



ADMINISTRATION PROGRAM OF SIF MUNTENIA FOR 2016

SIF Muntenia is a Romanian legal entity, incorporated as a joint stock company with privately owned capital, closed-end investment company, included in accordance with the law in "other undertaking for collective investment " (NON-UCITS)

The management's general objective is maintaining SIF Muntenia as a diversified balanced fund, combining a balanced increase of assets with satisfactory income, at a medium risk level.

2016 will mark the beginning of SIF Muntenia's transition period from the classification and regulation as NON-UCITS (other undertakings for collective investment trust) to AIF (alternative investment fund). At the moment of drawing up this Program, secondary legal and regulatory basis of legislation for the transformation of SIF into AIF has not been finalized yet.

Following the analysis performed by SIF Muntenia's Administrator, we can outline the following applicable items on what SIF Muntenia will become after finalizing the process of adapting the AIFM legislation.

- SIF will turn into Alternative Investments Funds, whose participation titles are distributed to retail investors as well (by listing on the BSE and free trading of shares, anyone can become a shareholder of a SIF).
- SIF will be AIF located in the EU which use or do not use leverage (AIF uses funds raised through additional borrowing against the equity to increase the value of financial instruments in which it makes investments). **SIF Muntenia's Administrator expresses its intention not to use leverage actively in the future in the administration of SIF Muntenia.**
- SIF Muntenia will turn into an AIF based according to its establishment deed, administrated by SAI Muntenia Invest as AIFM (alternative investment fund manager).

ECONOMIC ENVIRONMENT

In the process of voluntary compliance with the Corporate Governance Code of the Bucharest Stock Exchange applicable from 4th January 2016, financial forecasts of the type included in SIF Muntenia's Projections policy should be disseminated **only** through annual, semi-annual or quarterly reports.

Financial projections, as implied by SIF Muntenia's Projections policy, refer at least to indicators, indexes, domestic or international macroeconomic considerations, considered relevant for structuring SIF Muntenia's strategic administration programs and/or budget of revenues and expenses including but not limited to:

- Forecasts of evolution and/or level of main macroeconomic indicators.

- Forecasts of evolution of certain economic and/or financial fields of activity considered as relevant for SIF Muntenia's activity, existing portfolio and investment policy.
- Forecasts of the level and evolution of financial indicators, including but not limited to exchange rate forecast, interest rates, relevant stock indexes.

Starting with 2016, within the Shareholders General Meetings approving the financial statements and approval of strategic programs of administration and revenues and expenses budget, SIF Muntenia will present and submit for shareholders approval the activity program and REB with reference to forecasted macroeconomic indicators which were presented separately in the annual report.

Chapter 11.1 is the applicable section from the Annual report comprising the macroeconomic indicators that were the basis of the Administration Program for 2016 and REB for 2016.

1 MAIN STRATEGIC OBJECTIVES FOR 2016

- **Continue the process of portfolio restructuring and efficient administration so as to ensure long-term sustainable growth**
- **Continue the investment process, focusing on investments in Romania and in listed shares**

Main lines of action for 2016

1. Given the low yields of fixed income instruments, SIF Muntenia's investments will be directed towards purchase of shares. The investment process will be a prudent one, based mostly on fundamental analysis of issuers subject to possible investments.
2. Create investment sources through the exit of companies that usually do not pay dividends or have exhausted their growth potential.
3. Continuing the diversification of the shares sub-portfolio, capable of providing a predictable level of dividends distributed to SIF Muntenia. Among the sectors with potential performance, we can mention the energy sector, utilities, pharmaceutical and automotive industries.
4. Particular attention will be paid to the relationship with the companies in which SIF Muntenia has majority ownership. Aiming at improving corporate governance of companies, management contracts will be signed with their board members, stipulating the objectives pursued in 2016. At the same time, in order to achieve these goals special attention will be paid to promoting individuals with proper professional training to the boards and executive management.

To achieve these objectives and main lines of action, the following will be taken into account:

- Invest in a mixed asset structure of classes of financial assets with different risk profiles and performance, as well as prudential diversification within these asset classes. Investment limits are the ones stipulated by law and pursued targets within these limits are presented in detail in the Asset allocation Chapter.
- Continue the sectoral restructuring of shares sub-portfolio, equity restructuring aimed to increase the quality of its component assets, respectively to increase the representation in the portfolio of issuers operating in the sectors that are presumed to perform;
- Focus on investments in Romania;
- Participation in privatization programs which will be run in 2016, under profitability conditions;
- Making short-term investments in financial instruments other than shares, which have a higher liquidity, for capital protection and provision of financial resources for investment, for dividends to be distributed and other expenses.

2 ASSET ALLOCATION

*Asset allocation (based on objectives and perception towards risk) and portfolio diversification are the techniques used to identify, build and manage a portfolio of financial instruments. Asset allocation identify **proportions** of asset classes in the general portfolio, while portfolio diversification suggests the **correct mix** of securities / financial instruments in each of the asset classes.*

For asset allocation SIF Muntenia's Administrator will use both elements of strategic allocation and tactical allocation.

2.1 STRATEGIC ALLOCATION OF ASSETS

Strategic Asset Allocation (SAA) is the initial step in building a portfolio. This step corresponds to the definition of "Model Portfolio" or target.

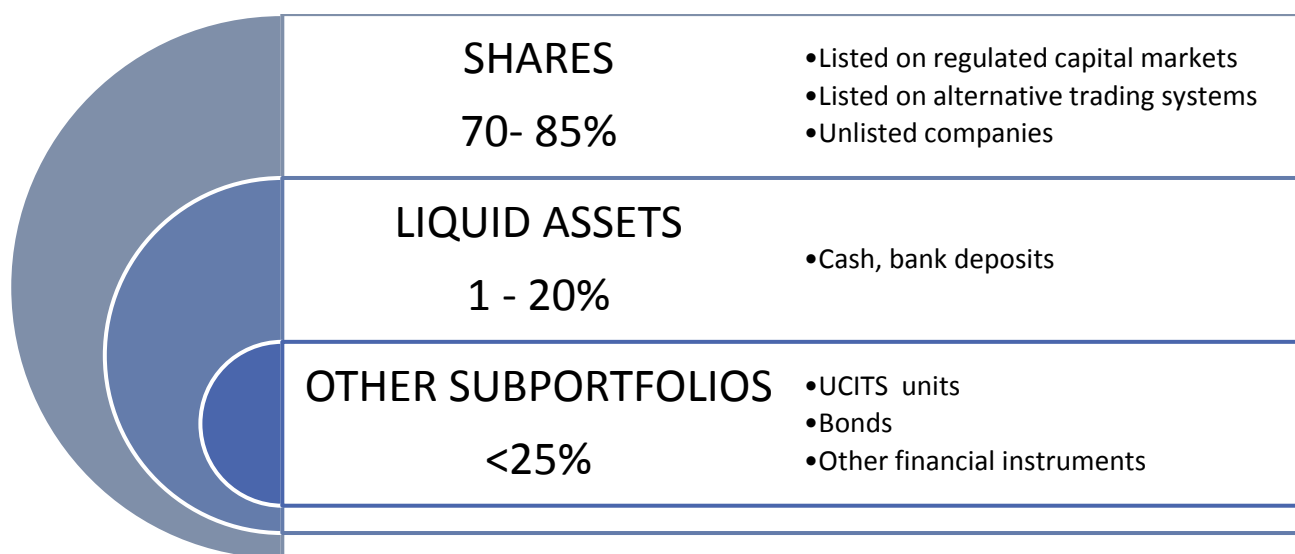
Based on "Top Down Approach", which links the investment decision and portfolio return, SAA defines portfolio by:

- General performance objectives of the portfolio
- The main criterion for investment - structuring of assets in traditional classifications (value, growth, cyclical-noncyclical)
- Performance indices of the benchmark financial market for the respective financial instrument
- Level of risk associated with the benchmark financial market for the respective financial instrument
- Investment time horizon

Strategic asset allocation is a long-term assignment. Long-term asset value is determined by fundamental factors and general market conditions. Strategic allocation takes into account general investment restrictions according to the legislation. Within the Program for 2016, which is subject to shareholders' approval, the general investment restrictions that were taken into account are the ones **applicable as of its drawing up date**.

In the case of a diversified fund, such as SIF Muntenia, this step defines the weight of shares, bonds and other liquid assets and financial instruments in the portfolio.

The figure below presents SIF Muntenia's **target portfolio** for 2016. The values used on which percentages were calculated in the figure below are used to calculate the total assets and net assets according to the FSA regulations in force as of the date of this material.



As compared to target portfolios from previous years, the maximum weight targeted for the shares subportfolio increased from 80% to 85% (see main line of action no. 1).

The minimum proportion of shares portfolios was reduced from 75% to 70%. (if significant sales transactions succeed, it is possible, given the reduced depth of the capital market and the poor offer of financial instruments, to take longer to reinvest the proceeds). Accordingly, the indicative limit for the Liquid assets subportfolio was raised.

2.2 TACTICAL ALLOCATION OF ASSETS

Tactical allocation of assets is a short-term allocation of assets, consists of conducting systematic or ad hoc adjustments to the portfolio in order to take advantage of "short-term" opportunities which take into account:

- Restrictions / targets imposed by the strategic allocation.
- The principle that in the medium term, the stock market reflects a combination of investor expectations and the fundamental value of assets/liabilities.
- Variations in prices on markets where portfolio financial instruments are traded (short-term opportunities for speculation).
- Limitations due to investment opportunities and liquidity available or required for certain operations (eg. Distribution of dividends to shareholders).

Optimal selection of assets in the sub-portfolios (stock picking). This selection can be made through the "Bottom Up Approach" which is based on:

- Selection based on quantitative criteria (performance indicators, volatility and analysis of economic indicators).
- Qualitative analysis (meetings with management, interviews ...).
- Forecasts of economic developments in general and of relevant indicators in particular

Lines of action to be pursued in tactical asset allocation are presented in the sections dedicated to the sub-portfolios.

2.3 FINANCIAL MARKETS WHERE THE ADMINISTRATOR INVESTS

The Administrator invests in financial instruments on:

- Primary market, (for example, equity investments in start-ups, purchase of newly issued bonds).
- Regulated secondary market (for example trades with shares listed on regulated capital markets or OTC) or not regulated ones (for example sale and purchase of closed companies shares).
- Secondary banking market (for example secondary market for government bonds).
- Other markets permitted by applicable legislation (for example participation titles to listed or unlisted UCITS, complex structured financial instruments).

The Administrator does not invest in derivatives.

As for the holding scope pursued and the investing horizon/holding period, the positions within SIF Muntenia's portfolio are grouped in two categories:

- i) Positions with speculative purposes, included in the portfolio denominated under the IFRS "financial assets at fair value through profit or loss"
- ii) Positions with long term holding period or until maturity, included in the portfolio denominated under IFRS "financial assets available for sale", "Investments held to maturity", "loans and receivables".

3 DIVIDEND POLICY

SIF Muntenia does not have a multiannual policy on granting dividends, their allocation and quota is approved on a yearly basis by the Shareholders General Meeting.

There will be pursued to ensure a balance between the shareholders' remuneration through dividend and the necessary funds to finance the purchase of new financial instruments, with a view to increase the value and quality of the assets.

4 SHARES SUBPORTFOLIO

The priority of the administration activity, with the highest volume of activity, remains the management of the shares subportfolio, which is the most important subportfolio of SIF Muntenia both in terms of asset value and in terms of income.

Lines of activity in the shares subportfolio administration

- Increase the proportion of participations in companies listed on regulated markets, with liquidity of transactions; reducing the quota of participations whose securities are not traded on regulated capital markets. Identify and exploit opportunities offered by regulated capital markets for investment / divestments on a short and medium term by selecting issuers with growth prospects relative to trading prices or valuations available.
- Increase the participations in issuers active in current performant sectors – for example the energy, utilities sectors, pharmaceutical and automotive industries, infrastructure, real estate, commercial – productive sectors, creating added value.
- Priority management of large exposures.
- Participation in the privatization of state owned companies on the BSE, in terms of prices attractiveness.
- Resuming the reduction of portfolio atomization degree (more significant participations, each around 10% of total assets), but with the possibility to exceed this limit in case of investment opportunities, together with a more accelerated sale of very small participations/with no perspective and/or do not offer dividend. Accelerating the reduction in number and weight on the total portfolio of the companies to be defined as having a residual character (remained in the portfolio from FPP IV Muntenia), companies that do not show growth potential, respectively.

5 LIQUID ASSETS. ENSURING LIQUIDITY

Prudent liquidity risk management implies maintaining sufficient cash for current activity (operating and tax expenses), sources of investment and dividend distribution.

It aims to ensure the greatest possible flexibility in this regard.

In decreasing order of liquidity, SIF Muntenia's liquid assets are:

- Cash and cash equivalents (bank current accounts)
- Deposits from banks
- Financial assets at fair value through profit or loss under IFRS (shares or other financial instruments for which there is a liquid market and that can be sold faster)

Depending on the overall strategy established and estimation of the need for liquidity, the Administrator will place SIF Muntenia resources mainly on certain asset classes and market segments, according to its expectations, **having as main goal the protection of capital** (under current circumstances of reducing the interest rates at bank deposits and the danger that the negative interest rates to be expanded in Romania as well).

Bank deposits are instruments of the money market that imply a low risk level, but the potential gain is also lower.

Emergency Ordinance no. 32/2012 regarding the undertakings for collective investment in transferable securities and investment management firms and for amending and supplementing Law no. 297/2004 on the capital market, by Article 82 paragraph e enables SIF Muntenia to constitute bank deposits with credit institutions repayable on demand or have the right to withdraw, with a maturity not exceeding 12 months, provided that the registered office of the credit institution is located in Romania or in a Member State or, if it is outside the European Union should be subject to prudential rules considered by the NSC / FSA as equivalent to those issued by the European Union.

In managing bank deposits, the administrator will aim at:

- Placing resources available to banks in Romania having a sound financial position, in order to take advantage of higher interest rates than those in other EU countries.
- Obtaining for SIF Muntenia an average deposit interest rate over the one month ROBID

- Protection against inflation and protection of invested capital
- Dispersion of amounts with banks, complying with the rules of prudence

6 OTHER SUBPORTFOLIOS

BONDS SUBPORTFOLIO

No increase of this subportfolio is foreseen for 2016, mainly due to reduced offer on the Romanian capital market of bonds corresponding to the pursued investment objectives.

In managing this portfolio, the administrator will aim at:

- Investing in no more than medium-term bonds (maturity less than 5 years) where there is no stable and liquid secondary market for trading them.
- Under no circumstances investing in very long- term bonds, over 10 years - considering this sub-portfolio's role in the global portfolio of SIF Muntenia and general economic conditions.

UCITS UNITS SUBPORTFOLIO

Participations in UCITS help reduce overall portfolio risk through diversification and access to financial market segments and investment that could not be accessed directly for regulatory or cost reasons.

In managing this portfolio, the administrator will aim at:

- Periodic review and holdings rebalancing according to macroeconomic expectations and profiles and portfolios of each fund / UCITS to which fund units were acquired;
- Give priority to open funds in relation to the closed ones for similar investment profiles;
- Marking profits under minimal fees;
- Investing in funds managed by Fund Managers with good reputation and historical performance;
- Identification of new equity with growth potential.

OTHER FINANCIAL INSTRUMENTS SUBPORTFOLIO

- Keeping to maturity the existing financial instruments in this category.
- Permanent analysis of other opportunities.

7 RISK MANAGEMENT

Chapter 4 of the Annual report for 2015 presents the main characteristics of the risk management system which SAI Muntenia Invest uses currently in the management of SIF Muntenia as NON – UCITS. This chapter presents the main risks of the activity and maintaining the portfolio within existing legal limits of retention, which will be complied with until the special law for SIFs as AIF will be enforced.

During 2016 this system will be modified and updated to meet the legal basis for SAI Muntenia Invest as AIFM and SIF Muntenia AIF.

A primary purpose of Directive 2011/61/EU of the European Parliament and Council as of 8 June 2011 on alternative investment fund managers ("AIFM Directive") is to ensure that all alternative investment fund managers ("AIFM") operate within a robust risk management framework to adequately manage risks, strategies and objectives together with the AIF..

AIFM shall, to this end, establish appropriate systems for risk management (which are understood as organizational elements - placing as a central function permanent risk management - as well as policies and procedures to identify, assess, manage and monitor appropriately all risks relevant for the investment strategy in respect to each AIF managed).

AIFM shall establish and implement quantitative and qualitative risk limits, or both, for each AIF it manages, taking into account all relevant risks.

Qualitative and quantitative risk limits for each AIF cover at least the following risks:

- (a) market risks;
- (b) credit risk;
- (c) liquidity risks;
- (d) counterparty risk;
- (e) operational risks.

When setting risk limits, the AIFM will consider strategies and assets used for each AIF it manages, as well as the national rules that apply to each of these AIF (the law transforming the SIF into AIF which will occur). These risk limits should match the risk profile of the AIF, which will be communicated to investors in accordance with Article 23 (4) (c) of Directive 2011/61 / EU.

Otherwise, the **draft regulation under public debate** on FSA site, which establishes the regulatory unitary framework for the application of corporate governance principles to entities authorized, regulated and supervised by the FSA, (which we refer to in Chapter Corporate governance) establishes a set of principles about the way in which, through the use of specific corporate governance mechanisms, assess the adequacy, effectiveness and updating the management / risk management for the efficient management of the AIF.

EU Delegated Regulation No. 231/2013 supplementing Directive 2011/61 / EU refers to the Commission Green Paper on corporate governance in the financial sector (COM (2010) 284 final). This stipulates, under the Introduction:

"In the financial services sector, corporate governance must take into account equitable interests of other stakeholders (depositors, holders of savings accounts, life insurance policy holders etc.) and the stability of the financial system, given the systemic nature of many players "

Given the size of the portfolio managed and, especially, the types of financial instruments invested by SIF Muntenia, we believe that **SIF Muntenia is not generating systemic risk**.

8 CORPORATE GOVERNANCE

The Administrator recognizes and applies two levels of corporate management in the administration of SIF Muntenia:

- a. SIF Muntenia's Corporate governance, as an issuer of securities listed on the Bucharest Stock Exchange.
- b. In companies where SIF Muntenia is a majority shareholder, SAI Muntenia Invest using specific corporate governance instruments for improving the quality of administration and management, and promotes the use of specific corporate governance tools to all companies where SIF Muntenia holds control.

8.1 CORPORATE GOVERNANCE OF SIF MUNTENIA

As shown in the report prepared for the 2015 financial year, the new Code of Corporate Governance of BSE applicable from January 4, 2016 was the basis of changes and updates to the regulatory framework of SIF Muntenia, for compliance with this code.

In accordance with **the Status of Compliance with the Provisions of the new BSE Corporate Governance Code**, submitted as an annex to the 2015 annual report it is presented the status of SIF Muntenia's compliance to this code. There total compliance was not possible, because of the particular operation features of SIF Muntenia.

At the date of this material on the FSA website there is under a public debate the draft regulation laying down the regulatory unitary application of corporate governance principles to entities authorized, regulated and supervised by the FSA, which will bring a complement to sector-specific regulations on corporate governance.

Both SIF Muntenia, which will be part of "collective investment undertakings, established according to the Articles of Incorporation/alternative investment funds (AIF)" and SAI Muntenia Invest, as AIFM, is among the entities to which provisions of the draft regulations are applicable. SAI Muntenia Invest analyzes the requirements and will inform stakeholders (SIF shareholders, potential investors, FSA) within 6 months from the entry into force of this Regulation the status of complying with the principles of corporate governance.

8.2 CORPORATE GOVERNANCE OF PORTFOLIO COMPANIES

Corporate governance is the system by which companies/corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities between different factors involved in the company, such as the Board, executives, shareholders and other stakeholders, and specific rules and procedures for making decisions on company business. It also specifies the structure through which company objectives are set, the means to achieve those objectives and monitoring performance.

A good governance of companies does not constitute a guarantee that there will not be a loss, but it can help reduce the risk that one of the companies controlled will behave improperly or reach a situation of bankruptcy.

A performant corporate governance of companies involves:

- setting powers, responsibilities, rights and clear obligations to the appointed BoD representatives of the companies;
- exercise of rights conferred by law, the articles of incorporation or the securities held (eg receipt of dividends, receipt of free shares, voting at general meetings of companies, etc.);
- create alliances with other shareholders whose interests converge with those of SIF Muntenia;
- active participation in strategic decisions at companies in accordance with legal and statutory provisions in force;
- participation in the selection and appointment of companies' management and tracking the evaluation of their performance; Management approach will be based on decentralization, accountability and transparency, in an environment where there are a core set of shared values, clearly defined objectives for each activity and a comprehensive infrastructure for guiding and monitoring progress and achievements;
- exercise proper control over the executive management of companies to verify the fulfillment of managerial responsibilities;
- attracting the management of companies to support the interests of the company, pursuant to the common growth strategy;
- setting key objectives to be pursued. Regular reporting by the Board of Directors and executive management of the economic and financial performance and outstanding issues raised in the activity of companies;
- ensuring consistency between each company's dynamic management characteristics and the changes in its environment;
- imprinting an increased dynamism to each company's activities to achieve superior economic performance;
- Involvement in the effective operation and development of relationships and harmonizing the interests of each company's stakeholders;
- concentrating efforts together with the executive management of companies for providing financial, material, human and information resources necessary for an efficient activity.

SIF MUNTENIA

REVENUES AND EXPENSES BUDGET FOR 2016

The Revenues and expenses budget (REB) was drawn up in lei. The REB proposed to be achieved in 2016 is presented in comparison to the profit and loss account prepared for 2015 according to IFRS/FSA Rule no. 39/2015.

Hyperinflationary ages showed that accounting at historical costs provides a distorted picture of reality: balance sheet items are undervalued, stocks and amortization costs from the income statement are undervalued, the year result is overvalued and its appropriation leads to distribution from the company's equity.

*Switching from **historical cost system** to a **fair value** one, or from the valuation of holdings at the historical purchase price to a further evaluation base in relation to the initial one allows a better assessment and control of company equity, reduce the difference between book value and market value for listed entities, it provides a consistency of active financial risk management, etc.*

The use of IFRS in financial statements involves a turnaround from the profit and loss account to a statement of comprehensive result. Reporting of comprehensive result in financial statements involves presenting all changes in the assets and liabilities arising from transactions, other than those with shareholders.

In the below REB submitted for approval which has a form different from previous years, for consistency with the financial statements according to IFRS (now in force as the only set of financial statements for SIF Muntenia) there are presented elements of the income statement for which rational expectations can be issued, and that can be influenced by the management of SIF Muntenia under existing restrictions, detailed till the result/**net profit** of which distribution of dividends to shareholders will be made.

Assumptions underlying the preparation of REB:

- Fees, taxes, commissions to third parties and contributions are based on levels according to legal provisions in force at the date of preparation, as well as the projected ones, according to existing applicable legal basis.
- The average interest rate on SIF Muntenia bank deposits was 1.5% p.y., 6% for corporate bonds.
- The revenues and expenditures levels achieved in 2015.
- **Dividend income** was estimated based on the reporting published by issuers in the portfolio. Following the application of IFRS, within the financial statements and the REB, the dividend income is recorded on a **gross** basis (including dividend tax), not on the net amount as for previous years.
- **Interest income** was estimated taking into consideration:
 - level of cash and cash equivalents at the end of 2015, influenced by the planned transactions to be conducted on the capital market and monetary investments planned to be conducted in 2016.
 - income level of bond subportfolio.
- **Net gain from transactions** was established on the basis of estimated transaction to be performed from the sale of financial instruments in 2016. This net gain from transactions is determined in accordance with IFRS.
- Distribution and payment of a gross dividend of 0.045 lei/share related to 2015 financial exercise.
- **Administration expenses**, representing the annual fee of the Administrator and are according to the management contract.
- **Third party costs** include expenses with other service providers (BRD, both as the depositary and the custodian, Central Depository fees and FSA charges, KPMG - financial auditor, internal auditor, expenses related to investor relations, charges with mandatory advertising, payments to the Trade Register).
- **Portfolio management expenses** include other expenditure specific for portfolio management (expenses with the trading commissions to brokers, banking expenses, notary public, debt recovery expenses, valuation of certain holdings in the portfolio to be performed by external evaluators for IFRS reporting purposes and reflection in the NAV reports etc). Given the fact that the manager pursues an active management strategy, during the year opportunities to buy or sell certain participations may arise and achievement of these transactions may involve certain costs who were not taken into account at a first approximation of this expenses position.

The following have not been forecasted:

- Possible revenues and expenses related to the evaluation of the portfolio held on a short-term (position 1.1.4 of the REB).
- Profit or loss from foreign exchange differences (position 3 of the REB).
- Possible profit/loss from the impairment of assets held on a long term (position 4 of the REB).

Estimated **operational gross** result (without taking into consideration the influence of valuation elements that have not been forecasted) for the year 2016 amounts to 50.7 mil lei, and the net result amounts to 50.2 mil lei.

REVENUES AND EXPENSES BUDGET FOR 2016

		Achieved in 2015	Proposed for 2016
1	Revenues	103,166,914	73,500,000
1.1	Investment revenues	103,025,987	73,400,000
1.1.1	Dividend revenues	18,125,060	48,000,000
1.1.2	Interest revenues	1,088,718	400,000
1.1.3	Net gain from transactions	34,891,794	25,000,000
1.1.4	Revenues from short term portfolio valuation	48,920,416	
1.2	Other revenues	140,926	100,000
2	Expenses	22,570,678	22,800,000
2.1	Administration, SAI Muntenia Invest	17,400,000	17,400,000
2.2	Third party expenses	2,448,120	2,300,000
2.3	Portfolio management expenses	1,147,086	1,100,000
2.4	Shareholders Representatives Committee expenses	1,571,451	1,800,000
2.5	Other expenses	4,021	200,000
1 -2	Operating result	80,596,236	50,700,000
3	Profit/loss from foreign exchange differences	309,342	
4	Profit/loss from impairment of financial assets held on a long term and liabilities	-5,262,240	
5	Gross profit	75,643,338	50,700,000
6	Income tax	11,787,601	432,000
7	Net profit	63,855,737	50,268,000

SIF MUNTENIA SA by Administrator

SAI MUNTENIA INVEST SA

Vice-President of the Board of Directors

Florica Trandafir