



# SIF BANAT-CRIȘANA

SOCIETATE DE INVESTIȚII FINANCIARE

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SIF BANAT-CRIȘANA

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CONSOLIDATED HALF YEAR REPORT

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JANUARY 1 – JUNE 30, 2020

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prepared pursuant to ASF regulation no. 5/2018, Law no. 24/2017, Regulation no. 15/2004 and ASF Rule no. 39/2015

*this report is provided as a free translation from Romanian, which is the official and binding version*

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## 1. GENERAL INFORMATION ON SIF BANAT-CRIȘANA GROUP

### 1.1 PRESENTATION OF THE GROUP

This report presents SIF Banat-Crișana's consolidated financial results at the end of first semester, ended on June 30, 2020, prepared in accordance with the International Financial Reporting Standards adopted by the European Union, and ASF Rule no. 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by ASF from the Financial Instruments and Investments Sector.

The Company's consolidated financial statements prepared for the first half of 2020 include the Company and its subsidiaries (hereinafter referred to as "Group"). For the first half of 2020, the Group comprises SIF Banat-Crișana (parent company), SAI Muntenia Invest S.A. and Administrare Imobiliare S.A.

### 1.2 ENTITIES INCLUDED IN THE CONSOLIDATION

#### Subsidiaries

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

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

The list of investments in subsidiaries as of June 30, 2020 and December 31, 2019 is as follows:

No.	Company name	Stake held (%)	
		June 30, 2020	December 31, 2019
1	(SIF Imobiliare PLC Nicosia)	99.99	99.99
2	(SIF SPV TWO)	99.99	99.99
3	SAI Muntenia Invest SA Bucharest	99.98	99.98
4	(Napomar SA Cluj-Napoca)	99.43	99.43
5	(SIF Hoteluri SA Oradea)	99.00	99.00
6	(Azuga Turism SA Bucharest)	98.94	98.94
7	Administrare Imobiliare SA	97.40	97.40
8	(Silvana SA Cehu Silvaniei) - bankruptcy	96.28	96.28
9	(Iamu SA Blaj)	76.70	76.70
10	(Vrancart SA Adjud)	75.06	75.06
11	(Somplast SA Bistrița)	70.75	70.75
12	(Central SA Cluj)	67.08	67.08
13	(Uniteh SA Timișoara)*	36.34	36.33
14	(Ario SA Bistrița) - bankruptcy	93.64	93.64

\* Majority shareholder of Uniteh SA is SIF Imobiliare Plc, with a stake of 50.20%

The subsidiaries shown in brackets in the table above were excluded from the consolidation starting January 1, 2018, following the application of IFRS 10 provisions concerning the investment entities.

The companies Ario SA Bistrița and Silvana SA Cehu Silvaniei are in bankruptcy proceedings, so the voting rights held by SIF Banat-Crișana do not give authority over the investee entity and is therefore excluded from the consolidation.

In order to remove the subsidiaries from consolidation, the Company proceeded to: (i) derecognise the assets (including any goodwill) and the debts of the consolidated subsidiaries and

the carrying amount of non-controlling interests in these subsidiaries, (ii) reclassification to profit or loss or retained earnings of values recognized in other comprehensive income for deconsolidated subsidiaries and (iii) recognition of any difference resulting in profit or loss in the profit or loss attributable to the Company.

#### Associated entities

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

The number of entities in which the Company holds stakes between 20% and 50% as of June 30, 2020 is of 20 (December 31, 2019: 21), of which:

- two entities (Gaz Vest SA Arad, Biofarm SA Bucharest), in which the Company exerts a significant influence, removed from the consolidation beginning January 1, 2018, following the classification of the Company as an investment entity;
- 4 entities (December 31, 2019: 5) that do not qualify as associates because the Company does not exercise significant influence in those companies;
- 14 entities (December 31, 2019: 14) in insolvency / liquidation / bankruptcy.

#### Transactions excluded on consolidation

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

The accounting policies disclosed in the consolidated financial statements as at December 31, 2019 (and in condensed form in the consolidated financial statements as of June 30, 2020) have been consistently used over all the periods presented in the consolidated financial statements and have been consistently applied by all entities within the Group.

## 2. PRESENTATION OF THE ENTITIES WITHIN THE GROUP

### 2.1 INFORMATION OF THE ACTIVITY OF SIF BANAT-CRIȘANA

CORPORATE NAME	<b>Societatea de Investiții Financiare Banat-Crișana S.A.</b> (hereinafter referred to as “SIF Banat-Crișana” or “the Company”)
COMPANY TYPE	<ul style="list-style-type: none"><li>▪ self-managed investment company, authorized by the Financial Supervisory Authority as AIFM (Authorization no. 78 / 09.03.2018), classified as per the provisions of Law no. 243/2019 as closed-ended alternative investment fund, diversified, addressed to retail investors (AIFRI)</li><li>▪ set up as a joint stock company in November 1996 pursuant to Law no. 133/1996 for the transformation of Private Ownership Funds into Financial Investment Companies</li><li>▪ Romanian legal entity with entire private capital</li></ul>
SHARE CAPITAL	<ul style="list-style-type: none"><li>▪ RON 51,746,072.40 – subscribed and paid-in capital</li><li>▪ 517,460,724 shares issued: 514,542,363 outstanding shares</li><li>▪ RON 0.10 per share nominal value</li></ul>
REGISTRATIONS	<ul style="list-style-type: none"><li>▪ J02/1898/1992 at Trade Registry of the Arad Court</li><li>▪ Unique Registration Code 2761040</li><li>▪ Number in ASF AFIAA Register PJR07.1AFIAA/020007/09.03.2018</li><li>▪ Number in ASF SIIR Register PJR09SIIR/020002/2006</li><li>▪ Legal Entity Identifier (LEI Code) 254900GAQ2XT8DPA7274</li></ul>
MAIN ACTIVITY	Main activity is, as per the classification of economic activities in the national economy (CAEN): financial intermediation, except insurance and pension funds (CAEN code 64), and the main object of activity: Other financial intermediation n.c.a. (CAEN code 6499): <ul style="list-style-type: none"><li>▪ carrying out financial investments in order to maximize the value of own shares in accordance with the regulations in force;</li><li>▪ management of investment portfolio and exercising all of the rights related to the instruments in which investments are made;</li><li>▪ risk management;</li><li>▪ other activities auxiliary and associated to the collective investment activity, in accordance with the regulations in force.</li></ul>
TRADING MARKET	The company is listed since November 1, 1999 on the regulated market of Bucharest Stock Exchange (BVB) – Premium category - ticker <b>SIF1</b>
FINANCIAL AUDITOR	<b>Deloitte Audit S.R.L.</b> , starting with 2019 financial year PricewaterhouseCoopers Audit S.R.L for the financial years 2016 – 2018
DEPOSITARY BANK	<b>Banca Comercială Română (BCR)</b> , starting with November 2019 (BRD - Groupe Société Générale during January 2014 – October 2019)
SHARES AND SHAREHOLDERS' REGISTRY	<b>Depozitarul Central S.A. Bucharest</b>
HEADQUARTERS	<b>Arad</b> , 35A Calea Victoriei 310158, Romania TEL +40257 304 438 FAX +40257 250 165 EMAIL sifbc@sif1.ro WEB www.sif1.ro
BRANCH OFFICE	<b>SIF Banat-Crișana SA Arad-Bucharest Branch-Rahmaninov</b> 46-48 S. V. Rahmaninov Str., 3rd floor, sector 2, 020199, Bucharest

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MAIN FINANCIAL AND OPERATIONAL INFORMATION FOR SIF BANAT-CRIȘANA

<b>MAIN BALANCE SHEET ITEMS [RONm]</b>			
	<b>30.06.2019</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
Total assets, of which	2,698.89	2,926.68	2,560.23
Total financial assets	2,674.07	2,900.02	2,539.74
Equity	2,553.43	2,748.20	2,434.84
Total current liabilities	3.93	8.62	2.84

<b>FINANCIAL PERFORMANCE [RONm]</b>			
	<b>30.06.2019</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
Income	102.54	121.54	40.09
Gains / (losses) on investments	21.03	75.95	(76.99)
Expenses	8.37	22.24	8.68
Gross profit / (loss)	115.20	175.26	(45.59)
Net profit / (loss)	107.45	159.49	(46.09)

<b>FINANCIAL INDICATORS [%]</b>			
	<b>30.06.2019</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
ROE (net profit / equity)	4.21	5.80	(1.89)
ROA (net profit / total assets)	3.98	5.45	(1.80)
Gross profit margin (gross profit / total revenues)	81.27	66.54	(44.58)

<b>PERFORMANCE OF SHARES AND NET ASSET</b>			
	<b>30.06.2019</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
Share price (end of period, RON)	2.2200	2.7300	2.2700
NAV/S* (RON)	4.8363	5.2959	6.8458
Accounting net asset / share (RON)	4.9345	5.3411	4,7320
Nominal value of share (RON)	0.1	0.1	0.1
Number of shares issued	517,460,724	517,460,724	517,460,724
Number of outstanding shares	517,371,068	514,542,363	514,542,363

\* calculated acc. to ASF regulations

<b>OPERATIONAL DATA</b>			
	<b>30.06.2019</b>	<b>31.12.2019</b>	<b>30.06.2020</b>
Number of permanent employees, end of period	34	34	34
Branch offices	1	1	1

<b>SHAREHOLDING STRUCTURE as of June 30, 2020</b>		
	number of shareholders	holdings
Romanian individuals	5,745,794	39.16%
Non-resident individuals	2,064	0.33%
Romanian legal entities	139	38.49%
SIF Banat-Crișana (treasury stock) **	1	0.56%
Non-resident legal entities	33	21.46%
<b>TOTAL</b>	<b>5,748,031</b>	<b>100%</b>

\*\* own shares repurchased in 2018 and 2019 in the buyback programs approved by the EGM of 26.04.2018

## MILESTONES OF SIF BANAT-CRIȘANA'S ACTIVITY IN H1 2020

### Portfolio management

SIF Banat-Crișana's investment strategy aims for the maximizing of portfolio performance to increase the value of the assets under management and the investment income.

The financial objective is to make use of an aggregate return on the portfolio generated from dividend and capital gains.

SIF Banat-Crișana's objective is the efficient management of a diversified portfolio comprised of high-quality assets, capable of providing a steady flow of revenues, preservation and medium-term capital growth, to increase the value for shareholders and obtain as high yields for the invested capital.

The strategic allocations by asset classes and within each class are based on assessments of the individual attractiveness of investment opportunities, under the conditions on the macroeconomic and market environment at the time.

Investments are performed over a certain period, complying to the regulated prudential terms, under appropriate risk monitoring and control, to ensure a steady balance of risk and expected return. The investment decision-making process is formalized through internal procedures and the levels of competence approved by the company's Board of Directors.

The company applies an exit strategy tailored to the specifics of each investment, defined based on the applied strategy, the investment objectives, the conditions of the exit transaction.

The execution of the various exit strategies is adapted and correlated with a series of internal and external factors, such as: general economic prospects, progress of financial markets, liquidity of the listed securities and the daily trading volumes, the regionality of small businesses, access (interest) barriers, depending on the ownership structure, SIF Banat-Crișana's need of liquidity.

Lines of action for the portfolio management in 2020:

- Improving portfolio quality by investment projects in dynamic areas of the economy, while optimizing the risk-return balance;
- continuing the portfolio restructure by reducing exposure on minority shareholdings that do not fit the Company's investment strategy;
- active management in the majority shareholdings for the development of the business and their performances;
- monitoring the liquidity indicators of the portfolio companies, as there is the risk of their worsening in the context of COVID-19;
- efficient portfolio management and maximising its performances, complying with all the regulatory requirements;
- adapting the activity to the major social and economic challenges generated by the COVID-19 event;
- supporting the improvement of the corporate governance practices of the issuers in the portfolio.

In the context of the crisis generated by the COVID-19 pandemic, with visible negative effects starting with March 2020, the performances for most asset classes in the portfolio decreased significantly, in line with market developments.

At Company level were monitored the degree of virus spread and the effectiveness of measures of the authorities to fight the epidemic, the economic measures adopted by the government to support the economy, the level of correlation between COVID-19 and economic evolution, the effects of coronavirus crisis on the financial markets.

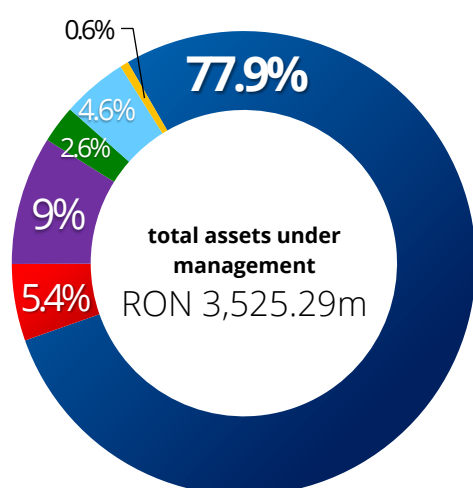
SIF Banat-Crișana's net asset value (NAV) reached **RON 3,522m** at the end of H1 2020, 29.25% higher as compared to RON 2,725m at 2019-year end. Net asset value per share (NAV/S) was of **RON 6.8458** at the end of H1 2020, as compared to RON 5.2959, the value recorded for December 31, 2019.

Monthly values for net asset are calculated by SIF Banat-Crișana and certified by the depository bank. The norms applicable to the valuation of assets and the calculation of the unit value of SIF Banat-Crișana's net asset are established based on Law no. 74/2015 on managers of alternative investment funds, the asset valuation rules complying with the provisions of art. 17 par. (7) of the ASF Regulation no. 10/2015 and are provided in art. 113 - 122 of the ASF Regulation no. 9/2014, with subsequent amendments and completions.

The strategy for asset allocation aims to maximize the performance of the portfolio under the prudential conditions established by the regulations incident to the operation of the Company. The limits and restrictions conditions applicable to the operations of the Company during H1 2020 are set by Capital Market Law no. 297/2004, amended and supplemented by GEO no. 32/2012, and CNVM Regulation no. 15/2004 on the authorization and operation of asset management companies, collective investment undertakings and depositories.

#### **ASSETS UNDER MANAGEMENT** as at June 30, 2020

breakdown on classes (weight on total assets)



■ **listed shares\***  
value **RON 2,747.14m**  
(2019: RON 1,922.45m)

■ **unlisted shares**  
value **RON 188.63m**  
(2019: RON 194.04m)

■ **unlisted fund units**  
value **RON 316.18m**  
(2019: RON 366.42m)

■ **corporate bonds**  
value **RON 92.03m**  
(2019: RON 103.27m)

■ **bank deposits and cash available**  
value **RON 160.86m**  
(2019: RON 121.71m)

■ **receivables and other assets**  
value **RON 20.46m**  
(2019: RON 25.70m)

*\*the category also includes securities issued by listed non-UCITS (SIFs)*

*values calculated as of June 30, 2020 and December 31, 2019, pursuant to the provisions of ASF Regulations no. 9/2014, no. 10/2015, and no. 2/2018; the amounts for fixed income financial instruments include interest receivables*



Total assets value<sup>1</sup> of SIF Banat-Crişana, calculated as per ASF regulations as of June 30, 2020, was of **RON 3,525.29 million**, up 40.66% as compared to the value recorded at the end of 2019, when it reached RON 2,506.12 million.

The value of the stock portfolio (listed and unlisted companies) accounted for **83.28%** of SIF Banat-Crişana's total assets as of June 30, 2020, amounting to **RON 2,935.77 million**.

Detailed information on SIF Banat-Crişana's activity during H1 2020 is presented in the Half-Year Report for January 1 - June 30, 2020, and in the Condensed Interim Financial Statements as of June 30, 2020<sup>2</sup>.

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<sup>1</sup> *calculated pursuant to the provisions of ASF Regulation no. 9/2014 (art. 113-122), ASF Regulation no. 10/2015, and no. 2/2018*

<sup>2</sup> *[www.sif1.ro/wp-content/en/periodical-reports/2020/H1-2020/EN-H1-2020-Report.pdf](http://www.sif1.ro/wp-content/en/periodical-reports/2020/H1-2020/EN-H1-2020-Report.pdf), [www.sif1.ro/wp-content/en/periodical-reports/2020/H1-2020/EN-interim-financial-statements-H1-2020.pdf](http://www.sif1.ro/wp-content/en/periodical-reports/2020/H1-2020/EN-interim-financial-statements-H1-2020.pdf)*

## 2.2 INFORMATION ON THE ENTITIES INCLUDED IN THE CONSOLIDATION

### **SAI MUNTENIA INVEST SA Bucharest**

*SIF Banat-Crişana stake as of 30.06.2020: 99.98%*

IFRS indicators

(RON)	H1 2020	2019	H1 2019
<b>Total assets</b>	12,476,846	24,637,839	13,172,439
<b>Equity (own capital)</b>	8,476,595	17,392,224	8,334,977
<b>Total revenues</b>	8,921,158	26,599,140	8,924,701
<b>Net Profit / Loss</b>	3,324,371	12,247,052	3,189,805

Societatea de Administrare a Investițiilor (Investment Management Company) Muntenia Invest SA ("SAI Muntenia Invest SA") was established in 1997, as a joint stock company, and entered in SIF Banat-Crişana's portfolio in 2013.

The main activity of the Company is the management of undertakings for collective investment in transferable securities (Romanian acronym: OPCMV) established in Romania or in another member state and the activity of managing alternative investment funds (Romanian acronym: FIA) in compliance with the provisions of the relevant legislation. SAI Muntenia Invest is registered in the ASF Register as AIFM since December 2017.

SAI Muntenia has no subsidiaries, branches, or places of business.

As of 30.06.2020 the subscribed and paid-up share capital of SAI Muntenia Invest is of RON 1,200,000 divided into 120,000 shares with a nominal value of RON 10. During the reporting period the value of the share capital of SAI Muntenia Invest did not change. SAI Muntenia Invest must comply with the requirements regarding the initial capital allocation, in accordance with the provisions of art. 8 of the GEO no. 32/2012 and the requirements regarding own funds, in accordance with the provisions of art. 22 paragraph (4) of ASF Regulation no. 9/2014.

During H1 2020, the activity of SAI Muntenia Invest was carried out in compliance with the provisions of Law no. 31/1990 on trading companies, Capital Market Law no. 297/2004, Law no. 74/2015 on managers of alternative investment funds, of ASF Regulation no. 9/2014, also in accordance with the provisions of its articles of incorporation and its internal regulations.

The current activity of SAI Muntenia Invest SA carried out during H1 2020 was the management of SIF (Financial Investment Company) Muntenia and FDI (open-end investment fund) Plus Invest.

The management of the portfolio of financial assets and the financial investments made for SIF Muntenia are carried out compliant to the legal provisions, the provisions of the management contract concluded between the Company and SIF Muntenia, of the constitutive act of SIF Muntenia and the Management Program approved by the General Meeting of SIF Muntenia Shareholders. Detailed information on the administration of SIF Muntenia in the first semester of 2020 can be found in the reports published according to the legislation in force<sup>1</sup>.

The open investment fund PLUS Invest operates under the authorization issued by ASF in 2014 and it is registered in the ASF Register. FDI Plus Invest has as its primary objective the long-term growth of the capital invested, using an integrated asset allocation and an optimization of the investment structure. Inflationary protection and low yield volatility are also objectives of the fund. Detailed information on the administration of FDI Plus Invest, during H1 2020, can be found in the reports published according to the legislation in force<sup>2</sup>.

<sup>1</sup> [www.sifmuntenia.ro/informatii-pentru-investitori/raportari-periodice/raportari-periodice-ifrs/situatii-ifrs-separate/situatii-ifrs-separate-2020/](http://www.sifmuntenia.ro/informatii-pentru-investitori/raportari-periodice/raportari-periodice-ifrs/situatii-ifrs-separate/situatii-ifrs-separate-2020/)

<sup>2</sup> <http://munteniainvest.ro/index.php?opt=FDI>

SAI Muntenia Invest does not meet the criteria for the classification as an investment entity in accordance with IFRS 10. According to data provided by the Association of Fund Managers (AAF) as at 30.06.2020, the market share of SAI Muntenia Invest was of 3.5% of the total assets managed by AAF members.

Auditor of the company is KPMG Audit S.R.L.

### **Administrare Imobiliare SA Bucharest**

*SIF Banat-Crişana stake as of 30.06.2020: 97.40%*

IFRS indicators\*

(RON)	H1 2020	2019	H1 2019
<b>Total assets</b>	54,640,191	54,098,846	49,586,246
<b>Equity (own capital)</b>	41,242,405	40,657,130	40,642,912
<b>Total revenues</b>	2,141,962	4,933,714	2,054,973
<b>Net Profit / Loss</b>	585,276	554,135	572,126

\* restated data under IFRS for consolidation purposes

The company was established in 2007 under the name of "Dacia Meridian Express" having a portfolio of assets with which SIF Banat-Crişana withdrew its contribution from various trading companies from the counties of Arad and Bihor, namely: Aris SA Arad (in 2007), Amet SA Arad (in 2012) and Argus SA Salonta (in 2010).

In 2013, the company changed its name to Administrare Imobiliare SA (AISA) and its headquarters is moved to Bucharest. In the same year, the company is incorporated into the holding SIF Imobiliare Plc., that holds a stake of 98.9% of its share capital.

The main activity of AISA is the business and management consulting activity, providing investment management services to all SIFI group companies (investment management, investment opportunities consultancy, management consultancy services and administrative).

As per its Articles of Incorporation, besides its main activity, AISA could provide other secondary activities, such as: 4110 real estate development (promotion), 6810 purchase and sale of own real estate properties, 6820 - Renting and sub-renting own or rented real estate properties.

In December 2018, as an investment opportunity in the real estate field emerged, takes place a capital increase of AISA, with cash contribution, to capitalize the company and to attract financing sources to capitalize on opportunities appeared on the real estate market. SIF Banat-Crişana is co-opted as shareholder the cash contribution being of RON 40.12 million. Following this transaction, SIF Banat-Crişana becomes a shareholder with a stake of 97.4% in the share capital of AISA while the participation of SIF Imobiliare Plc decreases to 2.6%.

The investment projects (amounting to RON 44.5 million) intended by AISA at the time of the increase of the share capital were completed during 2019 and materialized in the purchase of a four storey building (BSMT+GF+4FLR), with an usable area of 1,792.11 sqm, related land of 732.81 sqm land in undivided share and an undivided area of the common spaces of 163.65 sqm located in Bucharest, Serghei Vasilievici Rahmaninov Str. No. 46-48, Sector 2, and a land of 30,447 sqm (with 17,646 sqm of constructions) located in Bucharest, Şos. Vergului no. 59, Sector 2.

AISA, as a manager in SIFI group companies, provides investment-related services but is not an investment entity.

The auditor of the company is JPA Audit și Consultanță S.R.L.

### 3. SUMMARY OF CONSOLIDATED FINANCIAL DATA FOR THE GROUP AS AT 30.06.2020

The attached condensed consolidated financial statements as of June 30, 2020, were prepared as per ASF Rule no. 39/2015 for the approval of Accounting Regulations applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority (ASF) in the Sector of Financial and Investment Instruments and are not audited.

#### 3.1 BASES OF PRESENTATION OF CONSOLIDATED STATEMENTS

The Group has adopted a presentation based on liquidity in the consolidated statement of financial position and a presentation of revenues and expenses by their nature in the consolidated statement of comprehensive income.

During Q1 2018, the Company reviewed the criteria for its classification as an investment entity and concluded that they were met, less in respect of subsidiaries that offer investment-related services (SAI Muntenia Invest, Administrare Imobiliare SA). As per IAS 27 and IFRS 10, starting with the 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 further be consolidated. At the same time, 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 apply the exception provided by IFRS 10 regarding the investment entities also for the financial statements for the financial years 2019 and 2020.

#### 3.2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

(extract from the accompanying consolidated financial statements)

<i>denominated in RON</i>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
<b>Income</b>		
Dividend income	22,333,278	85,737,938
Interest income	5,517,960	3,368,159
Other operating revenues	10,676,878	10,729,522
<b>Investment gains / (losses)</b>		
Net gain on foreign exchange differences	1,340,878	1,050,783
Net Gain / (Loss) from financial assets at fair value through profit or loss	(80,695,018)	19,941,711
Gain / (Loss) on investment property	2,466,217	-
<b>Expenses</b>		
Interest expenses	(204,745)	(198,233)
Commission expenses	(1,545,842)	(1,645,436)
Other operating expenses	(14,013,041)	(12,929,533)
Reversals / (Set-up) provisions and depreciation adjustments	917,556	-
<b>Profit before tax</b>	<b>(53,205,880)</b>	<b>106,054,911</b>
Income tax expenses	(1,140,909)	(8,405,118)
<b>Profit for the period</b>	<b>(54,346,788)</b>	<b>97,649,793</b>
<b>Profit / (Loss) is attributed to:</b>		
Parent company	(54,347,620)	97,634,269
Non-controlling interests	832	15,524
<b>Other comprehensive income</b>	<b>(258,693,546)</b>	<b>134,960,052</b>
<b>Total other comprehensive income for the period</b>	<b>(313,040,334)</b>	<b>232,609,845</b>
<b>Result per share</b>		
Basic	(0.106)	0.189
Diluted	(0.106)	0.189

Significant changes of revenues, expenses and other items of comprehensive income compared to the similar period of the previous year are due mainly to the events adversely impacting the financial performance of the parent company, namely:

- significant decrease in H1 2020, amid the decision to suspend the allocation or to cut the amounts allocated to dividends by major issuers in the portfolio amidst the unprecedented difficulties caused by the Covid-19 pandemic;
- unfavourable impact on *Investment gains (loss)* in H1 2020, mostly the effect of the fair value

measurement of assets included in the category FVTPL (shares in deconsolidated subsidiaries and associates, bonds issued by subsidiaries, closed-end and alternative open-ended fund units). The amounts recognized in this category in H1 2020 are mainly due to the negative change in the fair value of shareholdings in unlisted subsidiaries and fund units.

Structurally, Group's revenues in H1 2020 are the result of the dividends collected from the parent company's shareholdings (58% of the total operating revenues), respectively the revenues obtained by the subsidiaries from the investment management activity (27.7%, representing the management fee).

Operating expenses comprise the total operating expenses incurred by the Group's investment management activity. Their level stood at about the same amount (RON 14.85m) as for H1 2019 (14.77m). Their structure and details are presented in the applicable notes to the consolidated financial statements accompanying this report.

*Other comprehensive income* includes both gains on transactions recognized directly in equity (retained earnings) and the effect of fair value measurement of the Group's securities portfolio. Both the gain from transactions and the change in the fair value of financial assets are mostly attributable to the parent-company. The adverse evolution of this component over the previous year is the effect of including in other comprehensive income the amounts resulting from the fair value measurement of the portfolio of the (negative) differences in value resulting from the marking to market of investments, classified as FVTOCI, during H1 2020.

### 3.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(extract from the accompanying consolidated financial statements)

<i>denominated in RON</i>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>		
Cash and cash equivalents	165,495,219	118,938,341
Bank deposits	4,982,637	14,998,737
Financial assets at fair value through profit and loss	1,139,183,178	1,226,791,566
Financial assets at fair value through other comprehensive income	1,125,872,907	1,424,539,458
Financial assets at amortized cost	38,822,333	43,246,691
Investment property	65,012,117	71,669,701
Tangible assets (property, plant, and equipment)	5,387,606	5,265,407
Rights to use the underlying assets in a leasing contract	-	1,950,690
Other financial assets	4,819,325	12,407,954
Other assets	361,772	260,146
<b>Total assets</b>	<b>2,549,937,094</b>	<b>2,920,068,691</b>
<b>Liabilities</b>		
Other financial liabilities	2,834,709	4,302,517
Borrowings	11,720,724	11,524,982
Current income tax liabilities	140,694	6,016,671
Deferred tax liabilities	123,491,723	170,631,789
Other accrued liabilities and deferred income	78,224	2,143,458
Provisions for risks and expenses	2,010,750	2,920,755
<b>Total liabilities</b>	<b>140,276,824</b>	<b>197,540,172</b>
<b>Equity (own capital)</b>		
Share capital	51,746,072	51,746,072
Own (treasury) shares, including losses from repurchase	(7,430,299)	(7,430,299)
Benefits granted in equity instruments	174,533	-
Retained earnings	597,965,769	811,806,713
Other reserves	1,157,455,631	997,961,099
Differences from change of fair value for FVTOCI	597,948,933	856,643,688
Other equity (own capital) items	11,786,184	11,786,184
<b>Total</b>	<b>2,409,646,824</b>	<b>2,722,513,457</b>
Non-controlling interests	13,445	15,062
<b>Total equity</b>	<b>2,409,660,269</b>	<b>2,722,528,519</b>
<b>Total equity and liabilities</b>	<b>2,549,937,094</b>	<b>2,920,068,691</b>

Significant changes in patrimonial items over the previous year are due to structural changes in the assets of the parent company, effect of:

- directing the proceeds from dividends during first six months of the year to money market investments (position cash and cash equivalents);
- recording the unfavourable fair value for the financial assets portfolio as of March 31, and June 30, 2020, which explains the decrease in the Financial assets at FVTPL, respectively Financial assets at FVTOCI within the Assets, respectively Deferred income tax liabilities and Equity (due to the loss during the period and the reduction of the fair value surplus recognized in equity).

### 3.4 PRESENTATION ON SEGMENTS

During H1 2020, the Group operated on a single segment, namely the financial activity (2019: one segment – financial activity). In the financial activity was included the activity of 3 companies (2019: 3).

## 4. DESCRIPTION OF MAIN RISKS FOR THE GROUP

The most significant financial risks the Group is exposed to are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and the price risk of equity instruments.

The Group uses a variety of policies and procedures for managing and valuing the types of risk to which it is exposed, both at the parent company and subsidiary levels. These policies and procedures are detailed in the sub-chapters dedicated to each type of risk under *Note 7* of the enclosed Consolidated Financial Statements as of June 30, 2020.

### 4.1 Financial risks

#### Market risk

Market risk is the risk that changes in market prices, such as price of shares, interest rates and exchange rates to have impact on Group's revenues or the value of financial instruments held. Market risk of equity instruments represent the risk that the value of such instrument to vary following the changes of prices on the market, either due to factors specific to the issuer's activity or factors affecting all instruments traded on the market.

The market risk of equity instruments arises from the Group's investments in shares classified as financial assets at fair value through other comprehensive income, namely financial assets at fair value through profit and loss and from investments in fund units held in closed funds (through their holdings in shares). Entities in which the Group holds shares operate in various industries. The objective of market risk management is to control and manage market risk exposures in acceptable parameters, to optimize returns. The Group's strategy for market risk management is driven by its investment objective, and market risk is managed in accordance with its policies and procedures.

The Group is exposed to the following market risk categories:

**Price risk** is the risk of losses both on balance sheet and off-balance sheet positions due to asset price developments.

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

A positive 10% change in the price of financial assets at fair value through profit or loss (shares subsidiaries, associates, fund units, corporate bonds) would lead to a profit increase after tax, of RON 108,084,653 (December 31, 2019: RON 115,285,158), a negative variation of 10% having an equal net impact of the opposite sign.

A positive 10% change in prices of other financial assets at fair value through other comprehensive income, investments in securities and corporate bonds would lead to an increase in equity, net of profit tax, of RON 95,094,841 (December 31, 2019: RON 115,923,898), a negative variation of 10% having an equal net impact of the opposite sign.

**Interest rate risk** is the risk that the Group's revenues or expenses, or the value of the Group's assets or liabilities fluctuate following the changes in market interest rates.

The interest rate risk is composed of the fluctuation risk recorded in the value of a certain financial instrument as a result of the variation of the interest rates and the risk of the differences between the maturity of the interest-bearing financial assets and that of the interest-bearing debt.

For interest-bearing financial instruments of the Group, the policy is to invest in profitable financial instruments with maturity above one year. With respect to fixed interest-bearing assets or marketable assets, the Group is exposed to the risk that the fair value of future cash flows related to financial instruments will fluctuate as a result of changes in market interest rates. The Group does not use derivative financial instruments to protect against interest rate fluctuations.

Impact on the Group's net profit (interest income/expenses) of a change of  $\pm 1.00\%$  in the interest rate on assets and liabilities bearing floating interest and denominated in other currencies corroborated by a change of  $\pm 1.00\%$  in the interest rate on assets and liabilities bearing floating interest rate and denominated in RON is of RON 1,700,912 (December 31, 2019: RON 1,626,028).

In the case of the bonds recorded at fair value (level 1 & level 2) held, a change of  $\pm 5\%$  of their market price determines a net impact in the amount of  $\pm 2,009,293$  RON (December 31, 2019: RON 2,023,532) in the profit or loss account respectively in the amount of  $\pm 205,025$  RON (December 31, 2019: RON 211,811) in other comprehensive income.

In the case recorded at amortized cost, a change of  $\pm 1\%$  of their average market yield determines a net impact on the bond price of  $-90,168$  RON /  $+90,544$  RON (December 31, 2019:  $-211,902$  RON /  $+213,805$  RON).

**Currency risk** is the risk of loss or not achieving the expected profit due to unfavourable changes in the exchange rate. The Group invests in financial instruments and performs transactions denominated in currencies other than its functional currency and is thus exposed to the risk that the exchange rate of the domestic currency in relation to another currency will have adverse effects on fair value or future cash flows of that portion of the financial assets and liabilities denominated in another currency.

The Group performed transactions in the reporting periods in both the Romanian currency (Leu) and in foreign currency.

<b>Financial assets and liabilities exposed to exchange rate risk (in RON)</b>	<b>June 30, 2020</b>
Cash and cash equivalents	45,528,672
Financial assets at fair value through profit or loss *	34,088,896
Financial assets at fair value through other comprehensive income **	151,480,869
Investments measured at amortized cost	38,822,333
<b>TOTAL</b>	<b>269,920,770</b>
Loans and other liabilities (leasing)	1,169,882
<b>Total liabilities</b>	<b>1,169,882</b>
<b>Net financial assets</b>	<b>268,750,888</b>

\* in the financial assets at fair value through profit or loss are included the euro bonds issued by SIFI BH Retail and the foreign currency holdings of closed-end investment funds, in proportion to the Group's holding in their net assets.

\*\* in the financial assets at fair value through other comprehensive income in EUR are included the investments held abroad, namely Austria - Erste Bank and the corporate bonds issued by Impact.

#### Credit risk

Credit risk is the risk that a counterparty of a financial instrument fails to meet an obligation or financial engagement in which it has entered in a relationship with the Group, resulting thus in a loss for the Group.

The Group is exposed to credit risk from investments in corporate bonds, current accounts and bank deposits and other receivables. The management of the Group closely and consistently monitors 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 business.

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

<i>denominated in RON</i>	<b>June 30, 2020</b>
Current accounts	48,304,856
Bank deposits	122,043,050
Corporate bonds (at amortized cost)	38,822,333
Corporate bonds (at fair value through other comprehensive income)	4,891,132
Corporate bonds (at fair value through profit or loss)	48,425,085
Other financial assets	4,819,325
<b>Total</b>	<b>267,305,780</b>



## Liquidity risk

Liquidity risk is the risk that the Group encounters difficulties in meeting the obligations arising from short-term financial liabilities that fall due by cash or other financial means, or that such obligations are extinguished in an unfavourable manner for the Group.

The Group monitors the evolution of the liquidity level in order to be able to pay its obligations at the date when they become due and continuously analyses the assets and liabilities, depending on the remaining period up to the contractual maturities.

The structure of assets and liabilities was analysed based on the remaining period from the balance sheet date to the contractual maturity date as of June 30, 2020 and is presented in the table below:

<i>denominated in RON</i>	<b>Accounting value</b>	<b>Under 3 months</b>	<b>between 3 and 12 months</b>	<b>Over 1 year</b>	<b>Without pre-established maturity</b>
Total financial assets	2,480,817,872	211,083,746	15,500,416	42,493,843	2,211,739,868
Total financial liabilities	14,756,254	5,031,420	9,685,882	38,952	-
<b>Excess liquidity</b>	<b>2,466,061,618</b>	<b>206,052,326</b>	<b>5,814,534</b>	<b>42,454,891</b>	<b>2,211,739,868</b>

## Other risks

By the nature of its activity, the Group is exposed to various types of risks associated with the financial instruments and the market it invests. The main types of risks to which the Group is exposed are:

- taxation risk;
- business environment risk;
- operational risk.

## Taxation risks

Since 1 January 2007, following the accession of Romania to the European Union, the Group has had to comply with the European Union's regulations and, as a result, has prepared itself to apply the changes brought about by European legislation. The group has implemented these changes, but their implementation remains open to fiscal audit for 5 years.

The interpretation of the texts and the practical implementation of the procedures of the new applicable tax regulations may vary and there is a risk that in certain situations the tax authorities will adopt a different position from that of the Group. From the corporate tax point of view, there is a risk that the tax authorities will interpret the accounting treatment that is determined by the transition to IFRS as a basis for accounting.

Moreover, the Romanian Government has various agencies authorized to carry out the audit (control) of companies operating in Romania. These controls are similar to tax audits in other countries and can cover not only tax issues but also other legal and regulatory issues of interest to these agencies. The Group may be subject to tax controls as new tax regulations are issued.

## Business environment risks

SIF Banat-Crişana's management cannot predict all the effects of the international economic developments impacting on the financial sector in Romania but considers that in H1 2020 it has adopted the necessary measures for the sustainability and development of the Company under the conditions existing on the financial market, by the monitoring of cash flows and adequacy of investment policies.

During March 2020, amid the global spread of tensions related to the Covid-19 virus, the Federal Reserve reduced the key monetary policy interest rates to 0% in two exceptional meetings, along with a USD 700 billion package for operations of quantitative relaxation.

The exceptional measures taken by most countries of the world (implicitly by Romania's main economic partners) to limit the spread of the Sars-Cov2 virus make impossible a realistic estimate of the return to normal economic activity worldwide, despite the accelerated return of stock market quotations on major global capital markets (mainly the shares of US technology companies), given that current key macroeconomic information indicates an unprecedented contraction in economic activity and GDP dynamics.

#### Operational risk

Operational risk is the risk of incurring direct or indirect losses resulting from shortfalls or deficiencies in the Group's procedures, personnel, internal systems, or external events that may impact on its operations. Operational risks arise from all Group activities.

The Group's objective is to manage operational risk to limit its financial losses, not to damage its reputation and to achieve its investment objective to generate benefits for the investors.

#### Capital adequacy

The management's policy on capital adequacy focuses on maintaining a solid capital base to support the Group's continued development and investment objectives.

The Group's equity includes its share capital, various types of reserves, retained earnings and minority interests. The equity (own capital) amounted to RON 2,409,269 on June 30, 2020.

## 5. THE MARKET OF SECURITIES ISSUED BY THE GROUP

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

Total number of issued shares (June 30, 2020)	<b>517,460,724</b>
Outstanding shares (June 30, 2020)	<b>514,542,363</b>
Nominal value	<b>RON 0.1000 / share</b>
Type of shares	<b>common, ordinary, registered, dematerialized, indivisible</b>
Trading market	<b>Regulated spot market of Bucharest Stock Exchange (BVB or BSE), Premium category</b> , listed since November 1, 1999
BVB (BSE) symbol (ticker)	<b>SIF1</b>
Bloomberg BBGID	<b>BBG000BMN388</b>
ISIN	<b>ROSIFAACNOR2</b>
Part of indices	<b>BVB (BSE) indices: BET-XT, BET-FI, BET-BK and BET-XT-TR</b>

Shares issued by SIF Banat-Crișana grant all shareholders equal rights.

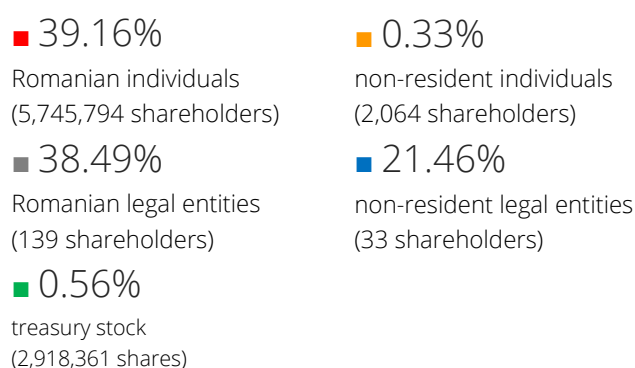
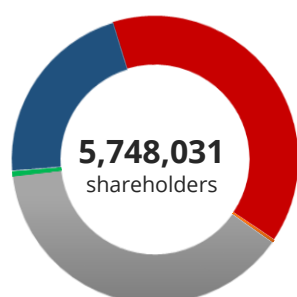
Since its set-up, SIF Banat-Crișana has not issued bonds or other debt instruments.

At the date of this report, SIF Banat-Crișana holds 2,918,361 own shares, purchased in 2018 and 2019 in the buyback programs approved by EGM of April 26, 2018.

As of June 30, 2020, SIF Banat-Crișana has 5,748,031 shareholders, according to the data reported by Depozitarul Central SA Bucharest, the company that keeps the shareholders registry.

### SHAREHOLDERS' STRUCTURE

as per holdings, as at June 30, 2020



### SIF1 shares on Bucharest Stock Exchange (BVB/BSE)

The liquidity of the SIF1 title was lower compared to the similar period of 2019, in H1 2020, a total of 12,333,151 shares were traded, representing 2.383% of the total shares issued, worth of RON 31,609,866.

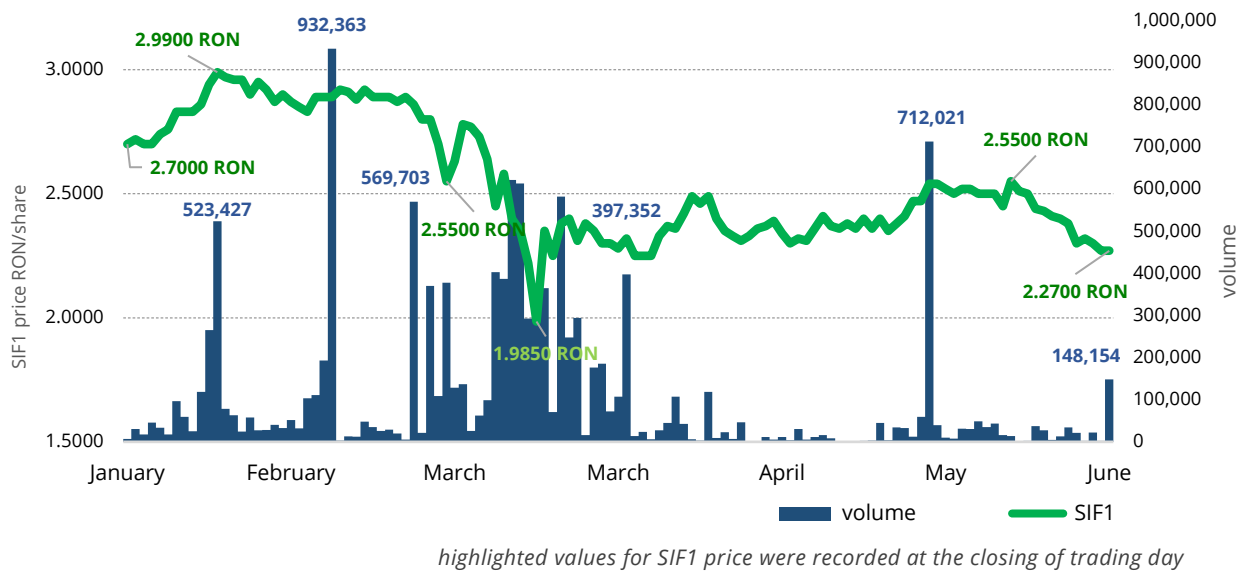
There were no "DEAL" transactions during this period.

Of the 122 trading days, 43 days were with positive variations (maximum + 18.39% on March 17) and 60 days with negative variations (minimum -10.59% on March 16)

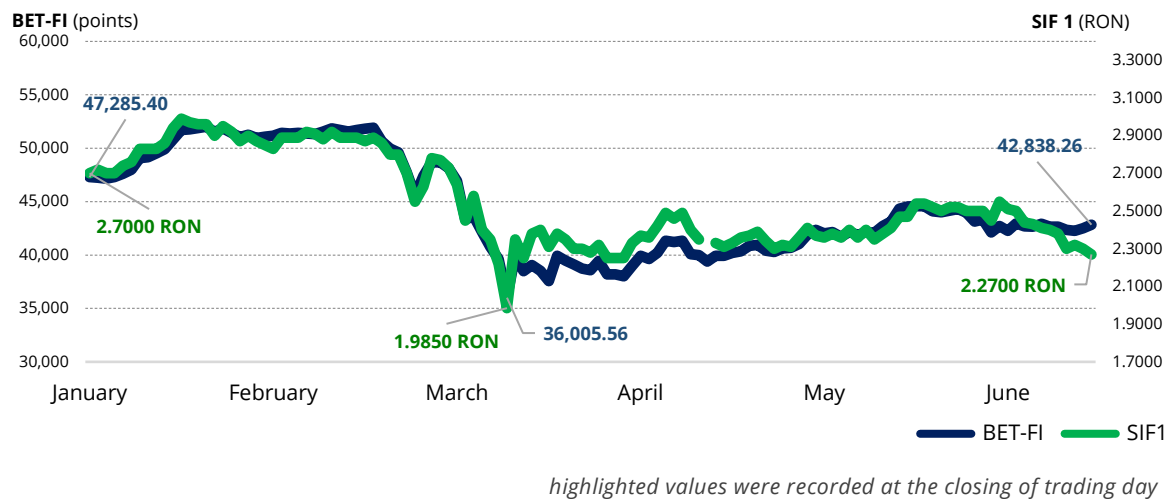
The highest closing price during H1 2020 was of RON 2.9900 per share, in the trading day of January 20, and the lowest closing price was of RON 1.9850 per share, in the trading day of March 16, the trading range between the highest and the lowest price of the period being 51%. The average price of the period was of RON 2.5630 per share.

On June 30, 2020, the market capitalization for the SIF1 title, calculated at the closing price, was of RON 1,174.64 million (and RON 1,174.43 million calculated for the outstanding shares).

### SIF1 PRICE AND VOLUME IN H1 2020



### SIF1 vs. BET-FI PERFORMANCE IN H1 2020



The two subsidiaries included in the consolidation, SAI Muntenia Invest SA and Administrare Imobiliare SA, are not listed on an organized capital market or an alternative trading system.

## 6. CORPORATE GOVERNANCE

SIF Banat-Crișana is committed to maintaining and developing the best practices of corporate governance, thus ensuring an efficient decision-making process, leading to the long-term viability of the business, achieving the objectives of the company and creating sustainable value for all stakeholders (shareholders, management, employees, partners and authorities).

Beginning January 1, 2020, the Corporate Governance Regulation of SIF Banat-Crișana entered into force in the updated version approved by the Board of Directors of the Company in December 2019. The document is available for consultation on the company's website at [www.sif1.ro](http://www.sif1.ro), in the *Corporate Governance* section.

By Regulation no. 2/2016, amended and supplemented by Regulation no. 9/2019, the Financial Supervisory Authority (ASF) settled the unitary regulatory framework for the implementation of corporate governance principles to entities authorized, regulated, and supervised by ASF. SIF Banat-Crișana's statement on applying the corporate governance principles, prepared pursuant to the annex of the Regulation no. 9/2019, was presented in the Board of Directors' annual report for 2019, the document is available on company's website, in *Corporate Governance* section.

### Company Administration and Management

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

#### The Board of Directors

SIF Banat-Crișana is administered by a Board of Directors (i.e. administrators) comprised of five members, elected by the ordinary general meeting of shareholders for a mandate of four years, with the possibility of being re-elected.

The Board of Directors has decision-making powers regarding the administration of the Company in the period between the general meetings of shareholders, except for the decisions that the law or company's Articles of Association provide exclusively for the general meeting.

The Board elects from among its members a chairman and a vice-chairman. As per the Articles of Association, the chairman of the Board holds the position of CEO (general director) of the Company.

Board members must cumulatively meet the general conditions stipulated by Law no. 31/1990 on trading companies, completed with the criteria established by Law no. 297/2004 regarding the capital market, Law no. 74/2015, Law no. 24/2017, and the regulations issued by the Financial Supervisory Authority (ASF).

The members of the Board are authorized in this function by ASF following their election by the general meeting of shareholders.

The Board of Directors may create advisory committees comprised of its members, charged with conducting investigations and making recommendations to the Board.

During January 1 – June 30, 2020, the Company was administered by a Board of Directors (administrators) consisting of five members: Mr. Bogdan Alexandru DRĂGOI – Chairman and CEO, Mr. Radu Răzvan STRĂUȚ - Vice Chairman, Mr. Sorin MARICA - Member, Mr. Marcel Heinz PFISTER – member and Mr. Ionel Marian CIUCIOI - member.

Information on the activity of the Board of Directors and its committees are presented in the

SIF Banat-Crişana Half-Year report, available on Company's website, in *Investor Relations* section.

During H1 2020, the Board of Directors of SIF Banat-Crişana met in 13 sessions, pursuant to the statutory provisions.

The executive management

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

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

In accordance with the provisions of Law no. 31/1990 on trading companies, the Board of Directors delegated part of its powers to the Chairman - Chief Executive Officer and to the Vice Chairman – Deputy General Director, within the limits established by law, the Articles of Association and the decisions of the Board of Directors, except the powers reserved by law and / or the Articles of Association to the general meeting of shareholders and the Board of Directors.

During H1 2020 no changes occurred in the composition of executive team.

As of June 30, 2020, the composition of the executive team of SIF Banat-Crişana is the following: Mr. Bogdan-Alexandru Drăgoi – Chairman - CEO; Mr. Radu Răzvan Străuţ – Vice-Chairman, Deputy General Director; Mr. Teodora Sferdian - Deputy General Director; Mr. Laurenţiu Riviş - Director.

Description of the main elements of the internal control systems and risk management

Risk management

SIF Banat-Crişana acknowledges its exposure to risks resulting from daily operations and those from the pursuit of achieving its strategic objectives. In this context, SIF Banat-Crişana's policy on the management of significant risks provides the framework for the identification, measuring and control of these risks, in order to maintain the at acceptable levels depending on the risk appetite of the Company and its capacity to cover, absorb or mitigate these risks.

Through its risk management system SIF Banat-Crişana assigns a central role to *the risk management function, policies and procedures* related to the management of significant and relevant risks for the investment strategy, to the *measures, processes* and *techniques* related to the measurement and the management of the risks the Company relies on for the portfolio under management.

The permanent risk management function has a key role in defining the risk policy, monitoring, and measuring risks, ensuring ongoing compliance of the level of risk with the Company's risk profile assumed by the Board of Directors. The person in charge of the administration has access to all relevant information and provides up-to-date information on the basis of which prompt remedial actions could be taken, if necessary.

Mrs. Adina Eleonora Hodăjeu holds the quality of Person responsible for risk management from March 9, 2018, no. ASF register: PFR13.2FARA / 020053.

At Group level, the policy on the management of significant risks comprises all the elements necessary for the operations of risk management related to each investment position in terms of their proper identification, assessment, management and monitoring, including the use of appropriate crisis simulation procedures.

SIF Banat-Crișana, parent-company at Group level, constantly monitors the control of risks and how they may manifest or materialize in the value or volatility of the portfolio managed.

At the associated entities

The subsidiaries of SIF Banat-Crișana are exposed to a series of risks that are carefully monitored at the level of each company by observing the policies and procedures approved by their boards of directors. Risk management policies and systems are periodically reviewed to reflect changes in the legislative environment, market conditions and activities.

The implemented risk management policies aim to identify and analyse the financial and operational risks faced by the company in question, as well as to analyse and remedy the risk factors associated with the activity carried out. The companies use policies and procedures to identify, manage and evaluate the types of risk to which they are exposed and take measures to eliminate or reduce the adverse effects of these risks on the activity.

SAI Muntenia Invest SA establishes and maintains, permanently and operationally, the risk management function. As registered AIFM, procedures have been implemented that guide the risk management activity for SAI Muntenia Invest SA and the managed entities. Thus, the company has implemented a risk management system to identify, evaluate, manage and properly monitor all relevant risks, in accordance with the provisions of art. 30-37 of EU Regulation no. 231/2013.

There is an increased attention at the group level for strengthening internal control systems and adapting procedures to the changing demands of each entity.

## Compliance

SIF Banat-Crișana has implemented in its functional structure and permanently and operationally maintains the function of compliance checking, that is carried out independently of other activities. The Compliance Office is subordinated to the Board of Directors and has as main responsibilities:

- regularly monitoring and evaluating the effectiveness and adequacy of the implementation of the control measures and procedures established, as well as the measures available to resolve any situations of non-fulfilment of the company's requirements;
- providing consultancy and assistance to the relevant persons responsible for carrying out the services and activities to comply with the requirements imposed on the company in accordance with the legal provisions and regulations of the Financial Supervisory Authority.

The activity of the Compartment for internal control / compliance was carried out during H1 2020 pursuant to the Plan for Investigation and control for the year 2020 approved by the Board of Directors of SIF Banat-Crișana, of the ASF regulations, the work procedures and internal regulations.

Lines of action considered were: controlling the compliance with the applicable regulations specific for the capital market and / or internal procedures, providing information for the company and its personnel on legal requirements on the capital market, endorsement of documents submitted by SIF Banat-Crișana to ASF to obtain the authorizations provided by ASF regulations, endorsement of the reports submitted to capital market entities and ASF, endorsement of informative materials and advertisements issued by the company, other activities regarding the compliance of the company and employees with the legislation in force for the capital market and the internal regulations.

During the control / compliance checking activity, during H1 2020, it was verified:

- the way in which the legal provisions and the working procedures in the activity of the Information Technology Department are observed;

- the manner in which the legislation specific to the capital market and the working procedures are observed in the activities of preparing, submitting and publishing the mandatory reports, of preparing and submitting the list of persons with access to inside information, of requesting ASF opinions;

The actions of control/compliance checking ascertained the compliance with current legislation, regulations and internal procedures for the controlled operations. Following the control activities, recommendations for improving work procedures and activities were made.

*Solving petitions.* The shareholders have the possibility, in case they have dissatisfactions related to the company's activity, provided based on the legislation in force or to the information provided by the company following their requests, to address SIF Banat-Crișana by means of petitions. The manner of resolving the petitions submitted by the shareholders is the one established by the ASF Regulation no. 9/2015 and the procedure to be observed is published on the company's website. In accordance with the provisions of the regulation, the single register of petitions in a secure electronic format has been set up, in which the submitted petitions, the claimed matters and the solution are recorded. The register of petitions is managed by the representative of the compliance office. No petitions were recorded during H1 2020.

Mr. Eugen Cristea holds the position of compliance officer, authorized by ASF by Authorization no. 80 / 09.03.2018.

#### Internal Audit

Company's activities are subject to a periodic internal audit, in order to provide an independent evaluation of its operations, the control and management processes, it evaluates the possible risk exposure on various activity segments (asset security, compliance with regulations and contracts, integrity of operational information and financial, etc.), makes recommendations for the improvement of the systems, controls and procedures to ensure the efficiency and effectiveness of the operations and monitors the corrective actions proposed and the results obtained.

The activity of internal audit is carried out grounded on an audit program prepared in accordance with the objectives of the company, endorsed by the Audit Committee and approved by the Board of Directors.

The internal audits missions carried out in the first half of 2020 addressed:

- trading of securities, compliance with the short-term investment policy and approved working procedures;
- compliance with the working procedures, internal regulations and applicable legislation for the activity of the compliance office;
- compliance with the working procedures, internal regulations and SIF Banat-Crișana's policy of management of significant risks;
- compliance with the procedure regarding conflict of interests, respectively of conflict of interests in which the members of SIF Banat-Crișana management and certain categories of employees are involved.

The audit reports comprising the mission, its findings, conclusions, recommendations, and proposals of the Internal Auditor were presented to the Audit Committee and the Company's Board of Directors.

There were no significant situations identified to require the intervention of the Board of Directors.

Internal Audit considers that the activities and operations conducted by SIF Banat-Crișana in the first half of 2020, subject to the audit, are consistent with the policies, programs and management of the company, pursuant to the legislation and internal regulations.



During H1 2020, the function of internal audit was provided by the firm New Audit SRL from Arad, to whom the activity of internal audit has been outsourced based on contract no. 2/30.08.2018.

#### Observance of shareholders' rights

SIF Banat-Crișana shares are common, ordinary, nominative (registered), issued in dematerialized form, granting equal rights to shareholders. The shares are indivisible, and the Company recognizes a sole representative for the exercise of the rights resulting from a share. Each share entitles the holder to one vote.

SIF Banat-Crișana guarantees an equitable treatment for all shareholders, pursuant to legal provisions and those of Company's Articles of Association, providing them timely and relevant information, enabling them to exercise their rights in a fair manner. The shareholders must exercise their rights in good faith and with the respect of the legitimate rights and interests of the Company and of the other shareholders.

#### Transparency in communication

SIF Banat-Crișana attaches importance to transparency in communication, believing that public confidence is essential for the good functioning of the company. The company intends to ensure continuous reporting in an objective and comprehensive manner, covering all the important aspects of the activity and the recorded results.

The Company's website is a useful platform for communicating with shareholders. In the section dedicated to investor relations, information of interest for shareholders is hosted and all the reports and reports regarding the company's activity are available, in Romanian and English.

#### Conflict of interest, transactions with related parties and corporate information regime

In SIF Banat-Crișana there is operational an internal procedure, approved by the Board of Directors, concerning the conflict of interest and personal transactions, as required by ASF regulations and EU regulations applicable to alternative investment fund managers and concerning market abuse. The procedure includes rules on the Company concerning security and confidentiality of information, mainly dealing, and preventing fraudulent practices and refraining from action of market manipulation.

#### Social responsibility, social matters, diversity

The social responsibility of SIF Banat-Crișana is constantly demonstrated through the use of procedures for good management of environmental issues, responsible management of employees, ensuring safety standards at work, and in general through the development of socially responsible business practices.

During H1 2020, SIF Banat-Crișana, through a non-profit association, financially supported, with the amount of RON 1,000,000, the purchase of equipment in hospitals in the country necessary in the fight against COVID 19.

The SIF Banat-Crișana Group does not have a formalized integrated procedure on diversity policy.

However, at group level there is a commitment to maintaining the highest ethical standards, promoting a culture of respect, collaboration and performance, in which all employees can perform and develop, on an equal footing in terms of gender, ethnicity, age etc. It promotes and encourages the individual needs and skills of employees to transform them into added value for the organization, at the level of human capital.

SIF Banat-Crișana's policy on corporate social responsibility is published on company's website, [www.sif1.ro](http://www.sif1.ro), in the section dedicated to *Corporate Governance*.

#### Assessment of matters concerning the employees

The central social objective of the group consists in establishing a positive organizational culture, aiming at providing good working conditions for employees, pay and motivating motivation systems, correct systems and evaluation criteria, efficient information and control systems, full use and efficient of working hours, availability for change, commitment, good communication.

The progress of the Group's number of employees is shown in the table below:

Company name	Average number of employees		
	2018	2019	June 2020
SIF Banat-Crișana	34	34	34
SAI Muntenia Invest	36	39	35
Administrare Imobiliare	9	9	6
<b>TOTAL</b>	<b>79</b>	<b>82</b>	<b>75</b>

Throughout H1 2020 there were no conflicting matters in the relations between management and employees, neither in SIF Banat-Crișana nor in the companies in the consolidation.

All companies in the consolidation have organizational and operational regulations approved by the Boards of Directors, describing how they are organized and regulating the operation of their compartments, setting competences for each compartment, their duties and responsibilities.

#### Assessment of matters concerning the environment

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

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

Likewise, SIF Banat-Crișana and the companies in the group - SAI Muntenia Invest SA and Administration Imobiliare SA - do not need special environmental permits and do not carry out activities with an impact on the environment.

## 7. OTHER INFORMATION

### Events after the reporting period

- On **July 6, 2020**, the Extraordinary General Meeting of Shareholders took place, approving the amendment of Company's Articles of Association, to comply with the provisions of Law no. 243/2019 on alternative investment funds and for amending and supplementing some normative acts.

The full version of the resolutions adopted by the EGM of July 6, 2020, is available for consultation on Company's website, at [www.sif1.ro](http://www.sif1.ro), in the *Investor Relations* section.

- On **August 17, 2020** it was published The Disclosure document on the offer of shares to the members of the management structure of SIF Banat-Crișana. The Company's Board of Directors approved the "Stock Option Plan", by which 880,000 SIF1 shares were offered to the members of Company's management, program approved by the EGM of April 27, 2020 (Program II).

The disclosure document on the offer or assignment of securities to members of the management of SIF Banat-Crișana in full is available for consultation on Company's website, at [www.sif1.ro](http://www.sif1.ro), in the *Investor Relations* section.

- On **September 7, 2020**, SIF Banat-Crișana informed the investors upon the signing, on September 4, 2020, of the sale-purchase agreement for the acquisition of the stake representing 99.92% of the share capital of DOOSAN IMGB S.A., a company with its registered office in Bucharest, no. 104 Șoseaua Berceni. The completion of the transaction is conditional on obtaining the agreement of the Competition Council, in accordance with applicable law.

SIF Banat-Crișana was assisted in carrying out the transaction by Biriș Goran SPARL and Crosspoint Real Estate.

- On **September 8, 2020**, SIF Banat-Crișana issued an announcement informing the investors upon the update of the valuation policies and methods applied to evaluate the financial assets in the company's portfolio, to comply with the provisions of art. 114 par. (4) and (5) of the ASF Regulation no. 9/2014 amended and supplemented by the ASF Regulation no. 20/2020.

Starting with the calculation of net asset value as of August 31, 2020, shares admitted to trading on a regulated market or a multilateral trading system with liquidity considered, in accordance with IFRS 13 standard, to be irrelevant for applying the mark to market valuation method, will be valued in accordance with the valuation standards in force, according to the law, based on an evaluation report.

The valuation methods used for the valuation of financial assets in Company's portfolio are presented on Company's website, [www.sif1.ro](http://www.sif1.ro), in the section *Investments > Net Asset > Net asset value calculation methodology*.

**This report is accompanied by the following annex:**

**ANNEX 1** Condensed interim consolidated financial statements as of June 30, 2020 prepared pursuant to Rule no. 39/2015 for the approval of the Accounting Regulations compliant to the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the ASF – Financial Instruments and Investments Sector - **unaudited**

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The version prepared in Romanian of the consolidated report of the Board of Directors (which is the official and binding version) was approved by the Board of Directors of SIF Banat-Crișana in the meeting held on September 29, 2020.

**Bogdan-Alexandru DRĂGOI**  
Chairman and CEO