assets (property, plant and equipment)		3,106,906	3,183,928
Other financial assets	15	13,251,526	15,434,596
Other assets		156,505	215,140
Total assets		2,357,773,494	2,110,189,328
Liabilities			
Dividends payable		19,989,030	20,204,246
Deferred income tax liabilities	16	159,604,686	130,804,501
Other financial liabilities	17	1,386,868	4,465,122
Provisions for risks and expenses		469,374	469,374
Total liabilities		181,449,958	155,943,243
Equity			
Statutory share capital	18	54,884,927	54,884,927
The effect of applying IAS 29 on the share capital	18	684,298,992	684,298,992
Own shares	18	(53,791,946)	(52,443,756)
Losses from repurchase of own shares		(811,195)	(734,130)
Reserves set-up from the application of Law no. 133/1996	18	2,105,675,691	2,105,675,691
The effect of applying IAS 29 to items of capital on the retained earnings	18	(2,644,488,595)	(2,644,488,595)
Accumulated profit		177,985,612	204,087,976
Other reserves		690,289,841	608,927,140
Reserves from revaluation of tangible assets		97,794	97,794
Legal reserves	18	10,976,985	10,976,985
Reserves from revaluation of financial assets available for sale		1,151,205,429	982,963,061
Total equity		2,176,323,536	1,954,246,085
Total liabilities and equity		2,357,773,494	2,110,189,328

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Chairman, CEO

Ștefan Doba
Economic Director

Condensed Statement of Changes in Equity as at September 30, 2017

<i>Denominated in RON</i>	Inflated share capital	Own shares	Losses from repurchase of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 inflated	Reserves from revaluation of financial assets available for sale	Reserves from revaluation of fixed assets	Other reserves	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2017	739,183,919	(52,443,756)	(734,130)	10,976,985	2,105,675,691	982,63,061	97,794	608,927,140	204,087,976	(2,644,488,595)	1,954,246,085
Comprehensive income											
<i>Profit for the period</i>	-			-	-	-			55,260,338	-	55,260,338
<i>Other comprehensive income</i>											
Reserve from revaluation of assets available for sale transferred to profit and loss	-			-	-	(351,232)			-	-	(351,232)
Change in reserve from revaluation of assets available for sale	-			-	-	197,389,837			-	-	197,389,837
Revaluation of tangible assets											-
Related deferred tax						(28,796,237)					(28,796,237)
Total comprehensive income for the period	-	-	-	-	-	168,242,368	-	-	55,260,338	-	223,502,706
Other reserves – own sources								81,362,701	(81,362,701)		
Transactions with shareholders recognized directly in equity											
Dividends payable for year 2016	-			-	-	-			-	-	-
Dividends written-off	-			-	-	-			-	-	-
Repurchase of own shares		(1,348,190)	(77,065)								(1,425,255)
Total transactions with shareholders recognized directly in equity	-	(1,348,190)	(77,065)	-	-	-	-	-	-	-	(1,425,255)
Balance at September 30, 2017	739,183,919	(53,791,946)	(811,195)	10,976,985	2,105,675,691	1,151,205,429	97,794	690,289,841	177,985,613	(2,644,488,595)	2,176,323,536

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Condensed Statement of Changes in Equity as at September 30, 2017

<i>Denominated in RON</i>	Inflated share capital	Own shares	Losses from repurchase of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 inflated	Reserves from revaluation of financial assets available for sale	Reserves from revaluation of fixed assets	Other reserves	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2016	739,183,919	0	0	10,976,985	2,105,675,691	845,743,951	65,029	608,927,140	122,725,274	(2,644,488,595)	1,788,809,394
Comprehensive income											
Profit for the period	-			-	-	-			91,524,184	-	91,524,184
Other comprehensive income											
Reserve from revaluation of assets available for sale transferred to profit and loss	-			-	-	(216,335)			-	-	(216,335)
Net change in reserve from revaluation of assets available for sale (net of deferred tax)	-			-	-	(101,360,083)			-	-	(101,360,083)
Revaluation of tangible assets											-
Total comprehensive income for the period	-	-	-	-	-	(101,576,418)	-	-	91,524,184	-	(10,052,234)
Transactions with shareholders recognized directly in equity											
Dividends payable for year 2015	-			-	-	-				-	-
Dividends written-off	-			-	-	-				-	-
Repurchase of own shares		(52,443,756)	(734,130)								(53,177,886)
Transactions with shareholders recognized directly in equity	-	(52,443,756)	(734,130)	-	-	-	-	-	-	-	(53,177,886)
Balance at September 30, 2016	739,183,919	(52,443,756)	(734,130)	10,976,985	2,105,675,691	744,167,533	65,029	608,927,140	214,249,458	(2,644,488,595)	1,725,579,274

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Ștefan Doba
Economic Director

Condensed cash flow statement as at September 30, 2017

<i>Denominated in RON</i>	<u>Note</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Operating activities			
Net profit for the period		55,260,338	91,524,184
<i>Adjustments for:</i>			
Depreciation of tangible and intangible assets		151,049	184,845
Net (gain)/loss from disposal of tangible assets		(11,988)	-
Gain from valuation of investment property		-	-
(Reversals) / Expenses on adjustments for impairment		-	-
Net (Profit)/Loss from sale of assets	6	83,821	(436,194)
(Net gain)/Net loss from financial assets at fair value through profit and loss		(8)	89
Dividend income	4	(65,213,545)	(101,038,250)
Interest income	5	(2,254,104)	(3,988,338)
Expense with / (income from) other provisions and adjustments		-	-
Income tax	9	2,766,983	3,576,713
Changes in operating assets and liabilities			
Change in other assets (receivables etc.)		(6,152,962)	601,925
Change in other financial liabilities		(3,548,254)	(1,832,665)
Income tax paid		(962,378)	(355,009)
Net cash used in operating activities		(19,881,048)	(11,762,702)
Investment activities			
Payments for the acquisition of shares in subsidiaries and other securities available for sale (shares, fund units, government bonds)	12	(126,885,076)	(138,399,590)
Proceeds from other securities available for sale (shares, govt. securities)		69,888,502	1,528,894
(Placements) / Proceeds from term deposits greater than three months		40,872,334	102,590,534
Proceeds from sale of assets at fair value through profit and loss		11	
(Payments) for purchase of assets at fair value through profit and loss			
Proceeds / (Payments) from sale of investments held to maturity		(76,682)	12,417,946
Proceeds from sale of tangible assets		23,056	
Payments for purchases of tangible assets		(80,816)	(10,951)
Dividends collected		58,866,340	95,048,131
Interest collected		4,098,939	4,219,619
Net cash flow from investment activities		46,704,608	77,394,584
Financing activities			
Dividends paid		(215,217)	(3,806,679)
Repurchase of own shares		(1,425,255)	(53,177,886)
Net cash used in financing activities		(1,640,471)	(56,984,564)
Net increase / (decrease) in cash and cash equivalents		25,183,089	8,647,318
Cash and cash equivalents at January 1		16,372,090	1,478,015
Cash and cash equivalents at September 30		41,555,179	10,125,333

1. Reporting entity

Societatea de Investiții Financiare Banat-Crișana SA ("the Company") was founded based on Law no. 133/1996 by the reorganization and transformation of Fondul Proprietății Private Banat-Crișana and it is a joint stock company operating under Law no. 31/1990 and Law no. 297/2004.

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

The main activity of the company is:

- financial investments to maximize the value of own shares in accordance with the regulations in force;
- the management of the investment portfolio and exercising all rights associated to the invested instruments;
- other additional and related activities in accordance with the regulations in force.

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

The depositary bank, starting 29.01.2014, is BRD Groupe Société Générale, replacing ING Bank NV Amsterdam Bucharest Branch, and the company providing registry services is Depozitarul Central SA Bucharest.

The Interim financial statements, condensed, prepared as at September 30, 2017, are not audited or reviewed.

2. Basis of preparation

Statement of compliance

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

December 31, 2015, is the date of transition to IFRS as an accounting basis, on which date by restatement were performed and recorded in the accounting the operations determined by the change from the CNVM Regulation no. 4/2011 to the Accounting Regulations in accordance with IFRS.

These condensed interim financial statements prepared as at September 3, 2017, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the separate financial statements for 2016 prepared in accordance with Norm no. 39/2015 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF - Financial Instruments and Investments Sector (The Norm).

Pursuant to Regulation no. 1606/2002 of the European Parliament and the EU Council of July 19, 2002, as well as with those ordered by CNVM Decision no. 1176 / 15.09.2010, the financial investment companies are required to prepare and submit to the Financial Supervisory Authority (ASF) consolidated annual financial statements pursuant to IFRS, within 8 months from the end of the financial year. The Company has prepared consolidated financial statements as at December 31, 2016, and made them public starting August 30, 2017. The Company does not intend to prepare consolidated financial statements as at September 30, 2017.

(b) Presentation of the financial statements

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

Selected explanatory notes to the condensed financial statements as at September 30, 2017

(c) Bases of measurement

The condensed interim financial statements are prepared based on the convention of fair value for the financial assets and liabilities at fair value through profit and loss and for the financial instruments available for sale, except those for which the fair value could not be reliably determined.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost, revalued amount or historical cost.

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period or in the period the estimation is revised and the future periods if the revision affects both current and future periods.

Judgments made by the management in applying IFRS that have a significant impact on the financial statements and estimates that involve a significant risk of a material adjustment during the next year are disclosed in *Notes to the condensed interim financial statements*.

(f) Changes in the accounting policies

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

3. Significant accounting policies

The accounting policies used in these condensed interim financial statements are the same as for the separate financial statements prepared as at December 31, 2016 and have been consistently applied to all the periods presented in these condensed interim financial statements.

Comparative financial information

Pursuant to Norm no. 39 of 28.12.2015 issued by the Financial Supervisory Authority - Financial Instruments and Investments Sector, starting with the annual financial statements for the financial year 2015, the entities authorized, regulated and supervised by ASF - Financial Instruments and Investments Sector, shall use the International Financial Reporting Standards adopted by the European Union ("IFRS") as the official accounting regulations.

4. Dividend income

Dividend income is recorded on a gross basis. Tax rates on dividends as at September 30, 2017 from resident and non-resident companies were 5% and zero (2016: 5% and zero). Details for dividend income on main counterparts are presented in the following table:

Selected explanatory notes to the condensed financial statements as at September 30, 2017

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Erste Group Bank AG	11,916,603	5,896,618
BRD	9,939,313	4,356,959
Banca Transilvania	9,717,065	53,244,339
SAI Muntenia Invest SA	7,497,000	5,526,049
SNGN Romgaz	6,003,768	4,243,501
Biofarm	3,890,043	3,478,037
Gaz Vest	2,408,666	2,100,782
SIF Moldova	2,265,997	2,317,497
SNTGN Transgaz	2,031,339	1,210,560
BT Asset Management	2,000,000	0
SIF Muntenia	1,604,940	1,805,558
Conpet Ploiesti	1,435,618	631,988
IAMU Blaj	1,238,670	1,210,982
Antibiotice Iasi	543,355	294,488
SNP Petrom	537,987	0
Electrica	487,536	479,450
Iproeb	301,469	344,540
Comelf	199,965	121,191
Prebet Aiud	125,072	49,135
Hercules SA Satu Mare	123,409	137,275
Spumotim	30,995	124,260
Vrancart	0	10,325,547
SIF Oltenia	0	1,508,390
Silvana Cehu Silvaniei	0	721,886
Others	914,735	909,218
Total	65,213,545	101,038,250

5. Interest income

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Interest income on deposits and current bank accounts	190,171	1,379,384
Interest income on investments held to maturity	282,052	1,455,524
Interest income on assets available for sale	1,781,881	1,153,430
	2,254,104	3,988,338

6. Net profit from sale / disposal of assets

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
The acquisition cost of financial disposed assets available for sale	-69,502,323	-1,092,700
Proceeds from sale	69,418,502	1,528,894
Net profit from sale of financial assets	-83,821	439,194

As at September 30, 2017, mainly govt. bonds were sold, (classified as available for sale) and Fondul Proprietatea shares.

As at September 30, 2016, there was a low volume of transactions (sale of Albalact and Fondul Proprietatea shares).

Selected explanatory notes to the condensed financial statements as at September 30, 2017

7. Fees and commissions expenses

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
ASF commissions	1,494,785	1,267,770
Depository bank fees	307,265	235,184
Fees payable to SSIF	723	3,439
Shareholders' registry fees	108,000	108,000
Other commissions	18,900	19,530
Total	<u>1,929,673</u>	<u>1,633,923</u>

8. Other operating expenses

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Expenses with taxes, fees and related payments	208,769	197,255
Expenses with salaries and other personnel expenses	5,604,045	5,715,217
Amortization expenses	151,048	184,845
Expenditure on external services and other expenses	1,667,863	2,516,597
Total	<u>7,631,725</u>	<u>8,613,914</u>

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

During the period ended on September 30, 2017, the average number of employees was of 36 (September 30, 2016: 40), and the number of employees registered at the end of the reporting period was of 37 (September 30, 2016: 39).

The company makes payments to institutions of the Romanian state account for the pensions of its employees.

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

9. Income tax

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Current income tax		
Current income tax (16%)	975,812	6,303
Tax on dividend (0%, 5%)	1,787,223	3,570,410
Exemption from tax on transactions with ownership above 10%	0	
Deferred tax expense / (income)		
Financial assets available for sale	3,997	0
Financial assets at fair value through profit or loss	-49	0
Tangible assets / Investment property	0	0
Total income tax recognized in result for the period	<u>2,766,983</u>	<u>3,576,713</u>

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

Reconciliation of profit before tax with income tax expense in the income statement:

Selected explanatory notes to the condensed financial statements as at September 30, 2017

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Profit before tax	58,027,321	95,100,897
Tax under statutory tax rate of 16% (2016: 16%)	9,284,371	15,216,143
Income tax effect of:		
Tax on dividend (0%, 5%)	1,787,223	3,570,410
Non-deductible expenses and similar items	1,064,503	4,996,947
Non-taxable income	-9,352,367	-20,185,239
Items similar to income	3,305	3,452
Items similar to expenses		
Deferred tax	3,949	
Amounts of sponsorship within legal limits and other deductions	-24,000	-25,000
Income tax	2,766,983	3,576,713

10. Cash and cash equivalents

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Cash in hand and other valuables	23,035	18,314
Current accounts in banks	1,414,144	15,653,776
Bank deposits with original maturity less than 3 months	40,118,000	700,000
Cash and cash equivalents with maturity less than 3 months	41,555,179	16,372,090

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

11. Bank deposits

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Bank deposits with original maturity over 3 months	0	40,872,334
Attached interest on deposits	1,672	381,570
Cash and cash equivalents with maturity over 3 months	1,672	41,253,904

12. Financial assets available for sale

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Shares at fair value	2,015,233,848	1,815,185,159
Shares at cost	24,526,390	24,550,341
Unit funds at fair value	164,544,517	64,499,755
Government bonds (including attached interest)	32,527,755	103,690,723
Corporate bonds (including attached interest)	37,082,289	
Total	2,273,914,799	2,007,925,978

The fair value measurement for the shares was performed as at June 30, 2017 by multiplying the number of shares held at the date of half-yearly report with the closing price from the last trading day of the reporting period (for financial instruments classified as Level 1), or the price determined by other valuation methods, respectively valuation performed by certified appraisers (for financial instruments classified as Level 3).

As at September 30, 2017, there was not determined the fair value of financial instruments, as there were not available fair values for financial instruments of Level 2 and 3 and thus their fair value was retained in the simplified interim financial statements at the fair value determined as at 30.06.2017.

Differences arising from fair value measurement would have been recognized in the fair value reserve.

Selected explanatory notes to the condensed financial statements as at September 30, 2017

As at September 30, 2017, category of shares measured at fair value mainly includes the value of stakes held in Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD - Groupe Société Générale S.A (December 31, 2016: Banca Transilvania, Erste Group Bank AG, SIF Imobiliare PLC, BRD - Groupe Société Générale S.A).

The movement of the financial assets available for sale during the reporting period ended on September 30, 2017 is presented in the following table:

<i>denominated in RON</i>	Shares at fair value	Shares at cost	Fund units at fair value	Govt. bonds	Corporate bonds	Total
January 1, 2017	1,815,185,159	24,550,341	64,499,755	103,690,723	0	2,007,925,978
Acquisitions	12,936,934		89,999,951		36,885,125	139,822,010
Sales (including interest)	-278,553	-23,951		-71,650,678		-71,953,182
Attached interest				532,991	197,164	730,155
Change in fair value	187,390,308		10,044,811	-45,282		197,389,837
September 30, 2017	2,015,233,848	24,526,390	164,544,517	32,527,754	37,082,289	2,273,914,798

The movement of the financial assets available for sale during the financial year ended on December 31, 2016 is presented in the table below:

<i>denominated in RON</i>	Shares at fair value	Shares at cost	Fund units at fair value	Govt. bonds at fair value	Total
January 1, 2016	1,654,647,742	25,308,106	48,661,429	0	1,728,617,277
Acquisitions in 2016	24,762,258	0	14,000,000	100,989,762	139,752,020
Sales in 2016	-1,309,036	-501,650	0		-1,810,686
Impairment loss provisions	-1,155,618	-256,115	-4,077,417		-5,489,150
Change in fair value	138,239,813	0	5,915,743	2,700,961	146,856,517
December 31, 2016	1,815,185,159	24,550,341	64,499,755	103,690,723	2,007,925,978

Entries of shares as at September 30, 2017, totalling RON 12,936,934, mainly include the participation in the share capital increase at Vrancart SA.

Acquisitions of fund units as at September 30, 2017 amounting to RON 90.0 mn include fund units of Active Plus (RON 55 mn) and Optim Invest (RON 35 mn).

Until September 30, 2017, the company sold govt. bonds (including the interest accrued) to the amount of RON 71.7 mn.

During the reporting period, the company purchased corporate bonds issued by Vrancart in the amount of RON 36.9 mn.

Entries of shares in 2016, totalling RON 24.8 mn, mainly include acquisitions of shares performed on the stock market in a total amount of RON 11.4 mn (Romgaz RON 3.3 mn, Biofarm SA RON 3.1 mn, Electrica RON 2.9 mn, Transgaz SA RON 2 mn, etc.) and the participation in the share capital increase of SIF Imobiliare PLC with the amount of RON 13.4 mn.

Total disposals of shares in the amount of RON 1.3 million include the book value of the shares no longer in company's inventory, mainly as a result of the sales of securities (Albalact RON 1.1 mn, Fondul Proprietatea RON 0.2 mn, etc.).

During 2016 were purchased fund units in the amount of RON 14 million in Closed Investment Fund Active Plus.

Selected explanatory notes to the condensed financial statements as at September 30, 2017

Fair value reserve for the financial assets available for sale

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
As at January 1	982,963,061	845,743,951
Gain from valuation at fair value of the financial assets available for sale	197,389,837	140,679,472
(Gain) transferred to profit and loss account for the financial assets available for sale removed from the portfolio	-351,232	-216,335
Impairment on financial assets available for sale transferred to profit and loss account	0	4,077,417
Effect of related deferred tax	-28,796,237	-7,321,445
At the end of period	1,151,205,429	982,963,061

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

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

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

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques described in the accounting policy. For financial instruments rarely traded and for which there is no price transparency, fair value is less objective and is determined using various levels of estimates for the degree of liquidity, of concentration, uncertainty of market factors, assumptions of price and other risks affecting the respective financial instrument.

The fair value of the financial instruments for which there is no active market (Level 2 and 3) was determined by authorized valuers within the Valuation department within the Company, using the strategy set by the management of the issuer and valuation techniques including techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price. Valuation techniques have been used consistently.

Fund units are evaluated on a unitary NAV basis, calculated by the fund manager (certified by its depositary), using the closing prices for quoted financial instruments. If the Company notes that there is no active market for a Fund's holdings, it uses for the valuation the financial statements of Fund's holdings, respectively the net asset value. Based on the net asset value, it obtained a corrected unitary NAV to be used for the valuation of the fund units in SIF Banat-Crișana's financial statements.

An analysis of the **financial instruments** recognized at fair value as per the valuation method is presented in the table below:

September 30, 2017

<i>denominated in RON</i>	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	306	0	0	306
Financial assets available for sale at fair value – shares	1,451,906,403	3,288,338	560,039,101	2,015,233,842
Financial assets available for sale at fair value – fund units			164,544,517	164,544,517
Financial assets available for sale at fair value – govt. bonds	31,994,764			31,994,764
Financial assets available for sale at fair value – corporate bonds	36,885,125			36,885,125
Investments held to maturity	6,319,934			6,319,934
	1,527,106,532	3,288,338	724,583,618	2,254,978,488

Selected explanatory notes to the condensed financial statements as at September 30, 2017

December 31, 2016

denominated in RON

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	309	0	0	309
Financial assets available for sale at fair value – shares	1,253,185,682	3,010,212	558,989,265	1,815,185,159
Financial assets available for sale at fair value – fund units			64,499,756	64,499,756
Financial assets available for sale at fair value – govt. bonds	101,591,097			101,591,097
Investments held to maturity	6,336,716			6,336,716
	<u>1,361,113,804</u>	<u>3,010,212</u>	<u>623,489,021</u>	<u>1,987,613,037</u>

There have been no transfers between levels of fair value during the reporting period of 2017.

In the following table is presented the reconciliation from the initial balance to the final balance for financial assets available for sale at fair value, Level 3 of the fair value hierarchy:

	Assets available for sale – shares	Assets available for sale – fund units
2016		
Balance as at January 1, 2016	484,984,459	48,661,429
(Gains) or losses recognised in:		
- profit and loss account		(4,077,417)
- other comprehensive income	61,332,858	5,915,743
Adjustments for loss of value recognized in profit and loss account	(737,936)	
Acquisitions	13,409,884	14,000,000
Cost of acquisition of ceded holdings		
Balance as at December 31, 2016	<u>558,989,265</u>	<u>64,499,755</u>
2017		
Balance as at January 1, 2017	558,989,265	64,499,755
Transfers from valued to cost		
(Gains) or losses recognised in:		
- profit and loss account		
- other comprehensive income	1,019,836	10,044,811
Adjustments for loss of value recognized in profit and loss account		
Acquisitions / Entries		89,999,951
Cost of acquisition of ceded holdings		
Balance as at September 30, 2017	<u>560,009,101</u>	<u>164,544,517</u>

Although the Company considers its fair value estimates to be appropriate, the use of other methods or assumptions could lead to different values of fair value. For fair values recognized using a significant number of unobservable input data (Level 3), changing one or more assumptions in order to make possible alternative assumptions would have an effect on the overall result.

13. Investments held to maturity

denominated in RON

	September 30, 2017	September 30, 2016
Bonds	6,239,136	6,160,454
Interest attached related to govt. securities and bonds	80,798	176,263
Total	<u>6,319,934</u>	<u>6,336,716</u>

The balance of bonds as at September 30, 2017 and December 31, 2016 include corporate bonds issued by Banca Transilvania denominated in EURO, amounting to RON 6.3 million purchased in May 2013, convertible into Banca Transilvania shares, with maturity in May 2020, with a variable annual interest rate based on EURIBOR _{6 months} + a margin set at 6.25%;

Selected explanatory notes to the condensed financial statements as at September 30, 2017

14. Investment property

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Balance at January 1	19,466,667	19,288,964
Entries		
Transfer from tangible assets		
Exits		
Changes in fair value		177,703
Balance at the end of period	19,466,667	19,466,667

The balance of investment property includes lands and buildings' value gained through withdrawals from companies and the value of buildings owned following the closure of branch offices, at fair value.

15. Alte active financiare

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Sundry debtors	13,614,056	15,783,982
Current income tax receivables	341,575	355,009
Other financial assets	41,619	41,328
Impairment for depreciation of sundry debtors	-745,724	-745,724
Total	13,251,526	15,434,596

16. Deferred tax liabilities

Deferred tax assets and liabilities as at September 30, 2017 and December 31, 2016 are generated by the elements detailed in the following table:

September 30, 2017

<i>denominated in RON</i>	Assets	Liabilities	Net
Financial assets at fair value through profit and loss	-	-	-
Financial assets available for sale	-	985,598,474	-985,598,474
Tangible assets and investment property	-	11,930,808	-11,930,808
Total	0	997,529,282	-997,529,282
Net temporary differences - rate of 1%			-997,529,282
Net temporary differences - rate of 10%			0
Deferred tax liabilities			-159,604,686

2016

<i>denominated in RON</i>	Assets	Liabilities	Net
Financial assets at fair value through profit and loss	-309	-	-309
Financial assets available for sale	-	805,597,010	-805,597,010
Tangible assets and investment property	-	11,930,808	-11,930,808
Total	-309	817,527,818	-817,528,127
Corresponding tax on loss carried forward			-
Net temporary differences - 16% rate			-817,528,127
Deferred tax liabilities			-130,804,501

Selected explanatory notes to the condensed financial statements as at September 30, 2017

Deferred income tax liabilities in balance at September 30, 2017 in the amount of RON 159,604,686 (2016: RON 130,804,501) include:

- deferred income tax recognized by reducing equity in the amount of RON 138,063,798 lei (2016: RON 109,267,562), generated entirely by reserves for financial assets available for sale at fair value,
- deferred tax mainly for the differences from financial assets hyperinflation and adjustments for depreciation, of which the amount of RON 3,948 recognized in result for the current period and the amount of RON 21,536,939 recognized in retained earnings.

17. Other financial liabilities

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Liabilities to employees and related contributions	767,588	2,139,210
Taxes and fees	9,247	11,459
Internal suppliers	109,338	456,630
Amounts payable	0	1,857,823
Other creditors and prepaid earnings	500,696	
Total	1.386.868	4,465,122

18. Capital and reserves

(a) Capital social

The share capital of SIF Banat-Crişana as per Articles of Associations amounts to RON 54,884,926.80, divided into 548,849,268 shares with the nominal value of RON 0.1 and it is the result of direct subscriptions to the share capital of the company, by converting into shares the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As at September 30, 2017 the number of shareholders was 5,762,630 (December 31, 2016: 5,767,382).

The shares issued by SIF Banat-Crişana are traded on the Bucharest Stock Exchange since November 1999. The records of shares and shareholders are kept by Depozitarul Central S.A. Bucharest.

All shares are ordinary shares, subscribed and fully paid as at September 30, 2017 and December 31, 2016. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

Reconciliation of the share capital as per IFRS with the share capital in accordance with the Articles of Association is shown in the table below:

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Statutory share capital	54,884,927	54,884,927
The effect of applying IAS 29 on share capital	684,298,992	684,298,992
Restated share capital	739,183,919	739,183,919

Following approval of the General Meeting of Shareholders held in April 2016, during August 2016 a total of 30,849,268 shares were repurchased (the share capital will be reduced with a number of 28,849,268 shares and 2,000,000 shares will be distributed to employees, directors and administrators). The total value of share buyback was of RON 52,443,756.

Based on the decision of the general meeting of shareholders held in October 2016, that approved the repurchase of 20,000,000 own shares, in September 2017 a number of 539,276 shares were repurchased, for a total value of RON 1,348,190.

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

The reserve for the initial portfolio was set up under the application of Law no. 133/1996, as the difference between the portfolio value and the subscribed capital contribution to the company. Thus, these reserves are treated as an initial contribution (share premium) and are not used when selling the financial assets. Reconciliation of the reserve related to the initial portfolio as per IFRS with the reserve

Selected explanatory notes to the condensed financial statements as at September 30, 2017

according to the accounting regulations applicable up to the date of application of ASF Norm no. 39/2015 is presented in the following table:

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Reserves from the application of Law no. 133/1996	145,486,088	145,486,088
The effect of applying IAS 29 on reserves set up following the application of Law no. 133/1996	1,960,189,603	1,960,189,603
Reserves from the application of Law no. 133/1996	<u>2,105,675,691</u>	<u>2,105,675,691</u>

The effect of hyperinflation over the share capital amounting to RON 684,298,992 and over the reserve set-up following the application of Law no. 133/1996 amounting to RON 1,960,189,603 was recorded by reducing the retained earnings, resulting in an accumulated loss related to applying IAS 29 on the capital items in the amount of RON 2,644,488,595 at the end of each period presented.

(c) Reserves from revaluation of financial assets available for sale

This reserve comprises cumulative net changes in the fair values of financial assets available for sale from the date of their classification in this category to the date when they have been derecognized or impaired.

Reserves from the revaluation of financial assets available for sale are recorded net of related deferred tax.

(d) Legal reserves

As per the legal requirements, the Company sets-up legal reserves in the amount of 5% of recorded profit pursuant to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as at September 30, 2017, amounts to RON 10,976,985 (December 31, 2016: RON 10,976,985). In financial years 2016 and as at September 30, 2017, the Company has no longer set-up legal reserves from the appropriated profit, as these reached the upper limit of 20% of the share capital, as per the Articles of Association.

Legal reserves cannot be distributed to shareholders.

(e) Dividends

During the reporting period there was no approval of dividend distribution. During 2016 there was no approval of dividend distribution from the profit for the year 2015.

19. Earnings per share

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

<i>denominated in RON</i>	September 30, 2017	September 30, 2016
Profit attributable to ordinary shareholders	55,260,338	91,524,184
Weighted average number of ordinary shares	517,980,246	545,421,572
Basic earnings per share	<u>0.107</u>	<u>0.168</u>

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

20. Commitments and contingent liabilities

(a) Litigations

As at September 30, 2017, as per the records of Legal Dept. of the company, there were 98 litigations pending in Courts. The company had legal standing in 84 lawsuits and passive legal standing in 14 lawsuits.

Selected explanatory notes to the condensed financial statements as at September 30, 2017

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

SIF Banat-Crişana is in litigation with the company Transilvania Construcții Cluj, following the cancellation of the GMS's decision to distribute dividends, collected by the Company in 2015 through forced execution, and Transilvania Construcții SA appealed against the forced execution. As result of the litigation, all acts of forced execution undertaken during the proceedings were definitively annulled.

To keep in its patrimony the amount of RON 469,374, representing dividends on the basis of the resolution of the OGM held on 20.09.2013, and the accessories (penalties for delay, fees, etc.), SIF Banat-Crişana started a new forced execution against Transilvania Construcții SA, a case in which the debtor filed a new appeal against forced execution, but this time, SIF Banat-Crişana won the case in the first instance. A final result will be after the appeal will be judged.

The Management of the Company considers that the outcome of this dispute is not certain and predictable, and it may even be unfavourable to the Company, therefore a provision of RON 469,374 was set-up.

(b) Other commitments

Not the case

21. Related parties

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

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

Management staff

September 30, 2017

- As at September 30, 2017, the Board of Directors of SIF Banat-Crişana was comprised of 4 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica and Marcel Heinz Pfister.
- As at September 30, 2017, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi - CEO (General Director), Teodora Sferdian - Deputy General Director Adjunct, Riviș Laurențiu - Director.

December 31, 2016

- As at December 31, 2016, the Board of Directors of SIF Banat-Crişana was comprised of 7 members: Bogdan-Alexandru Drăgoi - Chairman, Octavian Avrămoiu - Vice-Chairman, Ștefan Dumitru, Valentin Chiser, Ion Stancu, Dan Weiler and Ionel Marian Ciucioi.
- As at December 31, 2016, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi - CEO (General Director), Octavian Avrămoiu - Deputy General Director, Teodora Sferdian - Deputy General Director.

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

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

Subsidiaries

As at September 3, 2017 and December 31, 2016, the Company held stakes in 11 companies.

Associated entities

The number of entities in which the Company holds stakes between 20% and 50% of the capital as at September 30, 2017 and December 31, 2016 is 27, of which:

Selected explanatory notes to the condensed financial statements as at September 30, 2017

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises a significant influence;
- b. 10 entities that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- c. 15 entities in insolvency / liquidation / bankruptcy.

Transactions with related parties during the interim reporting period:

During the reporting period, the company paid to the company Administrare Imobiliare SA (the management company of SIF Imobiliare) a total amount of RON 103,789, representing rent and operating expenses for the rented space.

On April 12, 2017, the last instalment of the subscription to the share capital increase at SIF Imobiliare PLC was paid, amounting to 409,113 euros.

In the Public Offer for Sale, a number of 368,748 bonds newly issued by Vrancart SA Adjud was purchased, in the total amount of RON 36,874,800.

On August 1, 2017, the Company purchased 24 shares in SAI Muntenia with a total value of RON 30,000.

22. Events after the period of the interim report

Not the case.