

SIF Banat-Crişana S.A.

**Condensed interim standalone financial statements
as at June 30, 2019**

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

unaudited

*FREE TRANSLATION
from Romanian which is the official and binding version*

CONTENTS

Condensed interim financial statements

Condensed statement of profit or loss and other comprehensive income	1
Condensed statement of financial position	2
Condensed statement of changes in equity	3 - 4
Condensed cash flow statement	5
Selected explanatory notes to the condensed financial statements	6 - 33

**Condensed statement of profit or loss and other comprehensive income
as at June 30, 2019**

<i>Denominated in RON</i>	<i>Note</i>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Income			
Dividend income	5	99,295,226	78,752,410
Interest income	6	3,161,382	1,861,764
Other operating revenues		85,698	180,677
Investment gains			
Gains on investment property		-	-
Net gain from foreign exchange differences		1,088,931	92,770
Net profit / (Loss) from financial assets at fair value through profit and loss	7	19,941,711	(20,200,830)
Profit/(Loss) from sale of assets	8	-	(553,308)
Expenses			
Commissions expenses	9	(1,645,436)	(1,649,491)
Other operating expenses	10	(6,725,878)	(6,176,293)
Profit before tax		<u>115,201,633</u>	<u>52,307,699</u>
Income tax	11	(7,756,484)	(1,517,266)
Net profit for the period		<u>107,445,150</u>	<u>50,790,433</u>
Other comprehensive income			
Fair value reserve financial assets:			
Amount transferred to profit or loss (debt instruments)			553,308
Change in fair value of the shares measured by other comprehensive income		148,460,370	45,453,165
Effect of the income tax related to them		(25,090,683)	2,667,838
Change of reserve from revaluation property, plant and equipment			
Other comprehensive income		<u>123,369,687</u>	<u>48,674,311</u>
Total comprehensive income for the period		<u>230,814,836</u>	<u>99,464,744</u>
Earnings per share			
Basic		0.208	0.098
Diluted		0.208	0.098

The condensed interim financial statements were approved by the Board of Directors on August 13, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Economic Director

Condensed statement of financial position *as at June 30, 2019*

<i>Denominated in RON</i>	<i>Note</i>	June 30, 2019	December 31, 2018
Assets			
Cash and cash equivalents	12	172,192,363	29,230,410
Bank deposits	13	-	6,044,457
Financial assets at fair value through profit or loss	14	1,165,595,158	1,105,989,265
Financial assets at fair value through other comprehensive income	15	1,329,683,020	1,279,345,173
Financial assets at amortized cost	16	6,602,842	6,505,683
Investment property	17	20,128,515	20,128,515
Tangible assets (property, plant and equipment)		3,089,928	3,203,517
Other financial assets	18	1,441,781	2,277,307
Other assets		153,516	218,926
Total assets		2,698,887,122	2,452,943,252
Liabilities			
Dividends payable		-	5,495
Deferred income tax liabilities	19	141,523,582	129,889,043
Other financial liabilities	20	3,927,690	1,614,344
Other liabilities and deferred revenues		10,401	13,757
Total liabilities		145,461,673	131,522,639
Equity			
Statutory share capital	21	51,746,072	51,746,072
The effect of applying IAS 29 on the share capital	21	645,164,114	645,164,114
Treasury shares	21	(223,486)	(223,486)
Losses from the repurchase of own shares		(559)	(559)
Benefits granted in equity instruments		3,570,000	2,380,000
Reserves set-up from the application of Law no. 133/1996	21	2,105,675,691	2,105,675,691
The effect of applying IAS 29 to equity elements on retained earnings	21	(2,605,353,717)	(2,605,353,717)
Accumulated profit		758,450,719	683,411,583
Other reserves		852,475,011	775,288,784
Reserves from revaluation of tangible assets		105,016	105,016
Legal reserves		10,349,214	10,349,214
Differences from the change in fair value of financial assets measured by other items of comprehensive income		731,467,374	652,877,901
Total equity		2,553,425,449	2,321,420,613
Total liabilities and equity		2,698,887,122	2,452,943,252

The condensed interim financial statements were approved by the Board of Directors on August 13, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Economic Director

Condensed Statement of Changes in Equity as at June 30, 2019

Denominated in RON

	Inflated share capital	Treasury shares	Losses from the repurchase of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Changes from revaluation of financial assets through other comprehensive income	Reserves from revaluation of fixed assets	Other reserves	Benefits granted in equity instruments	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at January 1, 2018	696,910,187	(223,487)	(559)	10,349,214	2,105,675,691	652,877,901	105,016	775,288,783	2,380,000	683,411,583	(2,605,353,718)	2,321,420,613
Comprehensive income												
<i>Profit for the period</i>	-			-		-				107,445,150	-	107,445,150
<i>Other comprehensive income</i>												
Reserve from revaluation of financial assets transferred to profit or loss	-			-		-				-	-	-
Reserve from revaluation of financial assets transferred to retained earnings	-			-								
Change in reserve	-			-		95,644,508				52,815,861	-	148,460,370
Revaluation of tangible assets												-
Related deferred tax						(17,055,035)				(8,035,648)		(25,090,683)
Total comprehensive income for the period	-	-	-	-	-	78,589,473	-	-	-	152,225,363	-	230,814,836
Other reserves – own sources								77,186,227		(77,186,227)		-
Transactions with shareholders recognized directly in equity												
Dividends payable for 2018	-			-		-				-	-	-
Dividends written-off	-			-		-				-	-	-
Repurchase of own shares									1,190,000			1,190,000
Cancellation of treasury shares												-
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	-	77,186,227	1,190,000	(77,186,227)	-	1,190,000
Balance at June 30, 2019	696,910,187	(223,487)	(559)	10,349,214	2,105,675,691	731,467,375	105,016	852,475,011	3,570,000	758,450,718	(2,605,353,718)	2,553,425,449

The condensed interim financial statements were approved by the Board of Directors on August 13, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Economic Director

Condensed Statement of Changes in Equity as at June 30, 2019

Denominated in RON

	Inflated share capital	Treasury shares	Losses from the repurchase of own shares	Legal reserves	Reserves from the application of Law no. 133/1996 (including hyperinflation)	Changes from revaluation of financial assets through other comprehensive income	Reserves from revaluation of fixed assets	Other reserves	Benefits granted in equity instruments	Accumulated profit	The effect of applying IAS 29 on items of equity on retained earnings	Total
Balance at December 31, 2017	700,330,055	(4,748,190)	(124,659)	10,976,985	2,105,675,691	1,251,829,179	97,794	690,289,841	0	145,433,106	2,291,240,143	2,291,240,143
Balance as at January 1, 2018 - restated	700,330,055	(4,748,190)	(124,659)	10,976,985	2,105,675,691	1,176,253,311	97,794	690,289,841	0	239,606,863	2,309,838,033	2,309,838,033
Comprehensive income												
<i>Profit for the period</i>	-	-	-	-	-	-	-	-	-	50,790,433	-	50,790,433
<i>Other comprehensive income</i>												
Reserve from revaluation of assets available for sale transferred to profit or loss	-	-	-	-	-	553,308	-	-	-	-	-	553,308
Reserve from revaluation of assets transferred to retained earnings as per IFRS 9	-	-	-	-	-	(70,186,930)	-	-	-	70,186,930	-	0
Change in fair value for subsidiaries	-	-	-	-	-	(376,323,691)	-	-	-	376,323,691	-	0
Change in reserve from revaluation of financial assets through other comprehensive income	-	-	-	-	-	45,453,165	-	-	-	-	-	45,453,165
Revaluation of tangible assets	-	-	-	-	-	-	-	-	-	-	-	-
Related deferred tax	-	-	-	-	-	2,667,838	-	-	-	(11,132,023)	-	(8,464,185)
Total comprehensive income for the period	-	-	-	-	-	(397,836,310)	-	-	-	486,169,031	-	88,332,722
Other reserves – own sources	-	-	-	-	-	-	-	69,553,194	-	(69,553,194)	-	0
Transactions with shareholders recognized directly in equity												
Dividends payable for 2017	-	-	-	-	-	-	-	-	-	-	-	-
Dividends written-off	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of own shares	-	-	-	-	-	-	-	-	595,000	-	-	595,000
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	0
Total transactions with shareholders recognized directly in equity	-	-	-	-	-	-	-	-	595,000	-	-	595,000
Balance at June 30, 2018	700,330,055	(4,748,190)	(124,659)	10,976,985	2,105,675,691	778,417,001	97,794	759,843,035	595,000	656,222,700	(2,608,519,658)	2,398,765,755

The condensed interim financial statements were approved by the Board of Directors on August 13, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Economic Director

Condensed cash flow statement as at June 30, 2019

<i>Denominated in RON</i>	<i>Note</i>	June 30, 2019	June 30, 2018
Operating activities			
Net profit for the period		107,445,150	50,790,433
<i>Adjustments for:</i>			
Depreciation of tangible and intangible assets		124,254	139,888
Net (gain)/loss from disposal of tangible assets		1,585	4,557
Gain from valuation of investment property		0	0
Net profit from sale of assets (debt instruments)	8	0	553,308
(Net gain)/Net loss from financial assets at fair value through profit or loss		(19,941,711)	20,200,831
Dividend income	5	(99,295,226)	(78,752,410)
Interest income	6	(3,161,382)	(1,861,766)
Expense with / (income from) foreign exchange differences financial assets		(780,552)	(3,370)
Benefits granted in equity instruments		1,190,000	0
Income tax	11	7,756,484	1,517,266
Changes in operating assets and liabilities			
Change in other assets (claims, etc.)		63,674	(1,132,641)
Change in other liabilities		(853,730)	(802,489)
Income tax paid		(12,117,804)	(25,588,823)
Net cash used in operating activities		(19,569,258)	(34,935,216)
Investment activities			
Payments for acquisition of shares in subsidiaries and other financial assets (shares, fund units, govt. bonds)	14, 15	(128,773,554)	(133,183,428)
Proceeds from sales of financial assets (shares, govt. bonds)		103,332,318	136,544,019
(Placements) / Proceeds from term deposits greater than three months		6,000,000	4,800,000
Proceeds from sale of assets at fair value through profit or loss account		84,698,625	16,000,255
Proceeds / (Payments) from sale of assets measured at amortized cost		0	0
Proceeds for sale of tangible assets and investment property		0	0
Payments for purchases of tangible assets		(11,703)	(25,899)
Dividends collected		94,354,698	71,686,360
Interest collected		2,936,322	3,456,155
Net cash from investment activities		162,536,706	99,277,463
Financing activities			
Dividends paid		(5,495)	
Repurchase of own shares		0	
Net cash used in financing activities		(5,495)	0
Net increase / (decrease) in cash and cash equivalents		142,961,953	64,342,248
Cash and cash equivalents at January 1		29,230,410	11,320,217
Cash and cash equivalents at the end of the period		172,192,363	75,662,465

The condensed interim financial statements were approved by the Board of Directors on August 13, 2019 and were signed on its behalf by:

Bogdan-Alexandru Drăgoi
Chairman, CEO

Dorel Baba
Economic Director

Selected explanatory notes to the condensed financial statements as at June 30, 2019

1. Reporting entity

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

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

The main activity of the company:

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

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

The custodian bank of the Company is BRD Groupe Société Générale, and the company providing registry services is Depozitarul Central SA Bucharest.

The interim financial statements, condensed, prepared as at the end of June 30, 2019, are not audited or reviewed.

2. Basis of preparation

(a) Statement of compliance

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

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

These condensed interim financial statements as at June 30, 2019, have been prepared pursuant to the requirements of IAS 34 "Interim Financial Reporting" and should be read together with the standalone financial statements for 2018 prepared in accordance with Rule no. 39/2015 for the approval of the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF of Financial Instruments and Investments Sector (The Rule).

Pursuant to Regulation no. 1606/2002 of the European Parliament and the EU Council of July 19, 2002, and Law no. 24/2017 on issuers of financial instruments and market operations, the company is required to prepare and submit to the Financial Supervisory Authority (ASF) annual consolidated financial statements pursuant to IFRS, within 4 months from the end of the financial year. The Company prepared and published consolidated financial statements for the financial year 2018.

As per the requirements of Law no. 24/2017 and the ASF Regulation no. 5 on Issuers of Financial Instruments and Market Operations, the Company has to prepare and publish consolidated interim financial statements for H1 2019 within 3 months of the end of the period.

During H1 2018, the Company reanalysed the criteria for the classification of as an investment entity and ascertained that the requirements are met, except for subsidiaries providing investment services (SAI Muntenia Invest, Administrare Imobiliare SA). Thus, in accordance with IAS 27 and IFRS 10, starting with financial year 2018, the Company measures all its subsidiaries at fair value through profit or loss, except for subsidiaries providing investment-related services, that will continue to be consolidated. Under these

Selected explanatory notes to the condensed financial statements as at June 30, 2019

circumstances, the Company will prepare two sets of financial statements: standalone and consolidated financial statements, in accordance with IFRS 10 and IAS 27. At the same time, in May 2019, the Company reviewed the analysis regarding the fulfilment of the classification criteria as an investment entity, concluding that they are met, and that it will also apply the exception provided by IFRS 10 regarding the investment entities for the financial statements related to the financial year 2019.

(b) Presentation of the financial statements

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

(c) Basis of measurement

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

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

(d) Functional and presentation currency

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

(e) Use of estimates and judgements

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

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

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

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

(f) Changes in the accounting policies

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

3. Significant accounting policies - extract

The accounting policies used in these condensed interim financial statements are the consistent with those of the standalone financial statements prepared as at December 31, 2018.

Assets and financial liabilities

Financial assets, as per IFRS 9, include the following:

- investments in equity instruments (e.g. shares)
- investments in debt instruments (e.g. securities, bonds, loans)
- trade receivables and other receivables;
- cash and cash equivalents;
- derivatives;
- shareholdings in subsidiaries, associates and joint ventures - subject to IFRS 10 / IAS 27 / IAS 28.

Selected explanatory notes to the condensed financial statements as at June 30, 2019

(i) Classification

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

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

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

Business model

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

Model of assets held for collecting

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

Model of assets held for collecting and sale

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

Other business model

- Assets managed for the purpose of cash flow from sales;
- Collecting cash flows associated with these investments is incidental, it is not the purpose of holding them;
- Assets whose performance is managed and reported on the basis of their fair value;
- Debt instruments acquired for sale in the near future are intended for short-term profit or are derivatives;
- Their accounting is at fair value through profit and loss account.

SPPI test

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

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

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

There are also ratios that, although they would require a registration at fair value, can comply, under certain circumstances, with the SPPI criterion and so the respective assets should be accounted for at amortized cost:

- the existence of an anticipated reimbursement option or extension of the asset term;
- assets without recourse that should guarantee the debt reimbursement
- contractually related instruments.

Financial assets measured at fair value through profit or loss (FVTPL)

A financial asset must be measured at fair value through profit or loss, except if it is measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through other comprehensive income (FVOCI)

A financial asset, such as debt instruments, must be measured at fair value through other comprehensive income if both conditions presented below are met:

- a) the financial asset is held within a business model whose goal is achieved by collecting the contractual cash flows and the sale of financial assets and
- b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed. The company can make an irrevocable choice upon the initial recognition in case of certain investments in equity instruments that otherwise would have been evaluated at the fair value through profit or loss to present the subsequent modifications of the fair value in other comprehensive income (according to pt. 5.7.5 and 5.7.6 of IFRS 9 – Financial Instruments).

Financial instruments measured at amortized cost

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

- (a) the financial asset is held within a business model whose goal is to hold financial assets in order to collect the contractual cash flows and
- (b) the contractual terms of the financial asset give rise, on certain dates, to cash flows that are exclusively payments of the principal and of the interest corresponding to the principal owed.

Financial liabilities – They are measured at amortized cost, except for the financial liabilities classified at fair value through profit or loss.

(ii) Recognition

The assets and liabilities are recognized on the date when the Company becomes a contractual party to the conditions of the respective instrument. When the Company recognizes a financial asset for the first time, it must classify it according to pt. 4.1.1 - 4.1.5 (at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income) of IFRS 9 and to assess it according to pt. 5.1.1-5.1.3. (a financial asset or financial liability is measured at fair value adding or subtracting the transaction costs, directly attributable to the acquisition or issue of the asset or liability).

(iii) Measurement

After the initial recognition, the entity must measure (assess) the financial assets according to pt. 4.1.1 – 4.1.5 of IFRS 9 at:

- a) Amortized cost;
- b) Fair value through other comprehensive income; or
- c) Fair value through profit or loss.

After the initial recognition, the entity must measure the financial liabilities according to pt. 4.2.1-4.2.2 of IFRS 9. Thus, the Company will classify all financial liabilities at amortized cost, except for:

- a) the financial liabilities measured at fair value through profit or loss;
- b) the financial liabilities that appear when the transfer of a financial asset does not qualify for derecognition;
- c) financial collateral contracts valued at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15);

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

- d) commitments to provide a loan at an interest rate below the market value measured at the highest of the loss provision value (Section 5.5 of IFRS 9) and the amount initially recognized less accumulated income (recognized under IFRS 15)
- e) Contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Measurement at amortized cost

The amortized cost of a financial asset or of a financial liability is the value at which the financial asset or the financial liability is measured after the initial derecognition minus the reimbursement of principal, plus or minus the accumulated amortization using the effective interest method for each difference between the initial value and the value at due date, and minus any reduction (direct or by the use of an adjustment account) for impairment or un-recoverability.

The effective interest rate represents the rate that updates exactly the future payments and proceeds in cash during the forecasted life of the financial instrument or, where applicable, during a shorter period, up to the level of the net carrying amount of the financial asset or of the financial liability. For the calculation of the effective interest rate, the entity must estimate the cash flows considering all contractual conditions of the financial instrument but must not consider the future losses from the changes in credit risk. The calculation includes all fees paid or cashed by the contracting parties that make integral part of the effective interest rate, transaction costs and all the other premiums and discounts.

Measurement at fair value

Fair value represents the price that would be received upon the sale of an asset or paid to extinguish a debt within a transaction developed under normal conditions between the participants in the principal market, on the measurement date, or in the absence of the principal market, on the most advantageous market to which the Company has access at that date.

The company measures the fair value of a financial instrument using the prices quoted on an active market for that instrument. A financial instrument has an active market if for that instrument quoted prices are readily available and regularly. The company measures the instruments quoted on the active markets using the closing price.

A financial instrument is considered as being quoted on an active market when the quoted prices are readily available and regularly from an exchange, dealer, broker, association within the industry, a service for establishing the prices or a regulatory agency, and these prices reflect the transactions occurring actually and regularly, developed under objective market conditions.

Within the category of shares quoted on an active market, all those shares admitted to trading on the Stock Exchange or on the alternative market having frequent transactions are included. The market price used to determine the fair value is the closing price of the market on the last trading day before the measurement date.

The fund units are measured according to the Unitary Net Asset Value, calculated by the fund administrator using the closing quotations for the quoted financial instruments. If the Company notices that there is no active market for the fund holding, it recurs for measurement to the public financial statements of the fund holding, respectively to the net asset value. According to the net asset, a corrected Unitary Net Asset Value is obtained used to evaluate the units in the financial statements of SIF Banat-Crișana.

Government securities (bonds) are measured based on the market quotation available on Bloomberg for the respective item, multiplied by the unit nominal value.

In the absence of a price quotation on an active market, the Company uses measurement techniques. The fair value of the financial assets not traded on an active market is determined by authorized valuers, within the current assessment compartment within the Company and by external valuers.

The valuation techniques include techniques based on the use of observable inputs, such as the quoted price of the identical element held by another party as asset, on a market that is not active, and for the assets for which the observable prices are not available, measurements techniques based on the analysis of the updated cash flows, and other measurement methods used regularly by the market participants. These include the method of comparisons with similar instruments for which there is an observable market price or the percentage method of the net assets of these companies adjusted with a discount for minority ownership and a discount for lack of liquidity, using at maximum the market information, being based at

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

minimum on the specific company information. The Group uses evaluation techniques that maximize the use of observable data and minimize the use of non-observable data.

The assessment techniques are used consistently.

The value resulted through the use of a measurement model is adjusted depending on the number of factors, because the valuation techniques do not reflect reliably all factors considered by the market participants when closing a transaction. The adjustments are recorded so that to reflect the risk models, the differences between the sale and purchase quotations, the liquidity risks as well as other factors. Company's management considers that these adjustments are necessary to present a correct measure of the value of the financial instruments held at fair value in the statement of financial position.

(iv) Identification and measurement of value impairment

The Company must recognize a provision for the forecasted losses from credit corresponding to a financial asset that is measured according to pt. 4.1.2 or 4.1.2A of IFRS 9 (debt instruments measured at amortized cost or at the fair value through other comprehensive income), a receivable resulting from a leasing agreement, a credit commitment and a financial guarantee agreement.

The Company applies the impairment provisions for the recognition of the provision for losses corresponding to the assets measured at fair value through other comprehensive income (debt instruments that meet the criteria of pt. 4.1.2A of IFRS 9 – assets held in order to collect the cash flows and sales, whose cash flows represent exclusively principal reimbursement or interest payments). The provision so determined is recognized considering other comprehensive income and does not reduce the carrying amount of the financial asset from the statement of the financial position.

On each reporting date, the Company measures the provision for losses corresponding to a financial instrument at a value equal to:

- The credit losses forecasted for a 12-month period, if the credit risk has not increased significantly as of the initial recognition;
- The credit losses forecasted during the entire life, if the credit risk has increased significantly as of the initial recognition.

The Company recognizes in profit or loss, as earnings or losses from impairment, the value of the forecasted, recognized or reversed losses, required to adjust the provision for losses on the reporting date up to the level imposed by the provisions of IFRS 9.

The Company assesses the expected credit losses of a financial instrument so that it represents:

- An impartial value, resulted from the weighting of more possible results depending on the probabilities related thereto;
- The time value of money;
- Reasonable information available at no cost or disproportionate effort at reporting date.

The Company may assume that the risk credit for a financial instrument has not increased significantly as of the initial recognition if the financial instrument is considered to have a low credit risk on the reporting date. A financial instrument is considered to have a low credit risk if:

- The debtor has a high capacity to meet the obligations associated with short-term contractual cash flow;
- Unfavourable changes in the business and the business environment may, but not necessarily, reduce the debtor's ability to meet its obligations.

In the assessment of low credit risk for issuers, no real collateral is taken into account. At the same time, financial instruments are not considered to be low-risk only because they have a lower risk than the other instruments issued by the debtor or in comparison with the credit risk prevailing in the geographical region or the jurisdiction in which it operates. In the credit risk assessment, the company uses both external credit risk ratings and internal ratings that are consistent with generally accepted definitions of credit risk.

(v) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows from that financial asset expires, or when the Company transferred the rights to receive the contractual cash flows corresponding to that financial asset in a transaction in which it transferred significantly all risks and benefits of the ownership right.

Selected explanatory notes to the condensed financial statements as at June 30, 2019

Any interest in the financial assets transferred retained by the Company or created for the Company is recognized separately as an asset or liability.

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

Derecognition of financial assets and liabilities is accounted for using the weighted average cost method.

(vi) Reclassifications

If the Company reclassifies the financial assets according to pt. 4.4.1 of IFRS 9 (as a result of changing the business model for the management of its financial assets), then all the affected financial assets will be reclassified. The financial liabilities cannot be reclassified after the initial recognition.

The Company applies the reclassification of financial assets prospectively as of the reclassification date. The eventual earnings, losses or interests previously recognized will not be restated.

If a reclassification occurs, the Company proceeds as follows:

- When reclassifying an asset in the amortized cost category to fair value through profit or loss, the fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in profit or loss;
- When reclassifying an asset in the fair value through profit or loss category to the amortized cost, the fair value at the date of reclassification becomes the new gross carrying amount;
- When reclassifying an asset in the amortized cost category to fair value through other comprehensive income, fair value is determined at the date of reclassification. The difference between the amortized cost and the fair value is recognized in other comprehensive income, without adjusting the effective interest rate or the expected loss from the borrowing;
- When reclassifying an asset in the fair value category by other elements of the comprehensive income to the amortized cost, the reclassification is carried at the fair value of the asset from the reclassification date. Amounts previously recognized in other comprehensive income are eliminated in relation to the fair value of the asset, without affecting the profit or loss account. The actual interest rate and the expected loss on credit are not adjusted as a reclassification effect;
- When reclassifying an asset in the fair value through profit or loss category to fair value through other comprehensive income, the asset continues to be measured at its fair value;
- When reclassifying an asset of fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be measured at fair value. Amounts previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment (as per IAS1).

(vii) Gains and losses

Gains or losses resulting from a change in the fair value of a financial asset or of a financial liability that is not part of a hedging relationship are recognized as follows:

- a) The gains or losses generated by financial assets or financial liabilities classified as being measured at fair value through profit or loss are recognized in profit or loss;
- b) The gains or losses generated by a financial asset at fair value through other comprehensive income are recognized at other comprehensive income.

When the assets are derecognized, the accumulated losses or gains previously recognized in other comprehensive income:

- are reclassified from equity in profit or loss, in the case of debt instruments;
- are transferred to retained earnings, in case of equity instruments (shares).

When the financial assets are impaired or derecognized and the financial liabilities are accounted for at amortized cost, and through their amortization process, the Company recognizes the gains or the loss in the income statement.

As regards the recognized financial assets using the settlement date accounting, no change of the fair value of the asset to be received during the period between the trading date and the settlement date is recognized for the assets carried at cost or at amortized cost (except for impairment losses). But for the assets accounted for at fair value, the change in fair value must be recognized in profit or loss or in equity, as the case may be.

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

Other financial assets and liabilities

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

4. Management of significant risks

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

The most significant financial risks to which the Company is exposed to are the credit risk, the liquidity risk and the market risk. The market risk includes the foreign currency risk, the interest rate risk and the price risk of the equity instruments. This note provides information on the Company's exposure to each of the above-mentioned risks, the Company's objectives and policies, and the risk assessment and risk management processes.

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

4.1 Financial risks

(a) Market risk

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

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

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

Concentration risk

Concentration risk relates to all assets held by the Company, regardless of their holding period, and through diminishing this risk is intended to avoid a too large exposure against the same debtor/entity at Company level.

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

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

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

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

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

(i) Equity Price risk

Price risk is the risk of decline both in value of a security or portfolio related to changes in asset prices.

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

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

A positive change of 10% in the price of financial assets at fair value through profit or loss (shares of subsidiaries, associates and fund units) would lead to an increase in profit after tax by RON 110,752,130 (December 31, 2018: RON 92,903,098), a negative change of 10% having an equal net impact on the opposite direction.

A positive change of 10% in the prices of financial assets measured at fair value through other comprehensive income, investments in shares and unit funds would lead to an increase in equity, net of tax, of RON 113,692,481 (December 31, 2018: RON 107,464,995), a negative change of 10% with an equal net impact on an opposite direction.

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

As it can be noticed from the table below, as at June 30, 2019, the Company mainly held shares in companies in the banking-financial and insurance field, having a weight of 50.6% on the total portfolio, decreasing as compared to the 51.2% as at December 31, 2018.

in RON	June 30, 2019	%	December 31, 2018	%
Financial intermediation and insurance	1,083,787,166	50.6%	1,047,441,047	51.2%
Manufacturing industry	372,007,266	17.4%	333,231,839	16.3%
Hotels and restaurants	139,366,047	6.5%	126,746,145	6.2%
Wholesale and retail trade, repair of motor vehicles	32,339,186	1.5%	37,902,258	1.9%
Production and supply of energy, gas and water	25,291,310	1.2%	27,242,153	1.3%
Extractive industry	64,774,668	3.0%	54,416,217	2.7%
Other activities	3,020,966	0.1%	2,901,664	0.1%
Financial services applicable to real estate	348,746,547	16.3%	344,682,950	16.9%
Constructions	207,671	0.0%	667,238	0.0%
Transportation and storage	60,769,588	2.8%	57,659,329	2.8%
Rental of property investment	10,180,520	0.5%	10,570,630	0.5%
Agriculture, forestry and fishing	369,746	0.0%	378,546	0.0%
TOTAL	2,140,860,680	100%	2,043,840,016	100%

As at June 30, 2019 and December 31, 2018, the Company holds fund units at the closed investment funds Active Plus, Optim Invest, Certinvest Shares, Star Value and Romania Strategy Fund (as at December 31, 2018 also Omnitrend closed investment fund). The Company is exposed to price risk in terms of placements made with different degrees of risk by these Investment Funds, the fair value of the investments in these assets being as at June 30, 2019 of RON 300,585,243 (December 31, 2018: RON 295,681,969).

(ii) Interest rate risk

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

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

or other instruments whose interest has grown, and vice versa - a reduction in interest rate on the market may increase the price of shares and bonds and will lead to an increase in the fair value of future cash flows.

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

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

The Company does not use derivative financial instruments to protect itself against interest rate fluctuations.

The following table shows the annual interest rates earned by the Company for interest-bearing assets H1 2019:

Financial assets	RON interval		EUR interval	
	Min	Max	Min	Max
Cash and cash equivalents	1.00	3.00	-	-
Financial assets at fair value through profit and loss*	5.03	5.39	6.00	6.00
Financial assets at fair value through other comprehensive income**	-	-	5.75	5.75
Investments measured at amortized cost	-	-	5.98	6.01

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

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

The following table shows the annual interest rates earned by the Company for interest-bearing assets during H1 2018:

Financial assets	RON interval		EUR interval	
	Min	Max	Min	Max
Cash and cash equivalents	0.45	2.20	-	-
Financial assets at fair value through profit and loss	3.85	4.28	-	-
Financial assets at fair value through other comprehensive income*	3.25	5.75	5.75	5.75
Investments measured at amortized cost	-	-	5.98	5.98

* Financial assets at fair value through all items of comprehensive income include government bonds (interest is the nominal coupon, not yield on acquisition / adjudication) and corporate bonds

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

<i>in RON</i>	<u>June 30, 2019</u>
Cash and cash equivalent*	172,126,172
Bank deposits	-
Financial assets at fair value through profit and loss – corporate bonds	48,213,890
Financial assets at fair value through comprehensive income – corporate bonds	4,971,855
Investments measured at amortized cost – corporate bonds	6,423,634
TOTAL	<u>231,735,551</u>

* Within the cash equivalents short-term investments in bank deposits (maturity less than 3 months) in the amount of RON 99 million are included

Selected explanatory notes to the condensed financial statements as at June 30, 2019

<i>in RON</i>	December 31, 2018
Cash and cash equivalent	15,500,000
Bank deposits	6,000,000
Financial assets at fair value through profit and loss – corporate bonds	40,562,280
Financial assets at fair value through comprehensive income – corporate bonds	4,872,610
Investments measured at amortized cost – corporate bonds	6,327,044
TOTAL	73,261,933

The impact on the Company's net profit and equity of a change of $\pm 1.00\%$ in the interest rate related to variable interest-bearing assets and liabilities and expressed on other currencies corroborated with a change of $\pm 1.00\%$ in the interest rate related to variable interest bearing assets in RON is of RON 1,946,579 (December 31, 2018: RON 615,400).

(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 Company invests in financial instruments and enters into transactions which are denominated in currencies other than the functional currency, thus being exposed to risks that the exchange rate of the national currency in relation to another currency may adversely affect the fair value or future cash flows of that share of financial assets and liabilities denominated in other currencies.

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

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

The Company has not entered into any fix derivative transaction during the financial years presented.

The Company's assets and liabilities in RON and foreign currencies at June 30, 2019 and December 31, 2018 can be analysed as follows:

<i>Financial assets exposed to foreign currency risk (in RON) in RON</i>	June 30, 2019
Cash and cash equivalent	71,596,043
Bank deposits	-
Financial assets at fair value through profit and loss*	32,751,532
Financial assets at fair value through comprehensive income**	228,311,298
Investments measured at amortized cost	6,602,842
TOTAL	339,261,715

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

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

<i>Financial assets exposed to foreign currency risk (in RON) in RON</i>	December 31, 2018
Cash and cash equivalent	9,025,982
Bank deposits	-
Financial assets at fair value through profit and loss*	20,255,448
Financial assets at fair value through comprehensive income**	290,081,290
Investments measured at amortized cost	6,505,683
TOTAL	325,868,403

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

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

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

	June 30, 2019		December 31, 2018	
	Impact on P&L account	Impact on OCI	Impact on P&L account	Impact on OCI
EUR increase with 5% (2018: 5%)	4,869,130	9,379,862	1,229,820	12,456,653
EUR decrease with 5% (2018: 5%)	(4,869,130)	(9,379,862)	-1,229,820	-12,456,653
Total	-	-	-	-

(b) Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet its contractual obligations, or a financial engagement in which it has entered into a relationship with the Company, resulting in a loss for the Company. The Company is exposed to credit risk as a result of investments in bonds issued by commercial companies or the Romanian State, current accounts and bank deposits and other receivables.

The management of the Company closely monitors and expands the exposure to credit risk so that it does not suffer losses as a result of the concentration of credit in a particular sector or field of activity.

As at June 30, 2019 and December 31, 2018, the Company did not have any security interests as insurance, nor any other credit enhancement.

As at June 30, 2019 and December 31, 2018, the Company did not record outstanding financial assets, but they are not impaired.

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

June 30, 2019	Current accounts	Bank deposits	Bonds issued by financial entities (measured at amortized cost)	Corporate bonds (measured at FVOCI)	Corporate bonds (measured at FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating AAA to A-							
BBB+	72,187,103	18,000,000					90,187,103
BBB	23,645						23,645
BB+	906,735	81,000,000	6,602,842				88,509,577
Baa1	3,848						3,848
Ba2	3,236						3,236
NR	1,606			4,981,254	48,851,003	1,441,781	55,275,643
TOTAL	73,126,172	99,000,000	6,602,842	4,981,254	48,851,003	1,441,781	234,003,052

Selected explanatory notes to the condensed financial statements as at June 30, 2019

December 31, 2018	Current accounts	Bank deposits	Bonds issued by financial entities (measured at amortized cost)	Corporate bonds (measured at FVOCI)	Corporate bonds (measured at FVTPL)	Other financial assets	Total
<i>Current and not impaired</i>							
Rating AAA to A-							
BBB+	10,988,692	13,000,000					23,988,692
BBB	24,299						24,299
BB+	2,698,188	8,500,000	6,505,683				17,703,871
Baa2	4,367						4,367
Ba3	3,554						3,554
C	284						284
NR	1,501			4,882,639	40,929,816	2,277,307	48,091,262
TOTAL	13,720,885	21,500,000	6,505,683	4,882,639	40,929,816	2,277,307	89,816,329

The Company's maximum exposure to credit risk is of RON 234,003,052 as at June 30, 2019 (December 31, 2018: RON 89,816,329) and can be analysed as follows:

Exposure of current accounts and deposits placed at banks (excluding interest accrued)

	Credit rating			June 30, 2019	December 31, 2018
BRD - Groupe Société Générale	BBB+	BRD - Groupe Société Générale	Fitch	90,139,571	23.940.933
Banca Transilvania	BB+	Banca Transilvania	Fitch	81,906,735	11.197.124
Banca Comercială Română	BBB+	Banca Comercială Română	Fitch	46,993	46.776
Intesa Sanpaolo Romania*	BBB	Intesa Sanpaolo Italia	Fitch	23,645	24.299
Raiffeisen Bank Romania	Baa1	Raiffeisen Bank Romania	Moody's	3,848	4.367
Alpha Bank Romania	Ba2	Alpha Bank Romania	Moody's	3,236	3.554
Bancpost**	C	Eurobank Ergasias Athens	Fitch	-	1.064
UniCredit Tiriac	BBB+	UniCredit Tiriac	Fitch	538	983
Banca Comercială Feroviara	NR			1,483	1.501
Piraeus Bank Romania***	NR	J. C. Flowers	Fitch	123	284
TOTAL				172,126,172	35.220.885

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

** At the end of year 2018, the taking over of Bancpost by Banca Transilvania was completed.

***In 2018, the local subsidiary of Piraeus Bank Greece was taken over by the American investment fund JC Flowers, the name of the bank was changed to First Bank

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

Of other financial assets category, sundry debtors, amounting to RON 1,313,517 (December 31, 2018: 34,519) are not past due and not impaired.

As at June 30, 2019 the Company considers impaired the value of the receivables (within sundry debtors) amounting to RON 1,406,362 (December 31, 2018 RON 1,406,362 representing dividends and penalties due from the companies in the portfolio and not collected for the previous periods.

(c) Liquidity risk

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

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

The breakdown of assets and liabilities was analysed based on the remaining period from the balance sheet date to contractual maturity date, both as at June 30, 2019 and December 31, 2018, as follows:

<i>in RON</i>	Book value	Less than 3 months	3 to 12 months	More than 1 year	No fixed maturity
June 3, 2019					
Financial assets					
Cash and cash equiv.	172,192,363	172,179,153	-	-	13,210
Bank deposits	-	-	-	-	-
Financial assets at fair value through profit and loss	1,165,595,158	364,838	272,275	48,213,890	1,116,744,155
Financial assets at fair value through other comprehensive income	1,329,683,020	-	9,399	4,971,855	1,324,701,766
Financial assets at amortized cost	6,602,842	179,208	6,423,634	-	-
Other financial assets	1,441,781	1,441,781	-	-	-
Total financial assets	2,675,515,164	174,164,980	6,705,308	53,185,745	2,441,459,131
Financial liabilities					
Dividends payable	-	-	-	-	-
Other financial liabilities	3,927,690	3,927,690	-	-	-
Total financial liabilities	3,927,690	3,927,690	-	-	-
Liquidity surplus	2,671,587,474	170,237,290	6,705,308	53,185,745	2,441,459,131

<i>in RON</i>	Book value	Less than 3 months	3 to 12 months	More than 1 year	No fixed maturity
December 31, 2018					
Financial assets					
Cash and cash equiv.	29,230,410	29,230,410	-	-	-
Bank deposits	6,044,457	3,030,457	3,014,000	-	-
Financial assets at fair value through profit and loss	1,105,989,265	-	-	40,929,816	1,065,059,449
Financial assets at fair value through other comprehensive income	1,279,345,173	-	-	4,882,639	1,274,462,535
Financial assets at amortized cost	6,505,683	-	-	6,505,683	-
Other financial assets	2,277,307	2,277,307	-	-	-
Total financial assets	2,429,392,294	34,538,174	3,014,000	52,318,137	2,339,521,984
Financial liabilities					
Dividends payable	5,495	5,495	-	-	-
Other financial liabilities	1,614,344	1,614,344	-	-	-
Total financial liabilities	1,619,839	1,619,839	-	-	-
Liquidity surplus	2,427,772,455	32,918,335	3,014,000	52,318,137	2,339,521,984

4.2 Other risks

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

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

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

The risk management takes into account the maximization of the Company profit related to the risk level it is exposed to.

Selected explanatory notes to the condensed financial statements as at June 30, 2019

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

(a) Taxation risk

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

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

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

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

(b) Economic environment risk

SIF Banat-Crișana's management cannot predict all the effects of the financial crisis with an impact on the financial sector in Romania, but has confidence in that in the first six months of 2019 has adopted the necessary measures for the Company's sustainability and development under the present state of the financial market by monitoring its cash flows and adapting its investment policies.

Risk avoidance and mitigation of their effects is ensured by the company through an investment policy which complies with prudential rules imposed by the applicable laws and regulations in force.

SIF Banat-Crișana has adopted risk management policies through which risks are managed actively, by implementing specific risk identification, evaluation, measurement and control procedures meant to provide reasonable assurance with respect to the achievement of the Company's objectives, thus seeking a consistent balance between risk and expected profit.

The risk management aims at: (i) identifying and assessing significant risks with major impact in achieving the target investment and developing activities to counter the risk identified; (ii) adapting the risk management policies to the developments in the financial capital market, monitoring performance and improving risk management procedures; (iii) reviewing investment decisions in line with the development of the capital and money market; (iv) compliance with the legislation in force.

The Euro area economy has experienced a significant recovery in recent years, both in terms of GDP growth (with annualized increases 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 during the latest period (at the meeting in January 2019) both the benchmark interest rate in absolute historical absolutes (0%) and the commitment to fully reinvest the amounts cashed on the maturity date of the financial instruments acquired in the quantitative easing program, the duration of this program being dependent on the sustainability of the inflation rate to the 2% target set by the ECB. Recently, both the ECB and the Federal Reserve (which reduced the reference interest rate by 0.25% at the meeting on July 31, 2019) reiterated their willingness to intervene through monetary stimulus measures if the pace of economic activity does not ensure convergence to expected inflation target. Thus, these exceptional measures and the willingness to maintain them in the foreseeable future signal the persistence of risks despite the positive developments in recent years.

(c) Operational risk

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

The Company's objective is to manage the operational risk so as to limit financial loss, not damage its reputation and achieve the investment objective of generating returns for investors.

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

The primary responsibility for implementation and development of control over the operational risk lies with the Board of Directors. This responsibility is supported by the development of general standards of operational risk management, including controls and processes within service providers and service commitments with service providers.

(d) Capital adequacy

The management policy with respect to capital adequacy focuses on maintaining a sound capital base in order to support the ongoing development of the Company and attain the investment objectives.

The Company's equity includes the share capital, different types of reserves and the retained earnings. The equity amounted to RON 2,553,425,449 as at June 30, 2019 (RON 2,321,420,613 as at December 31, 2018).

5. Dividend income

Please note that in accordance with IFRS 9 and due to the fact that the Company has opted to measure participations by other comprehensive income, dividends from these shareholdings are recognized as income unless they are a substantially recovery of the cost of investment. Dividend income is recorded as gross value. The tax rates for dividends from resident and non-resident companies were 5% and zero (2018: 5% and zero). The breakdown of dividend income on the main counterparties is shown in the table below:

<i>Denominated in RON</i>	June 30, 2019	June 30, 2018
Banca Transilvania	36,980,164	27,065,775
BRD	22,329,415	22,329,415
SAI Muntenia Invest SA	13,557,288	7,748,450
Erste Group Bank AG	9,634,942	11,552,853
SNGN ROMGAZ	6,553,851	0,00
CONPET PLOIESTI	4,202,445	4,525,377
SIF OLTENIA	1,741,243	0
SIF MOLDOVA	1,539,758	0
SNP Petrom	968,377	717,316
SNTGN Transgaz	949,683	1,989,686
ELECTRICA S.A.	479,975	475,833
ROMPETROL WELL SERVICES	99,754	0
UNITEH TIMISOARA	96,730	0
Comelf	75,744	87,451
Spumotim	61,990	24,156
BT Asset Management	0	2,000,000
Hercules SA Satu Mare	0	79,791
Others	23,867	156,307
Total	99,295,226	78,752,410

6. Interest income

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Interest income on deposits and current accounts	419,566	137,122
Interest income on bonds measured at amortized cost	193,961	190,005
Interest income on assets measured through profit and loss	2,405,597	744,020
Interest income on assets measured through other comprehensive income (govt. and corporate bonds)	142,258	790,617
	3,161,382	1,861,764

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

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

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Profit / (Loss) from measurement / disposal of fund units	20,350,886	(16,449,116)
Profit / (Loss) from measurement of bonds	(2,765,610)	461,941
Profit / (Loss) from measurement of shares in subsidiaries and associates	2,356,435	(4,213,629)
Gain / (Loss) from sale of shares held for short term	-	(26)
Total	19,941,711	(20,200,830)

During H1 2019 fund units fund were redeemed by the closed-end investment fund Omnitrend amounting to RON 20.7 mn, RON 0.8 mn below the current book value.

8. Net profit /(loss) from sale of assets

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Gain/ (Loss) from sale of government bonds		(553,308)
Total	-	(553,308)

Please note that under IFRS 9 and due to the fact that the Company has opted to measure holdings through other items of comprehensive income, gain from sale of shares until June 30, 2019, in the amount of RON 52,815,861, is reflected in retained earnings.

9. Fees and commissions expenses

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
ASF commissions	1,200,250	1,205,077
Depository fees	222,273	226,680
Fees payable to SSIF (financial institutions)	112,854	133,239
Registry fees	72,000	72,000
Other fees and commissions	38,059	12,495
Total	1,645,436	1,649,491

10. Other operating expenses

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Expenses with other taxes and fees and assimilated payments	120,919	93,610
Expenses with salaries and other personnel expenses	5,415,876	4,542,597
Amortization expenses	124,254	139,888
Expenses for external services	1,064,830	1,400,197
Total	6,725,878	6,176,293

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Expenses with salaries	4,034,741	3,753,892
Expenses with stock option plan	1,190,000	595,000
Expenses with insurance and social care	133,610	133,960
Other personnel expenses	57,525	59,745
Total	5,415,876	4,542,597

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

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

In the period ended on June 30, 2019, the average number of employees was of 34 (June 30, 2018: 35), and the number of employees recorded at the end of the reporting period was of 34 (June 30, 2018: 34).

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.

11. Income tax

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Current income tax		
Current income tax (16%)	3,951,731	(1,354,570)
Tax on dividend (0%, 5%)	3,804,752	2,871,835
Tax exemption on transactions with ownership greater than 10%		
Expense on / (income) deferred tax		
Financial assets available for sale		
Financial assets at fair value through profit or loss		
Tangible assets / Investment property		
Total income tax recognized in profit or loss	7,756,484	1,517,266

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

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

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Profit before tax	115,201,633	52,307,699
Tax under statutory tax rate of 16% (2018: 16%)	18,432,261	8,369,232
Income tax effect of:		
Tax on dividend (0%, 5%)	3,804,752	2,871,835
Non-deductible expenses and similar items	2,417,139	4,091,828
Non-taxable income	(16,875,872)	(13,733,891)
Revenue related items	13,458,348	16,481,372
Expenses related items		(147,033)
Deferred tax	(5,420,497)	(5,200,112)
Amounts of sponsorship within legal limits and other deductions	(24,000)	(83,942)
Tax recognized in retained earnings	(8,035,648)	(11,132,023)
Income tax	7,756,484	1,517,266

12. Cash and cash equivalents

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Cash in hand and other valuables	13,329	9,526
Current accounts in banks	73,126,172	13,720,884
Deposits at banks with original maturity less than 3 months	99,052,863	15,500,000
Cash and cash equivalents with maturity less than 3 months	172,192,363	29,230,410

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

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

13. Bank deposits

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
Bank deposits with maturity more than 3 months	0	6,000,000
Interest on deposits	0	44,457
Cash and cash equivalents with maturity greater than 3 months	0	6,044,457

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

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
Shares	816,158,912	769,377,480
Fund units	300,585,243	295,681,969
Corporate bonds (including the interest)	48,851,003	40,929,816
Total	1,165,595,158	1,105,989,265

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

The movement of the financial assets measured at fair value through profit and loss account as at June 30, 2019 is presented in the table below:

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds in subsidiaries	Total
January 1, 2019	769,377,480	295,681,969	40,929,816	1,105,989,265
Acquisitions	44,424,999	8,499,912	70,713,000	123,637,912
Sales		(21,455,948)	(60,904,960)	(82,360,908)
Attached interest			269,577	269,577
Change in fair value (including foreign exchange differences)	2,356,433	17,859,309	(2,156,430)	18,059,312
June 30, 2019	816,158,912	300,585,243	48,851,003	1,165,595,158

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

As at June 30, 2019, the holdings in subsidiaries and associates were measured at fair value, the difference being a favourable one, amounting to RON 10.1 million (vs. value as at March 31, 2019) and respectively RON 2.4 million (vs. value as at December 31, 2018).

During H1 2019 fund units in closed end Investment Fund Optim Invest were purchased, amounting to RON 8.5 million.

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

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

The movement of financial assets measured at fair value through profit and loss account in 2018 is presented in the following table:

Selected explanatory notes to the condensed financial statements as at June 30, 2019

<i>denominated in RON</i>	Shares	Fund units	Corporate bonds in subsidiaries	Total
January 1, 2018	338	-	-	338
January 1, 2018 - restated	95,026,202	230,404,039	36,989,473	362,419,714
Acquisitions	5,423,872	140,499,992		145,923,864
Reclassifications from assets valued at fair value through other comprehensive income	635,959,310			635,959,310
Sales	-338	-23,369,673		-23,370,011
Change in interest receivable			103,047	103,047
Change in fair value	32,968,434	-51,852,389	3,837,295	-15,046,661
December 31, 2018	769,377,480	295,681,969	40,929,815	1,105,989,264

In 2018, the company concluded it meets the criteria for declaring itself an investment entity and thus reclassified its holdings in subsidiaries, from assets measured by other comprehensive income, to assets measured at fair value through profit and loss. The fair value of these investments at the date of reclassification was of RON 635,959,310.

The purchases of shares amounting to RON 5.4 million mainly include the value of the shares in Uniteh SA Timișoara (RON 5.3 million), classified in the category of shares held in subsidiaries.

During the year 2018, fund units in the amount of RON 140.5 million were purchased, of which RON 74.5 million in Certinvest Actiuni Fund, RON 29 million in Romania Strategy Fund, RON 15 million in Omnitrend Fund, RON 12 million in Active Plus Fund and RON 10 million in closed end Star Value Investment Fund.

The sales of fund units include the repurchase of fund units by Optim Invest Fund in the amount of RON 18.5 million and Omnitrend in the amount of RON 4.8 million.

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

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
Shares at fair value	1,324,701,766	1,274,462,535
Corporate bonds (including attached interest)	4,981,254	4,882,639
Total	1,329,683,020	1,279,345,173

The measurement of shares at fair value was done by multiplying the number of shares held as at the reporting date with the closing price on the last trading day of the reporting period or the price determined by other valuation methods, respectively valuation performed by certified appraisers. As at June 30, 2019, the category of shares that are classified as measured at fair value includes mainly the value of shares held in Banca Transilvania, Erste Group Bank AG, BRD-Groupe Société Générale (December 31, 2018: Banca Transilvania, Erste Group Bank AG, BRD-Groupe Groupe Société Générale).

The movement of financial assets measured at fair value through other comprehensive income in the reporting period ended on June 30, 2019 is presented in the table below:

<i>denominated in RON</i>	Shares at fair value	Corporate bonds	Total
January 1, 2019	1,274,462,535	4,882,639	1,279,345,173
Acquisitions	5,135,642	0	5,135,642
Sales	(103,332,318)	0	(103,332,318)
Change of interest receivable	-	(630)	(630)
Change in fair value (including foreign exchange differences)	148,435,906	99,245	148,535,152
June 30, 2019	1,324,701,766	4,981,254	1,329,683,020

Selected explanatory notes to the condensed financial statements as at June 30, 2019

Purchases of shares during the current period, amounting to RON 5.1 million, mainly include the acquisition of Intercontinental SA Bucharest shares.

Sales of shares amounting to RON 103.3 million include mainly the sale of shares in Erste Bank (RON 93.9 million) and Minerva SA (RON 8.8 million).

The gain on transactions amounting to RON 52.8 million was recognized in retained earnings.

The movement in 2018 of financial assets available for sale is shown in the table below:

<i>denominated in RON</i>	Shares at fair value	Govt. bonds at fair value	Corporate bonds	Shares at cost	Fund units	Total
January 1, 2018	2,079,884,448	64,044,407	41,901,964	23,956,501	230,404,038	2,440,191,358
January 1, 2018 – restated	2,027,772,253	64,044,407	4,912,490	0	0	2,096,729,150
Acquisitions	101,077,286	0				101,077,286
Reclassifications in assets measured at FVTPL	(635,959,310)					(635,959,310)
Sales	(111,649,280)	(62,228,956)				(173,878,235)
Change in interest receivable		(2,007,441)	9			(2,007,432)
Change in fair value	(106,778,414)	191,989	-29,860			(106,616,285)
December 31, 2018	1,274,462,535	(0)	4,882,639	0	0	1,279,345,173

The decrease in the volume of these financial assets as at January 1, 2018 compared to 2017 year-end is due to the reclassification, under IFRS 9 Financial Instruments, of fund units, shares held in associates and bonds purchased from a subsidiary, in the category of assets at FVTPL.

Purchases of shares in 2018, amounting to RON 101.1 million include mainly the acquisition of Conpet shares (RON 48.3 million), Administrare Imobiliare SA București (RON 40.1 million), Banca Transilvania (RON 8.1 million), Erste Bank (RON 4.1 million) and Central SA Cluj (RON 0.4 million).

Sales of shares amounting to RON 111.6 million include mainly the sale of shares issued by Erste Bank (RON 98.8 million), Compa (RON 1.9 million), Celhart Donaris (RON 1.7 million), Hora Reghin (RON 1.5 million), SIF Moldova (RON 1.3 million), Bermas (RON 1.3 million), Silvarom (RON 1.3 million), Hercules (RON 1.1 million), Cotroceni Park RON 0.8 million), etc.

Gain on transactions amounting to RON 71.3 million was recognized in retained earnings.

During the year 2018 government bonds were sold, amounting to 62.2 million lei.

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

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

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

The fair value of the financial instruments for which there is no active market (Level 2 and 3) and those that are not traded is determined by external appraisers and authorized appraisers within the Appraisal dept. of the Company, using the strategy set by the management of the issuer and appraisal techniques that meet the requirements of IFRS 13 and the ANEVAR Valuation Standards, in line with best valuation practices. These techniques include: techniques based on the present net value, the discounted cash flow method, the method of comparisons with similar instruments for which there is an observable market price and using the method approved by ASF namely a percentage of the net assets of these companies, reduced by a discount for minority ownership and a discount for lack of liquidity.

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

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

June 30, 2019

<i>denominated in RON</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss - shares	251,203,361	-	564,955,551	816,158,912
Financial assets at fair value through profit and loss - fund units	300,585,243	-	-	300,585,243
Financial assets at fair value through profit and loss - bonds	38,161,508	10,689,495	-	48,851,003
Financial assets at fair value through other comprehensive income - shares	1,210,944,087	12,998,817	100,758,862	1,324,701,766
Financial assets at fair value through other comprehensive income - corporate bonds	4,981,254	-	-	4,981,254
Investment property	-	-	20,128,515	20,128,515
Land and buildings	-	-	2,718,383	2,718,383
	<u>1,805,875,454</u>	<u>23,688,312</u>	<u>688,561,311</u>	<u>2,518,125,077</u>

December 31, 2018

<i>denominated in RON</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit and loss - shares	207,568,029	-	561,809,452	769,377,481
Financial assets at fair value through profit and loss - fund units	-	-	295,681,969	295,681,969
Financial assets at fair value through profit and loss - bonds	40,929,816	-	-	40,929,816
Financial assets at FVOCI - shares	1,139,744,797	16,138,348	118,579,391	1,274,462,536
Financial assets at FVOCI - corporate bonds	4,882,639	-	-	4,882,639
Financial assets at amortized cost - corporate bonds	6,505,683	-	-	6,505,683
Investment property	-	-	20,128,515	20,128,515
Land and buildings	-	-	2,773,415	2,773,415
	<u>1,399,630,963</u>	<u>16,138,348</u>	<u>998,972,742</u>	<u>2,414,742,053</u>

During the first 6 months of 2019, the fund units were transferred between the levels of fair value, from level 3 to level 1 (unit value of net assets determined based on observable market data for fund holdings).

16. Financial assets measured at amortized cost

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Bonds	6,423,634	6,327,044
Interest attached related to bonds	179,208	178,639
Total	<u>6,602,842</u>	<u>6,505,683</u>

Outstanding securities (bonds) at June 30, 2019 include:

- corporate bonds issued by Banca Transilvania denominated in EURO, amounting to RON 6.4 million, purchased in May 2013, convertible in Banca Transilvania shares, with maturity in May 2020, with an annual variable interest rate based on EURIBOR_{6 months} + a margin set at 6.25%;

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

17. Investment property

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Balance at January 1	20,128,515	20,042,164
Entries		
Sales		
Changes in fair value		86,351
Balance at the end of period	20,128,515	20,128,515

The balance of real investment property includes the value of the building and the land acquired following the withdrawals from companies and the value of the buildings held after the closure of some branches, measured at fair value.

18. Other financial assets

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Sundry debtors	2,719,879	1,440,881
Current income tax receivables	0	2,126,352
Other financial assets	128,264	116,436
Impairment for depreciation of sundry debtors	(1,406,362)	(1,406,362)
Total	1,441,781	2,277,307

19. Deferred tax liabilities

Deferred tax assets and liabilities at June 30, 2019 and December 31, 2018 are generated by the elements detailed in the following tables:

June 30, 2019

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at FVOCI	-	871,758,345	(871,758,345)
Tangible assets and investment property	-	12,764,035	(12,764,035)
Total	0	884,522,380	(884,522,380)
Net temporary differences - 16% rate			(884,522,380)
Deferred tax liabilities			(141,523,582)

2018

<i>denominated in RON</i>	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Financial assets at FVOCI	-	799,042,481	(799,042,481)
Tangible assets and investment property	-	12,764,034	(12,764,034)
Total	-	811,806,515	(811,806,515)
Net temporary differences - 16% rate	-	-	(811,806,515)
Deferred tax liabilities	-	-	(129,889,043)

Deferred tax liabilities in balance for the period ended June 30, 2019 in the amount of RON 141,523,582 (2018: 129,889,043) include:

- deferred income tax recognized directly through the decrease in equity amounting to RON 131,026,413 (2018: 113,971,379), being wholly generated by reserves for financial assets measured at fair value through other comprehensive income (FVOCI)

- the deferred tax related mainly to the differences from inflation of the financial assets and the impairment adjustments, amounting to RON 10,496,576 recognized in the retained earnings.

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

20. Other financial liabilities

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Payables to employees and related contributions	701,676	1,195,933
Taxes and fees	3,175,459	8,606
Internal suppliers	50,555	409,805
Total	<u>3,927,690</u>	<u>1,614,344</u>

21. Capital and reserves

(a) Share capital

As at June 30, 2019, the share capital of SIF Banat-Crișana amounts to RON 51,746,072, divided into 517,460,724 shares with the nominal value of RON 0.1 and it is the result of direct subscriptions to the share capital of the company, by converting into shares the amounts due as dividends under Law no. 55/1995 and pursuant to Law no. 133/1996. As at June 30, 2019 the number of shareholders was of 5,752,379 (December 31, 2018: 5,754,670).

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

All shares are ordinary shares, were subscribed and fully paid as June 30, 2019 and December 31, 2018. All shares have equal voting rights and a nominal value of RON 0.1/share. The number of shares authorized to be issued is equal to the shares issued.

The Extraordinary General Meeting of Shareholders of April 26, 2018, approved the reduction of SIF Banat-Crișana's share capital, as per art. 207 par. (1) letter c) of Law no. 31/1990, from RON 52,000,000 to RON 51,746,072.40, following the cancelation of 2,539,276 own shares repurchased by the Company in the buyback programs of 2016 and 2017.

The EGM of April 26, 2018, approved the execution of a buyback program for the repurchase of 17,460,724 own shares ("Program I") by the Company, to reduce its share capital.

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

Following the resolution of EGM of April 26, 2018, the Board approved the "Stock-Option Plan" by which were offered to administrators and directors of the Company a total of 1,400,000 SIF1 shares. The vesting (transfer) of shares will be made when the conditions of the "Stock-option Plan" are met and each beneficiary exercise his/her option, after a period of 12 months from signing the payment agreements.

On September 28, 2018, SIF Banat-Crișana reported on the initiation, on October 2, 2018, of the Buyback Program II through daily transactions in the market, according to the resolution of the EGM no. 2 art. 2 of 26.04.2018. The program was suspended by the Company on October 29, 2018.

The EGM of April 22, 2019, approved the execution of a buyback program for the repurchase of 15,000,000 own shares ("Program I") by the Company, to reduce its share capital and the repurchase of 800,000 own shares at most ("Program II") by the Company, for their distribution free of charge to the members of the Company's management (administrators, directors) in order to build their loyalty as well and to reward their activity in the Company, according to performance criteria to be determined by the Board of Directors.

Reconciliation of the share capital in accordance with IFRS with the share capital in accordance with the statutory share capital is shown in the table below:

<i>denominated in RON</i>	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Statutory share capital	51,746,072	51,746,072
The effect of applying IAS 29 on share capital	645,164,114	645,164,114
Restated capital	<u>696,910,187</u>	<u>696,910,187</u>

Selected explanatory notes to the condensed financial statements as at June 30, 2019

(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. 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 according to IFRS with the reserve according to the accounting regulations applicable up to the date of application of ASF Rule no. 39/2015 is presented in the following table:

<i>denominated in RON</i>	June 30, 2019	December 31, 2018
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 set-up from the application of Law no. 133/1996	2,105,675,691	2,105,675,691

The effect of hyperinflation over the share capital amounting to RON 645,164,111 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 2,605,353,717 at the end of each period presented.

(c) Differences from changes in fair value of financial assets measured through other comprehensive income

This reserve comprises cumulative net changes in the fair values of financial assets measured through other comprehensive income from the date of their classification in this category to the date they have been derecognized or impaired.

Reserves are recorded net of related deferred tax.

(d) Legal reserves

Pursuant to the legal requirements, the Company set-up legal reserves in the amount of 5% of recorded profit according to applicable accounting standards up to 20% of the share capital as per the Articles of Association. The legal reserve as at June 30, 2019, amounts to RON 10,349,214 (December 31, 2018: RON 10,349,214). In the financial year 2018 and as at June 30, 2019, the Company has no longer set-up legal reserves from the distributed 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 first three months of 2019 there was no approval for dividend distribution. In 2018, it was not approved the distribution of dividends from the profit of the financial year 2017.

22. Earnings per share

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

<i>denominated in RON</i>	June 30, 2019	June 30, 2018
Profit attributable to ordinary shareholders	107,445,150	50,790,433
Weighted average number of ordinary shares	517,371,068	517,460,724
Basic earnings per share	0.208	0.098

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

Selected explanatory notes to the condensed financial statements as at June 30, 2019

23. Contingent assets and liabilities

(a) Litigations

As at June 30, 2019 the Legal Office of the Company reported 97 litigations pending in Courts. The Company had legal standing in 86 lawsuits, and passive legal standing in 11 lawsuits.

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

(b) Other liabilities

not the case

24. 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:

Key management personnel

June 30, 2019

- As at June 30, 2019, the Board of Directors of SIF Banat-Crişana was comprised of 5 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, Marcel Heinz Pfister and Ionel Marian Ciucioi.
- As at June 30, 2019, the members of the executive team of SIF Banat-Crişana are: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director, Laurențiu Riviș – Director.

December 31, 2018

- As at December 31, 2018, the Board of Directors of SIF Banat-Crişana was comprised of 5 members: Bogdan-Alexandru Drăgoi - Chairman, Radu Răzvan Străuț - Vice-Chairman, Sorin Marica, Marcel Heinz Pfister and Ionel Marian Ciucioi.
- As at December 31, 2018, the members of the executive team of SIF Banat-Crişana were: Bogdan-Alexandru Drăgoi – CEO (General Director), Radu Răzvan Străuț - Deputy General Director, Teodora Sferdian - Deputy General Director and Laurențiu Riviș – Director.

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

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

Subsidiaries

As at June 30, 2019 and December 31, 2018, the Company held stakes in 13 companies. The reduction in the number of subsidiaries included in the scope of consolidation is the result of the classification of the Company as an investment entity, after which the subsidiaries performing investment services for the Company (SAI Muntenia and AISA) remained in the scope of consolidation and the other subsidiaries were deconsolidated.

Associated entities

The number of entities in which the Company holds stakes between 20% and 50% of the capital as at June 30, 2019 is of 23 (December 31, 2018: 25), of which:

- a. Two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exercises significant influence;
- b. 8 (December 31, 2018: 9) entities that do not qualify as associates, because the Company does not exercise significant influence in those companies;
- c. 13 (December 31, 2018: 14) entities in insolvency / liquidation / bankruptcy.

Selected explanatory notes to the condensed financial statements as at June 30, 2019

Transactions with related parties during the interim reporting period:

During the first six months of 2019, the Company made the following transactions with affiliated parties:

- recording as dividend income from:
 - SAI Muntenia, amounting to RON 13,557,288
 - Uniteh SA, amounting to RON 96,730
- proceeds from Vrancart SA, interest on corporate bonds in the amount of RON 954,600;
- payments to the company Administrare Imobiliare SA (the management company of SIF Imobiliare) of the total amount of RON 90,958, representing the rent and operating expenses for the rented space, and to the company Gaz Vest SA Arad the amount of RON 45,065 representing natural gas;
- 7,500 bonds issued by the company SIFI BH Retail SA worth of RON 70,713,000 were purchased, of which 6,400 were redeemed, with a value of RON 60,904,960. The interest received on the bonds amounted to RON 1,181,419, transactions were reported on the market according to Law no. 24/2017.

During H1 2019, the stakes were enlarged, by the acquisition of shares, in the companies:

- Uniteh SA - from 36.33% to 36.34%, purchase of 51 shares with a value of RON 1,503,
- Biofarm SA - from 23.22% to 36.75%, purchase of 133,270,532 shares with a value of RON 44,423,496.

25. Events after the interim period

- **July 16, 2019** – The Company reported that, on July 15, 2019, the Trade Register Office attached to the Arad Court communicated to the company the Resolution no. 11109/12.07.2019 granting the company's request and ordering the registering in the Trade Register of the mentions regarding the appointment of the financial auditor Deloitte Audit S.R.L. as financial auditor of the company, in accordance with the Resolution of the Ordinary General Meeting of SIF Banat-Crișana's Shareholders no. 1 of June 20, 2019.

- **July 22, 2019** – The Company reported that before the Arad Tribunal was constituted the file case no. 1583/108/2019, concerning the application for the annulment of the Resolution of the Ordinary General Meeting of Shareholders of SIF Banat-Crișana no. 1 of June 20, 2019, in contradiction with Flaros S.A. The Court set the first trial date for September 23, 2019.

- **July 23, 2019** – The Company reported by the Affidavit on on S.I.F. Oltenia S.A. shareholding, upon the reduction of the stake below 5% of the share capital, according to the ASF Decision no. 601/23.04.2019.

- **July 25, 2019** – The Company reported that the Financial Supervisory Authority, by ASF Authorization no. 92/24.07.2019, authorized the amendment made in the Company's Articles of Association, as per Resolution of the Extraordinary General Meeting of SIF Banat-Crișana's Shareholders no. 1/20.06.2019.

- **July 29, 2019** – The Company reported by the Affidavit on S.I.F. Oltenia S.A. shareholding, that the total concerted shareholding is of 5.001124% of the share capital.

- **July 30, 2019** – The Company reported that before the Arad Tribunal was constituted the file case no. 1648/108/2019, concerning the application for the annulment of the Resolution of the Ordinary General Meeting of Shareholders of SIF Banat-Crișana no. 1 of June 20, 2019, in contradiction with SIF Oltenia S.A. The Court has not set the trial date.

- **July 31, 2019** – The Company, in compliance with the provisions of article 82 of Law no. 24/2017 and article 144 of ASF Regulation no. 5/2018, submitted the Limited Independent Assurance Report on the information included in the current reports prepared by the company in accordance with the provisions of Law no. 24/2017 and Regulation no. 5/2018, prepared by the financial auditor Deloitte Audit SRL concerning the transactions reported by the company during 01.01.2019 - 30.06.2019 with SIFI BH RETAIL S.A., a company in which SIF IMOBILIARE PLC, a SIF Banat-Crișana subsidiary, holds 99.9% of the share capital.

- **August 1, 2019** – As per the provisions of art. 87 paragraph (4) of ASF Regulation no. 9/2014, SIF Banat-Crișana informed the shareholders that, on July 30, 2019, has signed the addendum to the Depository and Custody Contract no. 1148/25.09.2017 with BRD - Groupe Société Générale S.A., arranging its termination by the agreement of the parties, and accordingly notified the Financial Supervisory Authority (ASF).

At the same time, the Board of Directors of SIF Banat-Crișana approved the conclusion of a new depository contract with Banca Comercială Română, a credit institution authorized by ASF to conduct

Selected explanatory notes to the condensed financial statements *as at June 30, 2019*

depository activities. The new depository contract will be subject for the approval of ASF and will enter into force thereafter, according to the regulated procedures.

SIF Banat-Crișana will further inform the shareholders on the process of changing the depository bank.