

SOCIETATEA DE INVESTITII FINANCIARE MUNTENIA S.A.



ADMINISTRATOR'S CONSOLIDATED REPORT FOR THE 2016 FINANCIAL EXERCISE

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1 GENERAL INFORMATION

1.1 PRESENTATION OF THE GROUP

SIF Muntenia S.A. Group is made up of SIF Muntenia and its subsidiaries.

Since 2007, SIF Muntenia Group has prepared and audited consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"). SIF Muntenia is the first company among the five Financial Investment Companies present on the Romanian market that has published a set of consolidated financial statements prepared in accordance with IFRS, audited.

According to the legal provisions in force, SIF Muntenia prepares two sets of financial statements

1. Individual financial statements, prepared in accordance with the provisions of the **Rule of the Financial Supervisory Authority no. 39/2015** (hereinafter referred to in tables as R39 and in the text Rule 39) for the approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector. The individual financial statements for the year 2016 were presented to the shareholders and approved within the SIF Muntenia SGOA on 28 April 2016.

2. Consolidated financial statements, prepared in accordance with the provisions of the FSA Rule no. 39/2015. The consolidated financial statements for the year 2016 include SIF Muntenia and its subsidiaries. In accordance with the requirements of the FSA Rule no. 39/2015, the Board of Directors of SIF Muntenia as a mother company of the Group has the obligation to elaborate **the consolidated report of the administrators**, showing the development and performance of the activities and the position of the entities included in the consolidation, viewed as a whole. The consolidated financial statements present comparative information with prior periods, being presented for use by the Group, its shareholders and the FSA and do not generate changes in dividend shareholders' rights.

The companies of SIF Muntenia Group maintain their accounting records in accordance with the accounting principles and practices established by the Romanian Government through the Romanian Accounting Law.

1.2 DESCRIPTION OF THE CORE ACTIVITY

The core activities of the Group are:

- the financial investment activity carried out by SIF Muntenia.
- activities carried out by subsidiaries mainly consisting of grain and seed trade, rental of commercial and office space, bird breeding, hotel activities, wholesale trade, construction materials production, drug production and trade

1.3 CONSOLIDATION PERIMETER

Subsidiaries are entities under the control of the group. Control exists when the group has the power to manage, directly or indirectly, the financial and operating policies of an entity in order to obtain benefits from its business. At the time of review, the potential or convertible voting rights that are currently exercisable should also be considered.

The subsidiaries' financial statements are included in the consolidated financial statements from the moment when the control begins and until it ceases. The accounting policies of the Group's subsidiaries have been changed over time to align them with those of the group to minimize the adjustments required when taking over the subsidiaries' financial statements.

On 31 December 2016, SIF Muntenia held control over 14 companies. Details of these are presented in the chapter "Presentation of subsidiaries".

All subsidiaries of the Company are headquartered in Romania on 31 December 2016 and 31 December 2015. For them, SIF Muntenia's holding in the share capital of the company is not different from the percentage of the votes held.

There were no changes in the consolidation perimeter, acquisitions or sales of subsidiaries in 2016.

At 31 December 2015 and 31 December 2016, the Company does not have interests in associates. s

2 PRESENTATION OF SIF MUNTENIA

Company Name	Societatea de Investiții Financiare Muntenia S.A.
Headquarters	16, Splaiul Unirii, Bucharest, sector 4
Sole Registration Code	3168735
Trade Registry Registration Number	J40/27499/1992
Subscribed and paid share capital	80,703,652 lei
Outstanding shares	807,036,515
Characteristics of the shares	Common, nominative, indivisible, dematerialized
Face value	0.1 lei
Regulated Market on which the securities issued are traded	Bucharest Stock Exchange, Premium Tier, SIF4 symbol
Main object of activity	Openly attracting financial resources from natural/legal persons with a purpose to investing them according to the legislation in force related to the capital market and to the NSC Regulations. CAEN Code 6499 - Other financial service activities, except insurance and pension funding n.e.c
Shareholding structure	100% private
Free capitalization	100%
Depository and custodian services	BRD Groupe Societe Generale
Shares and shareholders registry	Depozitarul Central S.A.
Financial auditor	KPMG Audit S.R.L.
Contact	Romania, Bucharest, 16 Splaiul Unirii, 040035 Tel: +4021-3873210; +4021- 3873208 Fax: +4021-3873265; +4021-3873209 www.sifmuntenia.ro e-mail: relatii@sifmuntenia.ro; sai@munteniainvest.ro



SIF Muntenia is a legal Romanian person, established as a joint stock company with full privately owned capital. The operation of the company is regulated both by ordinary and special Romanian legislation, applicable to financial investment companies, and by its establishment deed.

SIF Muntenia was established as a joint stock company in November 1996 by restructuring and transformation of Muntenia IV Private Ownership Fund, pursuant to Law no. 133/1996 for the transformation of Private Ownership Funds into financial investments companies.

According to legal provisions, SIF Muntenia SA was classified in the category of Other Undertakings for Collective Investment (UCI) renamed by Law no. 74/2015 as "alternative investment fund".

During 2016 there were no significant reorganization of SIF Muntenia activity.

There were no changes to the Articles of Incorporation.

SIF Muntenia has been registered in the FSA Register for instruments and financial investments under the section Investment companies of alternative or closed type (UCI which are established by Articles of Incorporation which issue a limited number of shares and are traded on a market), with the register number PJR09SIIR/400005.

SIF Muntenia has a structure of supervision and control which, at present, is less used by companies listed on the Bucharest Stock Exchange. Thus, shareholders supervise the management company activity during the interval between shareholders general meetings through the Shareholders Council Representatives and the management of SIF Muntenia is performed by the investment management company, SAI Muntenia Invest SA.

The main areas of activity of SIF Muntenia are:

- administration and management of its securities portfolio;
- performing investment in securities in accordance with regulations in force;
- gathering available financial resources from individuals and legal entities and their placement in securities.

The activity of SIF Muntenia in 2016 was continuous, there were no substantive legislative changes in 2016 requiring dramatic restructuring of the activity or portfolio held.

The operations carried out in 2016 by SIF Muntenia were registered in the coordinates drawn up by the Management Program and the Budget of Revenues and Expenses approved by the shareholders of SIF Muntenia. The investment policy complied with the prudential rules imposed by the legal provisions and the applicable regulations applicable to the UCI with a diversified investment policy.

The macrostructure of SIF Muntenia portfolio was also within the coordinates set out in the Management Program for 2016.

The most important operations, both in terms of value and in terms of impact on the portfolio structure, were those in the sub-portfolio of shares.

SIF Muntenia professionally uses financial instruments with significant effects on the valuation of its assets, liabilities, financial position and profit or loss.

The evolutions of the economic and investment environment in Romania have determined that the decisions taken in the administration involve an increased coordination of the actions and a careful analysis of the way of allocating own resources, the ultimate goal being to maintain a portfolio structure that would ensure the increase of the net asset value, a competitive level of unit dividend value, so that SIF Muntenia continues to be a viable investment alternative that will ensure profitable investments and a competitive return for investors. An important role in achieving the economic results of the mentioned period was the optimization of the resource allocation and the flexible adaptation of the means to changes in the economic and financial environment.

3 PRESENTATION OF SUBSIDIARIES

In the presentation tables of each subsidiary described in this chapter, the amounts of equity, income and profit are those in the financial statements prepared on 31.12.2015 and 31.12.2016 and approved in the OGMS by each subsidiary according to the accounting regulations applicable to each of them (RAS, IFRS) and the quota held by SIF Muntenia within the company is the direct holding.

If the subsidiaries had

- Branches, work points
- Research and development activities;
- Acquisition of own shares;
- Transactions with the company's shares in 2016 carried out by SIF Muntenia in 2016.
- Merger or significant reorganization in 2016.

these aspects are described in the presentations below. Issues related to corporate governance are presented in the chapter "Corporate Governance".

The order of presentation of the affiliates is alphabetical.

When presenting the Boards of Directors, the first person on the list is the President.

Denomination	Address	CITY	Fiscal Code	Trade Registry number
AVICOLA SA BUCURESTI	16, SPLAIUL UNIRII, DISTRICT 4	BUCHAREST	1551768	J40/12/1991
BIOFARM SA BUCURESTI	99, LOGOFATUL TAUTU ST	BUCHAREST	341563	J40/199/1991
BUCUR SA BUCURESTI	25, VISINILOR SECTOR 2 ST.	BUCHAREST	1584234	J40/392/1991
CASA DE BUCOVINA-CLUB DE MUNTE S.A.	18, PIATA REPUBLICII	GURA HUMORULUI	10376500	JJ33/718/1998
CI-CO SA BUCURESTI	5, CAMPUL MOSILOR ALLEY	BUCHAREST	167	J40/472/1991
FIROS S.A BUCURESTI	100, TIMISOARA BVD	BUCHAREST	434492	J40/14598/91
FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTREPRINZATORII PRIVATI - IFN S.A.	46, MATASARI ST.	BUCHAREST	3682077	J40/7657/1993
GECSATHERM SA	82, ARMATEI ST.	TIRNAVENI	22409260	J26/1628/2007
MINDO SA DORHOI	45, HERTA ST.	DORHOI	622003	J07/125/91
MUNTENIA MEDICAL COMPETENCES SA	2A, PICTOR NICOLAE GRIGORESCU	PITESTI	23553484	J03/668/2008
SEMROM MUNTENIA SA BUCURESTI	28-30 ARISTIDE PASCAL ST.	BUCHAREST	351290	J40/895/1991
SEMROM OLTENIA SA CRAIOVA	7, EUGENIU CARADA ST.	CRAIOVA	10610146	J16/556/1998
UNISEM SA BUCURESTI	57, MIHAIL EMINESCU ST.	BUCHAREST	302	J40/14/1990
VOLUTHEMA PROPERTY DEVELOPER SA	16, SPLAIUL UNIRII, ROOM 508	BUCHAREST	23207014	J40/1945/2008

3.1 AVICOLA S.A. BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	99.40%	99.40%
Listing market and symbol	BVB- AERO-AVBW	BVB- AERO-AVBW
Equity	54,514,278	54,679,323
Total revenues lei	54,779,759	62,869,573
Net profit lei	377,465	165,047
Average number of employees	161	170
Board of Administrators	Adina Viscopoleanu, Liliana Iancu, Terez Zarug	Claudiu Petrescu, Liliana Iancu, Remus Iliuță
General Manager	Terez Zarug	Terez Zarug

The company Avicola Bucuresti S.A. comes from state enterprise **CENTRALA PENTRU PRODUCȚIA AVICOLĂ BUCUREȘTI**, company which was established in 1991 by reorganizing the former state enterprises according to Law 15/1990, legal basis for the establishment of the company: GO 1250/1990

Production activity in 2016 was conducted on the following directions:

- Breeding light breeds of hens
- Production of hen eggs for consumption,
- Production of compound feed

The chicken growth technology and the latest generation sorting and packing lines ensure the guarantee of a quality product obtained in accordance with European food quality and safety standards and regulations.

The activity takes place within 3 branches:

- Codlea, Brașov County (breeding of light breeds),
- Mihailesti, Giurgiu County (production of consumption eggs, production of compound feed),
- Butimanu, Dambovită County (production of consumption eggs).

The national market share of sales of consumption egg is 5% at national level, about 10% in the Bucharest area. On the market segment, the production of egg consumption ranks among the top 10 producers in Romania. During 2016, the negative effect of the increase in low-priced egg imports from the European Community, especially in Poland, was strongly felt. In 2016, Avicola sold on the domestic market a quantity of eggs with 52.48% higher than in 2015, but the average price was 0.2925 lei / egg versus 0.3370 lei / egg in 2015 (a decrease by 13.5%).

The company pursues a complex strategy of development, consisting of attracting European funds for the modernization of the existing technology, for additional investments and for the diversification of the fields in which it operates. Thus, in 2016 investments were made in the amount of RON 2.29 mn, directed largely to the investment objective Liquid egg factory (realized with the support of the European funds, the EAFRD program). The financing of the investments was made from own sources and from bank credits.

Research and development. In 2016 the development of two large projects continued:

- **"Using pulsed cold atmospheric plasmas to destroy microorganisms on the surface of eggs destined to consumption, to increase food security"** (ETAP) project coordinated by the National Institute for Laser, Plasma and Radiation - INFLPR Magurele
- **"Obtaining consumption eggs with low cholesterol, new product on the Romanian market"** project within the program National Plan for Research Development and Innovation II, DPST, consortium with Avicola Bucuresti (coordinator), National Institute of Research – Development for Biology and Animal Nutrition (I.B.N.A. Balotești)

3.2 BIOFARM S.A BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	50.98	50.98
Listing market and symbol	BVB-BIO	BVB-BIO
Equity, lei	182,130,615	197,146,496
Total revenues lei	152,866,496	151,346,000
Net profit lei	27,226,492	29,477,748
Average number of employees	394	388
Board of Administrators	Dănuț Vasile, Andrei Hrebenciuc, Dragoș George Bîlteanu, Najib El Lakis, Bogdan Alexandru Drăgoi	Dănuț Vasile, Andrei Hrebenciuc, Dragoș George Bîlteanu, Najib El Lakis, Bogdan Alexandru Drăgoi
General Manager	Dănuț Vasile	Dănuț Vasile

The company BIOFARM SA was founded by OG 1224 as of 23.11.1990.

Biofarm's main object of activity is the production and marketing of medicinal products for humans, CAEN code 2120 "manufacturing of pharmaceutical products".

On 31.12.2016 the company had the following work points:

- Bucharest, 42-44 Iancu de Hunedoara Bvd, sector 1,
- Bucharest, 202-226 Gura Badicului St, finished goods distribution warehouse
- Cluj-Napoca, 206 Traian Vuia St, finished goods distribution warehouse
- Craiova, 120 A Decebal Bvd., finished goods distribution warehouse
- Arad, 1 Câmpul Linistii, finished goods distribution warehouse,
- Constanta, 1 Interioara St., finished goods distribution warehouse,
- Iasi, 78 Aurel Vlaicu St., finished goods distribution warehouse

Biofarm SA Bucharest is one of the first Romanian manufacturers of medicines and food supplements, having a portfolio of over 200 products. During 2016 Biofarm retained its position among the top 10 Romanian producers in terms of sales in commercial units, achieving a market share reported by Cegedim Romania of 3.6% of the total units sold to patients by the Romanian pharmaceutical market.

In 2016 the production activity of the company was achieved on GMP (Good Management Practice) production streams, namely: solid forms flow (tablets and coated tablets), soft capsule flow, liquid flow (solutions and syrups), food supplements – chewable tablets. Food supplements (SN) had 34% of the company's portfolio in 2011, 51% of the non-prescription medicines (OTC), and 15% of prescription drugs (RX). Gara Cățelu, Bucharest

Biofarm continued its investment program in 2016, mainly destined for the plant that the company has in construction in the Gara Cățelu area in Bucharest. Purchases of tangible assets in 2016 amounted to RON 20 million.

Research and Development. In 2016 formulas were developed for 7 new drugs, 9 drugs in the registration procedure, and 22 dietary supplements - new formulas.

The research and development department provided the technology transfer and technical assistance for the transfer of 8 products to production. At the end of 2016, Biofarm submitted at the National Medicines Agency 25 drug files for the marketing authorization and / or renewal of marketing authorization.

3.3 BUCUR S.A BUCUREȘTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	67.98%	67.98%
Listing market and symbol	BVB- AERO-BUCV	BVB- AERO-BUCV
Equity lei	107,278,402	107.605.920
Total revenues lei	27,223,365	23,295.582
Net profit lei	258,520	325,810
Average number of employees	52	50
Board of Administrators	Banica Octavian, Plumb Niculina, Uta Vasilica	Scripcaru Corneliu Cătălin, Vasilica Uță, Emilia Iulia Blîndu
General Manager	Tianu Diana Alexandra Elena	Scripcaru Corneliu Cătălin

The company Bucur S.A. was founded in 1990 under the provisions of OG 1040/1990, by transforming I.C.R.A Bucuresti.

The company's object of activity is the wholesale and retail with food commodities and manufactured goods, having as business partners both in Bucharest and in the country and services (rent, handling, storage) for producers and importers of goods. The main foods marketed by the company are sugar, oil, canned vegetables, fruit, canned meat, milling products, dairy cheeses, food concentrates, coffee, sweets, etc.

The main assets of the company are the three warehouses in Bucharest:

- Militari Complex – 41,794 m² – Bucharest, 56, Timișoara Bvd., district 6 – wholesale trade and provision of services (direct management)
- Industriilor Complex – 32,298 m² - Bucharest, 53, Industriilor St., district 3 - wholesale trade and provision of services (direct management)
- Rahova Complex - 14,638 m² - Bucharest, 196, Calea Rahovei, district 5 - provision services (direct management)

At the same time, the company owns the following commercial spaces: Bucharest, 121, Ion Mihalache Bvd., district 1, Bucharest, 350, Șos. Pantelimon, district 2, Bucharest, 14, Liviu Rebreanu Bvd., district 3, Bucharest, 5, Romancierilor St., bl. C14, district 6, Oltenita, 39-43/45-47, Argesului St., bl. 105/106, groundfloor.

In 2016, the company's activity was developed in two main directions:

- wholesale trade with food and non-food goods, having as business partners economic agents both in Bucharest and in the country;
- provision of services (rental, storage, handling) for producers and importers of goods.

During 2016, the company's management started a company restructuring program both in terms of activity and personnel, in order to find new opportunities for efficient use of company assets. Investments have been begun at the Militari Complex, investments that will be completed in several stages in order to make more efficient the activity of this complex.

Revenues recorded in 2016 were predominantly incomes from the sale of goods, 73.66%, followed by revenues from renting their own real estate - 22.18%

Subsequent event: On 29.05.2017, the resignation from the Board of Directors of Mrs. Uta Vasilica was registered at the headquarters of the company. As a result, on 08.06.2017, the Board of Directors appointed Mr. Sergiu Mihailov as Provisional Director, according to legal stipulations in force.

3.4 CASA DE BUCOVINA CLUB DE MUNTE S.A. GURA HUMORULUI

	31.12.2015	31.12.2016
% held by SIF Muntenia	66.87%	66.87%
Listing market and symbol	BVB- BCM	BVB- BCM
Equity, lei	35,098,685	35,219,308
Total revenues, lei	7,374,955	8,439,824
Net profit, lei	518,751	608,926
Average number of employees	71	78
Board of Administrators	Mircea Constantin, Viorel Munteanu, Liana Marin, Josefina Olar, Nicoleta Chialda	Florica Trandafir, Ion Romica Tamas, Liana Marin, Mircea Constantin, Dumitru Florin Chiribucă
General Manager	Ion Romică Tamas	Ion Romică Tamas

The company Casa de Bucovina Club de Munte SA was established in March 1998 as a joint stock company with private capital, with 6 founding shareholders, Romanian legal persons.

Casa de Bucovina - Club de Munte has as object of activity the provision of hotel services, food services and entertainment, the sale of package tours, organization of conferences and events for local or foreign companies, etc., and according to the NACE code – 5510 the activity is defined as “Hotels and similar accommodation”

The main assets of the company is a four-star hotel put in use in 2002, affiliated to the international chain Best Western, located in Gura Humorului, Suceava County.

The hotel has the following facilities: 130 rooms / 220 seats, 2 restaurants (180 and 60 seats), 7 conference rooms with capacity from 25 to 280 seats, lobby bar (60 seats), terrace (40 seats), summer terrace, SPA area. Best Western Bucovina Hotel is still the only hotel that operates in an international franchise in the area of Bucovina monasteries, which gives it a higher visibility for foreign tourists.

For the foreign market, the main target countries remain Spain, Italy and Germany / Austria, which generate about 75% of the number of foreign tourists staying at the hotel, followed by tourists from Japan, France, Poland and Greece.

The company holds 175,880 square meters of land (located in Gura Humorului in the Ariniș Dendrological Park), out of which 172,392 sqm are owned and 3,488 sqm are under concession.

On the accommodation segment, revenues increased by 10% over the budget and 16.1% above the values recorded in 2015. This advance resulted from an increase in the number of nights of accommodation by 7.5% annually and from an increase in the average rate / average tariff by 4.5 % Year / year. The increase in the number of tourists staying at the hotel has also generated an increase in revenues from food. The food reported a revenue growth of 14.9% a year, mainly on the basis of the revenues generated by individual clients– a la carte menu and the opening of the terrace in Ariniș Park, as well as the income generated by the leisure groups dinner.

The services range from basic hotel services (accommodation and catering), “inclusive” packages for seminars, conferences or congresses to customized customer or group services. By diversifying the customer base and the services offered, the company is not dependent on a single customer group or destination, the loss of which would have a negative impact on revenues.

For the year 2016, a series of repairs, replacements and facilities were made to ensure certain reductions in hotel maintenance costs or to raise comfort levels in certain areas.

3.5 CI-CO S.A. BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	97.34%	97.34%
Listing market and symbol	BVB- AERO-CICO	BVB- AERO-CICO
Equity lei	48,064,127	56,790,999
Total revenues lei	10,396,439	10,228,317
Net profit lei	1,496,172	10,378,216
Average number of employees	48	41
Board of Administrators	Pavel Avramoiu, Stoicescu Silviu Daniel, Cina Constanța	Pavel Avramoiu, Stoicescu Silviu Daniel, Scripcariu Corneliu Cătălin
General Manager	Pavel Avramoiu	Pavel Avramoiu

The company was established under OG 1353/1990, taking over in 1990 the activity of the juices manufacturer CI-CO.

In 2016, the activity carried out within the company had as main object of activity Renting and sub-leasing of own or rented real estate. In 2016, CI-CO added to its activity (and amended its constituent act as a result of approval by the SGOA dated 10 October 2016) with real estate development and promotion activities, construction works, etc.).

"Obor Central Halls", the main asset of the company, is included in the list of historical monuments in Bucharest. On 11.08.2016 a land of 9.692 square meters was purchased for future investments in Mâneciu locality, Prahova County.

In 2016, based on a transaction contract concluded between CI-CO and SIF Muntenia, all disputes and claims between the two parties were settled in connection with the dividends for 1998 and 1999 and outstanding dividends of 4,026,113 lei were paid. Operating profit was influenced by the resumption of provisions previously set up for these disputes - which led to the recording of negative net expenses and ultimately to a net profit higher than the total revenues of 2016.

The share capital was increased in 2015 by the amount of 6,115,375 lei following the SGEA decision dated 15.01.2015. The term for making the payments established by the BoD Decision of CI-CO S.A. is 3 years from the date of publication of the decision of the SGM related to the increase, respectively until 16 February 2018.

The Company was re-listed for trading on the Bucharest/AERO Stock Exchange since 19.04.2016.

In 2016 the management of the company started an repair program of Obor Central halls, considering the age of the building and the lack of repairs in the last 15 years. Studies and analyzes have also been started on how to use the building more efficiently.

Subsequent event

In May 2017, the resignations of the members of the Board of Directors - Catalin Corneliu Scripcariu, Pavel Avramoiu, Daniel Silviu Stoicescu were recorded at the company's headquarters. In the SGOM dated 19.06.2017, Sergiu Mihailov and Constantin Ștefan were appointed as members of the board of administrators of CI-CO.

The newly elected Board of Directors decided on 28.06.2017 to appoint Mr Ioneață Ion-Sorin as Temporary Administrator and the appointment as General Manager starting with 30.06.2017. The SGM of the company was convened for 8/9 August 2017 in order to appoint a new member of the Board of Directors.

3.6 FIROS S.A. BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	99.69%	99.69%
Listing market and symbol	unlisted	unlisted
Equity lei	39,508,582	40,429,363
Total revenues lei	39,820,236	44,804,702
Net profit lei	1,314,063	1,635,780
Average number of employees	57	65
Board of Administrators	Bogdan Alexandru Drăgoi, Ioana Mihaela Petrescu, Florica Trandafir	Bogdan Alexandru Drăgoi, Ioana Mihaela Petrescu, Florica Trandafir
General Manager	Daniel Pop	Daniel Pop

The Company was established under Government Decision No 1200 of 12 November 1990 on the establishment of joint stock companies in the industry, having as main activity the manufacture of glass yarns and fabrics.

The company was restuctured by SIF Muntenia, the majority shareholder, the new field of activity is production and sale of construction materials.

Since 2010, the main activity of the company is in the field of building materials industry - production and sale of premixed mortars, adhesives for ceramic thermosystems and tiles, joint grouts and colored plasters. Starting in May 2013, the company opened a new expanded cellular polystyrene production line, complementary and supportive of its core business.

During 2016, the company's management continued the company's development process started back in 2013, with the main purpose of utilizing at best capacity of the company's assets and increasing the volume of production and sales so that the company gains an important place on the market it activates.

In 2016, approximately 84,000 tons of mortars / adhesives / plasters / screeds and approximately 107,000 cubic feet of expanded cellular polystyrene were produced and sold.

During the year 2016, the company performed improvements of lands and facilities for buildings in the amount of 640,011 lei and investments in technical equipment and machinery in the amount of 1,108,226 lei.

3.7 FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTREPRINZATORII PRIVATI - IFN S.A.

	31.12.2015	31.12.2016
% held by SIF Muntenia	53.60%	53.60%
Listing market and symbol	unlisted	unlisted
Equity lei	27,727,773	27,851,495
Total revenues, lei	3,255,396	2,802,576
Net profit, lei	509,021	316,690
Average number of employees	12	
Board of Administrators	Sorin Coclitu, Olivia Ștefănescu, Diana Vereș,	Olivia Ștefănescu, Ioan Nicolescu, Diana Vereș
General Manager	Sorin Coclitu	Sorin Coclitu

Fondul Român de Garantare a Creditelor (FRGC) is a financial institution established as a joint stock company, with 100% Romanian private capital, that has as main activity other lending activities (NACE code 6492) consisting of "undertaking commitments to guarantee loans and other products and banking services contracted by Romanian entrepreneurs, individuals or legal entities, with private and / or majority private capital".

It is the first guarantee fund created in Romania, its creation taking place in 1993 on the recommendation of the World Bank.

FRGCIP IFN SA grants guarantees to commercial banks in Romania for investment credits and working capital attracted by economic agents.

FRGC's activity focuses on providing high-quality services that contribute to:

- increasing the volume of funding available to private entrepreneurs in Romania who have viable business projects
- increasing and diversifying the credit portfolio of partner banks
- reducing the risk associated with lending to private entrepreneurs

Through the specific activity, FRGCIP IFN SA issues guarantees to the partner banks in favor of the clients, the beneficiaries of the bank loans. The portfolio of issued guarantees is reflected off the balance sheet of the company, according to RAS financial statements, on each client, as at 31.12.2016 amounting to 29,961,260 lei.

The company's revenues are mostly represented by the income from guarantee commitments in favor of credit institutions (in 2016, 1,224,976 RON), interest on investment securities from its own portfolio and interests on bank deposits and revenues from renting out of surplus space.

Subsequent event

On 03.01.2017, Mr. Vasile Jianu was appointed as General manager, with a mandate until 03.01.2018, following the termination of Mr Sorin Coclitu mandate.

3.8 GECSATHERM S.A. TÂRNĂVENI

GECSATHERM SA TÂRNĂVENI	31.12.2015	31.12.2016
% held by SIF Muntenia	50,00%	50,00%
Listing market and symbol	unlisted	unlisted
Equity lei	20,430,987	21,124,353
Total profit, lei	13,901,378	14,858,366
Net profit, lei	227,375	974,118
Average number of employees	37	39
Board of Administrators	SC Vetroconsulting SRL permanently represented by Mr. Marginean Alin Cristian (President), Stratan Tiberiu, S.C. Conlisa S.R.L. by permanent representative Mr. Marginean Ciprian	SC Vetroconsulting SRL permanently represented by Mr. Marginean Alin Cristian (President), Stratan Tiberiu, S.C. Conlisa S.R.L. by permanent representative Mr. Marginean Ciprian
General Manager	Marginean Alin Cristian	Marginean Alin Cristian

Gecsatherm is an investment of SIF Muntenia SA made together with Gecsath SA Târnăveni. The investment in the production line construction was started in 2007 and the production started in 2009.

The main object of activity is NACE Code 2314- production of fiber glass.

The company's main activity is the production of glass mineral wool used for thermal and acoustic insulation especially for attics, exterior walls, floors between the floors, wall insulation of internal partition drywall, for steel buildings and industrial equipment.

The company produces glass wool rolled and condensed mats of various thicknesses and densities, rigid and semirigid mineral wool sheets.

Recycled glass waste is mostly used as a raw material, reducing the waste resulting from the production process being a constant concern within the company.

The capacity of the plant is 6,000 tons / year, which was fully used in 2016 - sales were at production capacity. Gecsatherm has gradually increased its market share each year, reaching a market share of 30% in the domestic market in 2016. Gecsatherm remained the only independent mineral wool producer in Romania. In 2016, the company did not resort to bank loans and, as a result, the operating profit obtained was not influenced by financial expenses.

3.9 MINDO S.A. DOROHOI

	31.12.2015	31.12.2016
% held by SIF Muntenia	98,02%	98,02%
Listing market and symbol	BVB- AERO-MINO	BVB- AERO-MINO
Equity lei	9,991,517	8,180,935
Total revenues, lei	26,908,586	29,231,380
Net loss, lei	2,482,476	1,421,929
Average number of employees	64	67
Board of Administrators	Tiberiu Stratan, Marius-Gabriel Ilie, Alexe Valentina	Tiberiu Stratan, Marius-Gabriel Ilie, Alexe Valentina
General Manager	Serban Dragos Cazanisteanu	Serban Dragos Cazanisteanu

Since 1967 Mindo is active in the mining industry (quartz sand and flint balls), exploiting initially Miorcani deposit and then Hudești, Botosani County.

The company MINDO S.A. Dorohoi was founded by Government Decision 1361 of 29 December 1990 on the establishment of joint stock companies in the industry.

Following the involution of glass industry in Romania, for which Mindo was a major supplier of sand quartz, the company had to expand its scope of activity, focusing on the construction materials market by developing a division of dry mortars and adhesives under the brand MINDOPLAST®. In 2012 the investment 'Production of expanded polystyrene ' was completed.

Thus, in 2016, only 3.15% of the revenues were obtained from the sale of quartz sands, 51.38% from the sales of dry mortars and 45.47% from the sale of expanded polystyrene.

Due to its geographical position, the not very high level of equipment used as well as the fact that it is not eligible for bank loans without owning land and valuable buildings, the company did not succeed in achieving profit in 2016. The management of the company constantly analyzes the structure and the volume of production, the expenses of the company, so that in 2017 the situation to be improved considerably.

Subsequent event

On 22.03.2017 the company registered the resignation of Ms. Alexe Valentina from the position of member of the Board of Directors. Ms. Iancu Liliana was appointed as member of the Board of Directors during the SGOM dated 25.05.2017.

3.10 MUNTENIA MEDICAL COMPETENCES S.A. PITEȘTI

Company under insolvency procedure

	31.12.2015	31.12.2016
% held by SIF Muntenia	98.94%	98.94%
Listing market and symbol	unlisted	unlisted
Equity lei	4,028,395	-8,658,796
Total revenues, lei	10,431,111	13,825,681
Net loss, lei	1,746,747	12,687,191
Average number of employees	108	120
Judicial Administrator	SMDA Insolvency SPRL	Maestro SPRL
Special Administrator	Filimon Gabriel	Filimon Gabriel

At 31.12.2015, SIF Muntenia held 98.94% of the share capital of MUNTENIA COMPETENCES MEDICAL SA PITEȘTI with business activities in the specialized healthcare. The company is under insolvency procedure.

Muntenia Hospital provides various **medical services**: Specialized outpatient consultations and investigations, Integrated imaging platform with high performance investigations (MRI, CT), Surgery and medical procedures in day and continuous hospitalization (a total of 45 beds), Laboratory of Medical Analyzes, Recovery Laboratory, Physical Medicine and Balneology.

Market served

The Target (the main target group of service beneficiaries) identified for Muntenia Hospital is the population group in Pitesti and Argeș County, of both sexes, medium-high education, medium-high income, dynamic lifestyle, with health care and disease prevention concerns, with access to health information / knowledge, most of them employees.

The **market of private medical services** in which Muntenia Hospital carries out its activity includes, besides the over 350 individual family doctor medical offices operating in Arges County, more than 100 private medical units providing medical analysis, imaging, specialized ambulances, day or continuous hospitalization in almost all medical specialties. As of 2015, MMC had a market share of 26% among the major private clinics in Pitesti.

Status of the insolvency procedure in 2016

By Decision no. 310/2016 dated 26 May 2016 the Court upheld the appeal filed by BT Leasing Transilvania IFN against decision 772/30.09.2015 and ordered it to be included in the debt table with the amount of 12,095,187 RON. Following the registration of the respective amount, the equity became negative.

On 14 September 2016, the Court of Appeal communicated the Civil Decision no. 487/2016 confirming the reorganization plan. Following this decision, the company entered the judicial reorganization procedure.

According to the provisions of the reorganization plan, the budgetary and salary receivables were paid within 30 days from the date of its final decision. During 2016, the company carried out all activities according to the object of activity. Although marketing and promotion costs are almost non-existent, the company has managed to increase its turnover. In 2016, the company recorded an operating loss of 592,004 lei.

The loss recorded in the financial statements is due to the recording of expenses, according to the legal regulations in force, of BT Leasing Transilvania IFN's claim in the amount of 12,095,187 lei according to the Decision of the Court. Please note that this claim is not included in the reorganization plan approved by the creditors and the syndic judge.

In November 2016, for the acquisition of medical equipment owned by BT Leasing Transilvania IFN, the company contracted a loan of 2.2 mn lei for a period of 40 months from Voluthema Property Developer.

Subsequent event

On 12.01.2017 the Shareholders General meeting approved the revocation of the Special Administrator and the appointment of Mr. Palea Ovidiu Nicolae, doctor, as Special Administrator.

3.11 SEMROM MUNTENIA S.A. BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	90.68%	90.68%
Listing market and symbol	BVB- AERO- SEOM	BVB- AERO- SEOM
Equity lei	89,825,777	64,634,608
Total revenues, lei	35,581,918	26,699,354
Net loss, lei	6,255,489	25,893,792
Average number of employees	281	231
Board of Directors	Sima Ilie, Ilie Marius Gabriel, Roșu Gabriela	Iuliana Cernat, Ilie Marius Gabriel, Roșu Gabriela
General Manager	Ilie Sima	Iuliana Cernat

The company Semrom Muntenia S.A. is the successor of SEMROM SA Bucuresti, which, through restructuring and in accordance with ASAL program and the SGM decision as of 21.10.1997 was divided into five companies by geographic area.

The core activity consists in contracting, production, processing and marketing of cereal seeds and fodder crops – NACE Code 4621 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds.

Under contracts, Semrom Muntenia multiplies, conditions, treats and sells seed of the following species: corn, sunflower, wheat, barley, canola, peas, oats, soybeans, alfalfa, mustard and other species of seeds. It also sells chemicals fertilizers, pesticides and herbicides.

Supply of services to agricultural producers consist in the acquisition, receipt, processing, purification and packaging of seeds and storage.

In 2016, from the turnover point of view, 55% of revenue accounted from sales of goods, and 45% revenues from services, rents, other activities.

Semrom Muntenia operates ten branches denominated Agrosem Complexes (Brăila, Buzău, Călărași, Constanța, Dâmbovița, Giurgiu, Slobozia, Tecuci, Tulcea, Urziceni).

The company faces a very strong competition environment on the seed sales market. As a trend (which also affects the subsidiaries Semrom Oltenia and Unisem presented below in this chapter), the strong market share of the seminars is manifested by foreign capital companies that are aligned with both the internal and international market requirements and have high technology, financial force and performance marketing.

At the end of 2015, the general manager of the company was revoked and in 2016, an extensive process of analysis and restructuring of the company's activity was started. It was found that although the company had a very high turnover at the end of 2015, the general manager did not have any inventory and inventory analysis strategy, so in 2016 the company had to provide and / or register Adjustments to both non-moving stocks and receivables not collected or at high risk of non-collection. In this context, all the working points (Agrosem Complexes) have been analyzed in terms of the capacity to produce profit. Following the analysis, the new management team has planned to maintain and develop only Complexes that are profitable and to dissolve the others by selling. Therefore, several assets were reevaluated for sale, and the Extraordinary General Assembly as of December 2016 approved their sale.

The financial statements for 2016 were amended following the conclusions of an extrajudicial expertise report that was submitted to the SGEA on 22.12.2016. In this SGEA it was also approved the notification of the competent bodies for the accountability of former director Ilie Sima.

3.12 SEMROM OLTENIA S.A. CRAIOVA

	31.12.2015	31.12.2016
% held by SIF Muntenia	88.50%	88.50%
Listing market and symbol	BVB- AERO- SEOL	BVB- AERO- SEOL
Equity lei	16,222,035	16,597,969
Total revenues, lei	12,620,567	16,046,402
Net profit, lei	146,788	401,124
Average number of employees	74	61
Board of Directors	Dănuț Florin Buzatu, Corneliu Dia, Daniela Topor	Laurențiu Parghel, Corneliu Dia, Daniela Topor
General Manager	Laurentiu Parghel	Laurentiu Parghel

Semrom Oltenia S.A. was established in 1998 by the division of SEMROM S.A, București in five companies by geographic area.

The main object of activity of Semrom Oltenia S.A. is the production, processing and marketing of seed of grain crops and forage, but the appearance on the market of seed of a large number of merchants imposed diversification of the company's objects of activity, ie taking and valorization of fertilizers and pesticides, supply of conditioning services for various manufacturers of seeds, storage rental, etc. the main activity being the cultivation of cereals (except rice), leguminous crops and oil seeds plants.

In 2016, the sales of grain, technical and forage crops accounted for 72% of total revenues (92% of turnover) and provision of seed conditioning services for other producers 5% of total revenues (6% of the turnover). In 2016, the Company recorded in "other operating income", a revenue of RON 3.38 mn, mainly from the sale of assets under the restructuring plan.

It has eight units in Oltenia, called working points, as follows:

1. Working point Argeș, headquartered in Pitești
2. Working point Dolj, headquartered in Boureni;
3. Working point Gorj, headquartered in Tg, Cărbunești
4. Working point Mehedinți, headquartered in Șimian
5. Working point Olt, headquartered in Caracal
6. Working point Telorman, headquartered in Alexandria
7. Working point Vâlcea, headquartered in Dragasani
8. Working point Păvăloi Farm, Băraști, jud Olt,

Starting in 2015, as a result of a restructuring program, the company began to make profits. Due to the fact that the company has borrowed loans since 2008, overdue and rescheduled loans, the restructuring program includes sales of assets, assets mortgaged at BCR. Thus, all asset sales were made with the consent of BCR to reduce the risk of forced execution and to pay outstanding debts to the bank. Also, assets whose activity was not profitable for the company were sold. Land and buildings sold in 2016 were located at the Olt work point, Caracal and Boureni locations.

3.13 UNISEM S.A. BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	76,91%	76,91%
Listing market and symbol	BVB-AERO UNISEM	BVB-AERO UNISEM
Equity lei	30,933.502	51,622,306
Total revenues, lei	8,549,097	13,155,824
Net profit/ loss, lei	-2,095,571	564,097
Average number of employees	74	59
Board of Directors	Rosu Bogdan Nicolae, Florin Dănuț Buzatu, Daniel- Silviu Stoicescu	Rosu Bogdan Nicolae, Mircea Constantin, Daniel- Silviu Stoicescu
General Manager	Laibăr Alexandru	Roșu Bogdan Nicolae

The company Unisem S.A. was established under Government Decision 1273 as of 8.12.1990 by transformation into trading company, according to Law 15/1990, of the Enterprise for Developing Vegetable Seeds and Seedlings in Bucharest.

The company is engaged in the following fields: agricultural production, trade and services for agriculture, having been specialized in the production, handling and wholesale and retail sales of vegetable seeds, legumes food, flowers, fodder and potato. NACE Code 4621 Wholesale of grain, unmanufactured tobacco, seeds and animal feeds.

The company is organized in 4 Regional Centers: Ilfov, Neamt, Suceava, Salaj and operates through stores -for retail sales, warehouse – for wholesale and through one packaging and storage unit.

80% of the products sold are vegetable seeds, fodder plants, cereals, and 20% complementary products (fertilizers, pesticides, gardening tools).

In January 2016, the management of the company was changed by appointing a new general manager. Considering the company's history and the fact that the company has been registering losses for many years, the new management of the company has started a restructuring program. Only those capacities (workstations) that perform preponderant commercial activities in profitable conditions and those locations that can be leased so that the company can recover its costs have been considered. The rest of the locations have been proposed for sale at prices higher than their fair value in the accounting or have been preserved for a limited period so that the company can approve a strategy for the coming years. Thus, in 2016, eight assets were sold by auction or direct negotiation, the price being totally collected.

In October 2016, the company concluded an association agreement with SIFI Properties SA for the development of a real estate project in Bucharest, 57A, Mihai Eminescu str., sector 2.

Research and Development. Unisem is the owner of 38 varieties of different vegetable species that cover all the required range on the market. These were maintained in 2016 in the Official Catalog of Cultivated Varieties of Culture in Romania. In addition, in 2016 Unisem carried out the conservative selection of three varieties of vegetables.

3.14 VOLUTHEMA PROPERTY DEVELOPER SA BUCURESTI

	31.12.2015	31.12.2016
% held by SIF Muntenia	69.11%	69.11%
Listing market and symbol	unlisted	unlisted
Equity lei	46,652,440	40,665,562
Total revenues, lei	3,434,625	3,533,510
Net loss/profit, lei	74,250	-5,916,350
Average number of employees	20	21
Board of Directors	Tatiana Leahu	Tatiana Leahu

Voluthema Property Developer was founded in 2008 by acquiring real estate assets held by SIF Muntenia and Avicola Bucuresti.

Therefore, Avicola Bucuresti, part of SIF Muntenia group, holds 30.89% of the share capital of Voluthema Property Developer SA, as a result of the contribution in kind to the share capital of Voluthema of a land which could no longer be used for the main activity of the company.

The main object of activity is "Renting and operating of own real estate" – NACE Code 6820.

The company owns the following plots of land and buildings:

- Muntenia Business Center building located in Bucharest, 16, Splaiul Unirii (with 874.8 sqm of land), commercial property of office space, with a built area 11,190 sqm, total useful area of 8,530.16 sqm, having a rentable area of 5,671 sqm. On 31.12.2016, Voluthema employs a segment of approximately 0.22% of a market with a total stock of 2.5 million square meters of office space.
- Land located in Bucharest, 2, Gheorgheni street, sector 1 (in the Băneasa forest) with an area of 7,060 sqm
- Urban land located in Ciolpani commune, Ilfov County, with an area of 18,591.15 sqm

The revenues remained almost constant in 2016 as compared to 2015 when the rents and the occupancy of the office building in Splaiul Unirii no. 16 have not undergone significant changes.

The loss recorded in 2016 came entirely from the revaluation at fair value of the company's tangible assets. Thus, according to the assessment made by CMF Consulting SA, the value of the land owned by the company has decreased from 19,835,383 lei to 13,348,734 lei. At 31.12.2016, the negative difference of RON 6,486,649 was recorded as an expense in the profit and loss account.

The building was valued at 21,615,000 (the positive revaluation difference of 87,760 lei was recorded as non-taxable income).

If we do not take into account the influences generated by the registration of these valuations, the company ended 2016 with a gross profit of 482,539 lei.

Subsequent event

On 28 June 2017 Voluthema organized an open auction for the sale of the land located in Jandarmeriei. The auction ended with the sale of the land at the price of 650 eur / sqm. At the date of this report, the purchase sale agreement was not finalized and therefore the land value was not collected.

4 SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AT 31.12.2016

4.1 ASSUMPTIONS IN PRESENTING CONSOLIDATED STATEMENTS

The financial statements have been prepared in accordance with the provisions of the FSA Rule No. 39/28 December 2015 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervision Authority of the Financial Instruments and Investments Sector.

The date of 31 December 2015 is for SIF Muntenia SA the date of transition to IFRS as the basis for accounting, when the operations resulting from the transition from Regulation 4/2011 approved by the NSC Order no. 13/2011 regarding Accounting regulations in line with the Fourth Directive of the European Economic Communities, to the Accounting Regulations in line with International Financial Reporting Standards.

The accounts of the Company's subsidiaries are maintained in RON in accordance with Romanian Accounting Regulations ("RAS"), except Casa de Bucovina S.A. and Biofarm S.A. which prepare IFRS financial statements using IFRS as a basis for accounting in accordance with the applicable legal provisions applicable from 2012 onwards. These accounts have been restated to reflect differences in the accounts according to IFRS and RAS. Correspondingly, accounts according to RAS were adjusted, where necessary, to harmonize the financial statements, in all material respects, with IFRS as adopted by the European Union.

Besides the specific consolidation adjustments, the main restatement of financial information presented in financial statements prepared in accordance with Romanian accounting regulations consisted of:

- grouping several items into more comprehensive categories;
- adjustments of elements of assets, liabilities and equity in accordance with IAS 29 "Financial reporting in hyperinflationary economies" because the Romanian economy was a hyperinflationary economy until 31 December 2003;
- fair value adjustments and impairment losses in accordance with IAS 39 "Financial Instruments: Recognition and Measurement";
- adjustments to the situation of profit or loss and other comprehensive income to record dividend income at the moment of declaring and at gross values;
- adjustment of biological assets for their evaluation at fair value less estimated point of sale in accordance with IAS 41 "Agriculture";
- adjustments of real estate investments in order to evaluate them at fair value in accordance with IAS 40 "Real Estate Investments";
- adjustments to assets held for sale in order to evaluate them in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
- adjustments for the recognition of assets and liabilities regarding the deferred income tax in accordance with IAS 12 "Income Taxes";
- disclosure requirements under IFRS.

The Group classifies **financial instruments** held in the following categories:

➤ **Financial assets and liabilities at fair value through profit or loss**

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss on initial recognition. An asset or financial liability is classified in this category if acquired principally for speculation purpose or if so designated in this category by the Group's management.

➤ **Investments held to maturity**

Investments held to maturity are those non-derivative financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intention and ability to hold to maturity. Investments held to maturity are measured at amortized cost through the effective interest method less impairment losses.

➤ **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near future.

➤ **Financial assets available for sale**

Financial assets available for sale are those financial assets that are not classified as loans and receivables, investments held to maturity or financial assets at fair value through profit or loss.

4.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In Lei	31 December 2016	31 December 2015
Asset		
Cash and bank deposits	175,842,939	112,445,694
Financial assets at fair value through profit or loss	84,736,635	148,323,668
Financial assets available for sale	561,882,211	523,252,066
Loans and liabilities	113,490,441	120,617,610
Inventory	38,748,708	42,293,629
Investments in associates	-	-
Fixed assets held for sale	9,336,953	-
Real estate investments	205,696,019	164,657,571
Intangible assets	77,860,782	88,347,823
Tangible assets	303,398,318	330,824,481
Other assets	33,500,143	30,288,431
Total assets	1,604,493,149	1,561,050,973
Liabilities		
Dividends and reserves distributed to be paid	83,804,789	131,860,658
Commercial liabilities and other liabilities	80,931,285	82,771,280
Loans	20,278,375	22,740,932
Liabilities on deferred income tax	49,494,934	39,512,283
Total liabilities	234,509,383	276,885,153
Equity		
Company Shareholders equity		
Share capital	80,703,652	80,703,652
Hyperinflation effect - IAS 29	803,294,017	803,294,017
Own shares	-	-
Reserves from revaluation of financial assets available for sale	148,557,349	138,643,321
Reserves from revaluation of tangible assets	142,622,659	137,186,361
Cummulative loss	(11,778,664)	(81,293,416)
	1,163,399,013	1,078,533,935
Interests without control	206,584,753	205,631,885
Total equity	1,369,983,766	1,284,165,820
Total datorii liabilities and equity	1,604,493,149	1,561,050,973

The difference between total assets of the consolidated financial statements of the group and SIF Muntenia's individual financial statements is 42.19% (29015: 44.99%), representing the cumulative effect of consolidations of subsidiaries' assets with those of SIF Muntenia and recording specific adjustments to the consolidated financial statements of eliminating transactions and outstanding balances in the group.

Capital adequacy

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

The Group's equity includes the share capital, various types of reserves and the accumulated loss. The equity amounted to 1,369,983,766 lei as at 31 December 2016 (31 December 2015: to 1,284,165,820 lei).

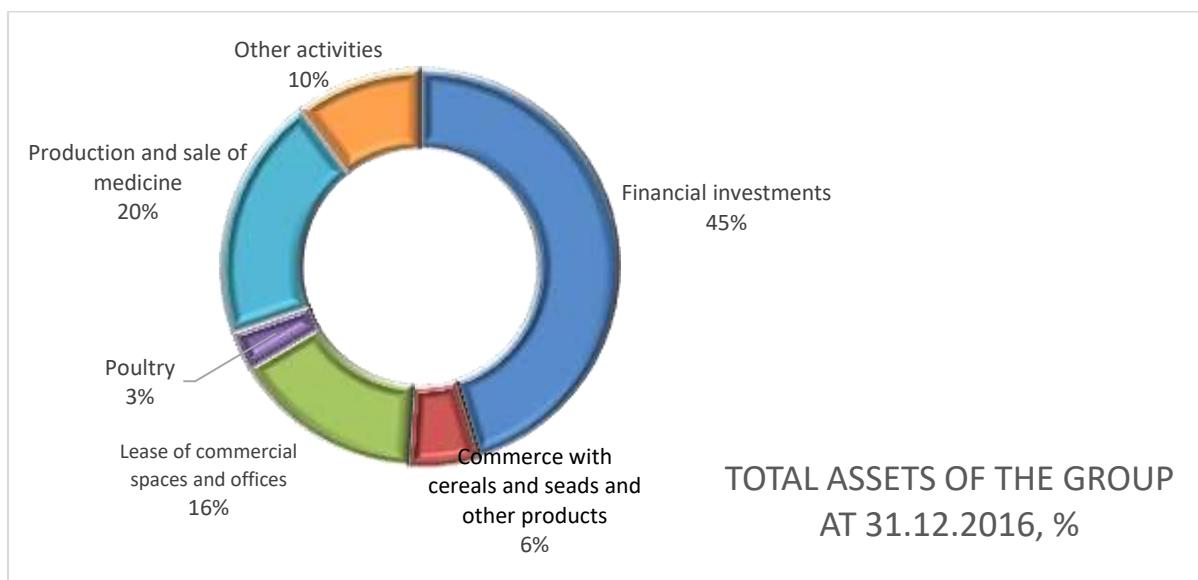
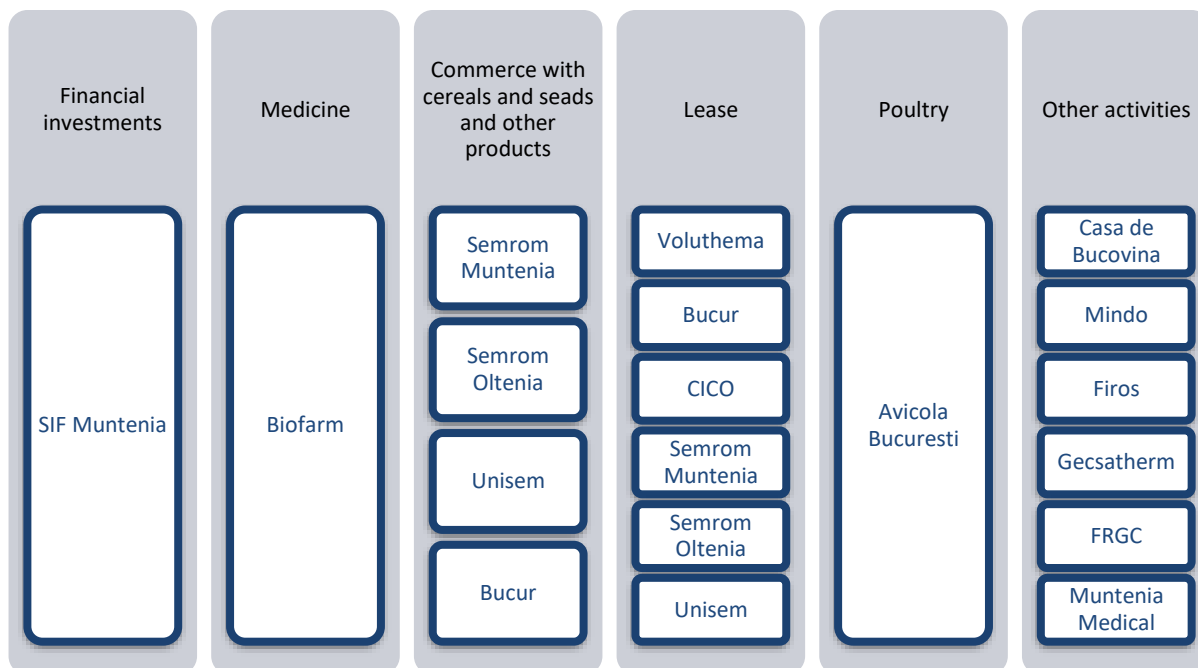
4.3 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER ELEMENTS OF COMPREHENSIVE RESULT

In LEI	2016	2015
Operating revenues	441,290,089	457,526,190
Other revenues and gains	6,567,618	7,494,026
Changes in inventories and capitalized production	(5,588,227)	(7,028,444)
Operating expenses	(344,396,496)	(359,416,893)
Loss from depreciation of assets	(24,329,868)	(22,682,295)
Other (expenses)/revenues	(16,055,500)	1,045,851
Operating Profit	57,487,616	76,938,435
Financing expenses	(645,346)	(1,285,543)
Profit before tax	56,842,270	75,652,892
Income tax	(11,754,016)	(31,409,134)
Net Profit	45,088,254	44,243,758
Other elements of comprehensive result		
Elements which are or can be transferred to profit or loss		
Net increase in the fair value of financial assets available for sale, net of deferred tax	23,738,086	28,335,345
Decrease of reserve due to the sale of financial assets available for sale	(13,791,497)	(30,040,608)
Items that can not be reclassified to profit or loss		
Changes of reserve from revaluation of tangible assets	12,066,095	348,056
Total other elements of comprehensive result	22,012,684	(1,357,207)
Total comprehensive result	67,100,938	42,886,551

4.4 REPORT ON SEGMENTS OF ACTIVITY

A segment is a distinct component of the Group involved in operational activities that are generating income and expenses, including revenue and expense arising from the interaction with other components of the Group.

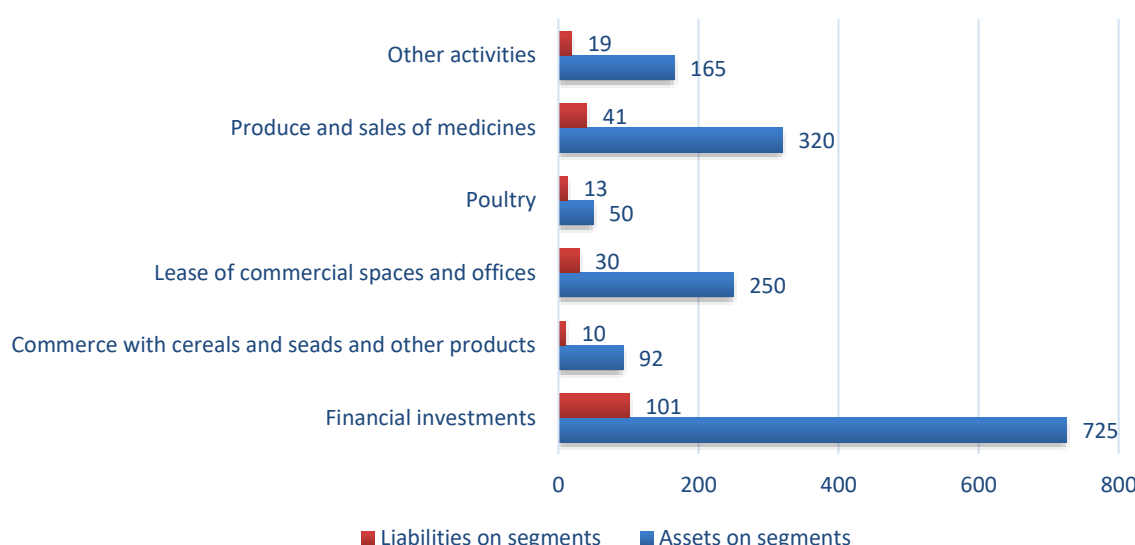
The Group comprises the following main segments of activity:



<i>In LEI</i>	Financial investments	Commerce with cereals and seeds and other products	Lease of commercial spaces and offices	Poultry	Produce and sales of medicines	Other activities	Consolidated
Assets							
Assets on segments	725,054,061	92,478,520	249,836,067	49,707,909	319,740,926	165,235,459	1,602,052,942
Not allocated assets	-	-	-	-	-	-	2,440,207
Total assets							1,604,493,149
Liabilities							
Liabilities on segments	101,199,545	10,492,067	29,666,810	13,249,769	40,650,366	18,972,452	214,231,008
Not allocated liabilities	-	9,560,969	-	3,307,179	-	7,410,227	20,278,375
Total liabilities							234,509,383
Other information							
Equity expenses	21,608	393,444	4,759,780	4,876,021	19,782,425	4,456,764	34,290,042
Depreciation of tangible and intangible assets	65,473	5,726,242	1,756,508	1,947,049	18,064,152	7,341,984	34,901,408
Impairment losses on property, plant and equipment recognized in profit or loss	-	3,190,593	(261,018)	-	-	(7,411,183)	(4,481,608)
Other non-monetary expenses / (revenues)	7,500,742	(10,045,539)	3.735.444	(447.012)	(3.754.925)	(229.117)	(3.240.407)

<i>În LEI</i>	Financial investments	Commerce with cereals and seeds and other products	Lease of commercial spaces and offices	Poultry	Produce and sales of medicines	Other activities	Eliminations	Consolidated
Revenues								
Third party revenues	88,802,246	63,243,526	22,770,652	37,738,624	152,806,563	82,496,097	0	447,857,708
Revenues among segments	782,702	373,252	201,411	0	0	16,551,130	-17,908,495	0
Total revenues	89,584,948	63,616,778	22,972,062	37,738,624	152,806,563	99,047,227	-17,908,495	447,857,708
Result								
Result on segments	54.326.614	(18.848.113)	950.705	403.076	23.413.865	6.174.176	(11.343.664)	55.076.660
Interest revenues	955.890	40.072	372.229	138	400.603	734.403	(92.381)	2.410.955
Operating profit	55.282.504	(18.808.042)	1.322.934	403.215	23.814.469	6.908.580	(11.436.046)	57.487.615
Financing expenses	-	(213.780)	(6.124)	(102.083)	(536)	(415.204)	92.381	(645.346)
Profit before tax	55.282.504	(19.021.822)	1.316.810	301.132	23.813.933	6.493.376	(11.343.664)	56.842.269
Income tax	(4.896.320)	743.409	(62.121)	(61.300)	(5.962.938)	(1.514.745)	-	(11.754.015)
Net profit/ loss	50.386.184	(18.278.413)	1.254.689	239.832	17.850.995	4.977.785	(11.342.817)	45.088.254

ASSETS AND LIABILITIES ON SEGMENTS, 31.12.2016. MN LEI



4.5 USE OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

As of 31 December 2015 and 31 December 2014 financial assets at fair value through profit or loss are represented by shares issued by companies listed on the Bucharest Stock Exchange, listed structured products, fund units.

<i>In LEI</i>	31 December 2016	31 December 2015
Financial assets held for trading - shares	16,242,205	11,972,863
Financial assets held for trading – structured products	64,226,991	55,263,607
Financial assets designated at fair value through profit or loss – fund units	4,267,439	81,087,198
Total	84,736,635	148,323,668

Financial assets available for sale

<i>In LEI</i>	31 December 2016	31 December 2015
Shares evaluated at fair value	368,326,810	355,904,881
Fund units evaluated at fair value	112,564,460	52,774,388
Total financial assets available for sale – measured at fair value	480,891,270	408,679,269
Shares evaluated at cost	80,990,941	114,572,797
Total	561,882,211	523,252,066

Details are presented in Note 17 “Assets and financial instruments” at the consolidated financial statements

Revenues from investments

In LEI	2016	2015
Dividend income	46,627,576	10,201,311
Lease income	19,985,038	18,839,240
Interest income related to deposits and current bank accounts	2,162,491	2,966,271
Interest income related to loans and liabilities	132,672	209,298
Interest income related to investments held till maturity	115,792	37,097
Income from re-invoicing of utilities related to real estate investments	341,221	90,222
Total	69,364,790	32,343,439

Dividend income is registered at gross value.

Net profit from financial instruments

In LEI	2016	2015
Net profit from sale of financial instruments	37,377,933	35,646,889
Net profit from revaluation of financial assets held for trading – shares	122,856	49,018,625
(Net loss) / net profit from revaluation of financial assets held for trading - structured products	(2,816,766)	2,002,000
(Net loss) from revaluation of financial assets designated at fair value through profit or loss – fund units	(6,459,309)	(4,530,410)
Total	28,224,714	82,137,104

Historical cost of financial assets available for sale evaluated at cost at the time of sale was 48,073,794 lei (2015: 2,449,716 lei) and the profit on sale was 17,796,846 lei (2015: loss of 4,773,139 lei).

The historical cost of available for sale financial assets at fair value at the time of sale was 55,010,070 lei (2015: 51,619,121 lei) and the gain on sale was 7,864,631 lei (2015: 30,370,163 lei).

The historical cost of financial assets measured at fair value through profit or loss at the time of sale was 57,290,108 lei (2015: 37,294,219 lei), and the gain on sale was 11,716,456 lei (2015: 503,587 lei).

5 SIGNIFICANT RISKS MANAGEMENT

Investment activity exposes the Group to a variety of risks associated with financial instruments owned and financial markets in which it operates.

General risk management strategy aims to maximize Group profit compared to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Group.

The Group uses a variety of policies and procedures for the management and evaluation of the types of risk to which it is exposed, these policies and procedures are set out below under the section dedicated to each type of risk.

5.1 SIGNIFICANT RISKS FOR THE GROUP

Operational risk. Operational risk events are situations which, due to internal or external factors under or out of the company's control, can generate loss. The management company pursues operational risk separately for SIF Muntenia, classifying them in an approach of Basel II. In 2016 there were not reported operational risk events in relation to SIF Muntenia.

For the subsidiaries, defined policies for operational risk management took into consideration each type of event that can generate significant risks and ways of their manifestations, to eliminate or reduce financial or reputation losses.

Market risk is the risk of a loss or the failure to achieve expected profit as a result of fluctuations in prices, interest rates and exchange rates of currencies.

For SIF Muntenia, market risk derives from market / **price** fluctuation of positions in the portfolio of the managed entity, fluctuations that may be attributable to changes in market variables such as interest rates, foreign exchange rates, stock and commodity prices, or solvency of an issuer. The value of financial instruments may fluctuate as a result of changes in the capital market and determined by factors specific to an issuer, industry, country or region, or factors influencing the capital market as a whole, nationally or internationally. Even through a prudent diversification of portfolio holdings, the general market risk component can not be countered - **systematic risk**. This is the most important source of risk and variability in portfolio value. SAI Muntenia Invest reduces risk through diversification.

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

(I) Price risk

(Ii) Interest rate risk

(Iii) Foreign Currency risk

(i) Price risk

The Group is exposed to risk associated with variation in the price of financial assets at fair value through profit or loss and financial assets available for sale

The Group is exposed to risk associated with variation in the price of financial assets at fair value through profit or loss and financial assets available for sale: 57% of the total shares with active market held by the Group on 31 December 2016 (31 December 2015: 61%) accounted for investments in companies that were part of the BET index of the Bucharest Stock Exchange.

A positive variation of 10% in the price of the financial assets at fair value through profit or loss would lead to an increase in profit before tax of the Group of 8,473,664 lei (31 December 2015: 14,832,367 lei), a negative variation of 10% having a net equal impact of the opposite sign.

A positive variation of 10% in prices of the financial assets available for sale would lead to an increase in equity of the Group with 48,089,127 lei (31 December 2015: 46,867,927 lei), a negative variation of 10% having a net equal impact of the opposite sign.

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

In LEI	31 December 2016	%	31 December 2015	%
Financial, banking and insurance	336,065,818	72.2%	334,016,562	69.2%
Real estate, renting and other services	24,029,503	5.2%	40,281,839	8.3%
Wholesale, retail, tourism and restaurants	16,184,901	3.5%	18,462,394	3.8%
Building materials industry	12,798,283	2.7%	12,844,879	2.7%
Agriculture, livestock, fishing	500	0.0%	500	0.0%
Metallic construction and metal products	38,109,771	8.2%	40,259,505	8.3%
Pharmaceutical and medical industry	921,896	0.2%	943,171	0.2%
Chemical and petrochemical industry	4,082,725	0.9%	4,344,208	0.9%
Energy industry	16,989,918	3.6%	13,638,737	2.8%
Others	16,376,641	3.5%	17,658,745	3.7%
TOTAL	465,559,956	100.0%	482,450,541	100.0%

As at 31 December 2016, the Group held mainly shares in companies operating in the banking and insurance business, accounting for 72% of the total portfolio, up from 69% on 31 December 2015.

Fund units held by the Group are exposed to price risk, which in their turn, have placements with different degrees of risk (bank deposits, bonds, other fixed income instruments, shares, derivatives, etc.) - see note 32. The structured products held by the Group in the amount of 64,226,991 lei (31 December 2015: 55,263,607 lei) are also exposed to the price risk, by their support assets - see note 17.

(ii) Interest rate risk

The Group faces the interest rate risk due to the exposure to adverse movements in interest rates. Changes in market interest rates directly affects revenues and expenses for financial assets and financial liabilities bearing floating interest rates and the market value of the fixed interest ones (for example, bonds).

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

The impact on the Group's net profit of a change of +/- 1.00% of the interest rate related to interest-bearing assets and liabilities denominated in other currencies in conjunction with a change of +/- 5.00% of the interest rate related to assets and interest-bearing liabilities denominated in lei is of +/- 624,898 lei (31 December 2015: +/- 701,378 lei).

(iii) Foreign currency risk

Foreign currency risk is the risk of loss or failure to achieve estimated profit as a result of adverse movements in exchange rates. The Group is exposed to fluctuations in currency exchange rates, and does not have a formalized policy for currency hedging. Most financial assets and liabilities of the Group are expressed in national currency. Other currencies in which operations are EUR and USD.

The net impact on Group's profit of +/- 15% exchange rate RON / EUR together with a change of +/- 15% change in the exchange rate RON / USD on 31 December 2016, all other variables held constant, is of +/- 5,186,514 lei (31 December 2015: +/- 4.621.030 lei).

Credit risk

Credit risk is the risk of loss or failure to achieve estimated profits due to failure of a counterparty to fulfil its financial obligations. The Group is exposed to credit risk due to investments in bonds issued by municipalities or companies, to current accounts and bank deposits and other receivables.

The Group's maximum exposure to credit risk at 31 December 2016 and 31 December 2015 is reflected in the following table:

In LEI	31 December 2016	31 December 2015
Current accounts	18,881,597	31,326,720
Bank deposits	156,292,949	80,481,290
Bonds	6,164,107	7,465,822
Trade receivables	144,116,827	143,761,392
Other receivables	23,498,762	21,496,369
Financial guarantees granted	33,400,016	26,390,695
Adjustment for impairment of loans and receivables	-60,289,255	-52,105,973
Provisions for impairment of financial guarantees	-773,189	-739,555
Total	321,291,814	258,076,760

Liquidity risk

Liquidity risk is the risk of loss or loss of expected earnings resulting from the inability to honor the short-term payment obligations at any time without incurring excessive costs or losses that can not be borne by the Group. The Group's assets and liabilities structure was analyzed based on the remaining period from the consolidated financial position date to the contractual maturity date for the financial years ended 31 December 2016 and 31 December 2015, thus

In LEI	Book value	Below 3 months	Between 3 and 12 months	More than 1 year	No pre- established maturity
Financial assets					
Cash and bank deposits	175,842,939	157,102,907	18,402,217	-	337,815
Financial assets at fair value through profit or loss	84,736,635	-	-	-	84,736,635
Financial assets available for sale	561,882,211	-	-	-	561,882,211
Loans and receivables	113,490,441	111,447,770	-	2,042,671	-
Total financial assets	935,952,226	268,550,677	18,402,217	2,042,671	646,956,661
Financial liabilities					
Dividend to be paid	83,804,789	83,804,789	-	-	-
Loans	20,278,375	8,502,110	4,566,127	7,210,138	-
Other financial liabilities *	71,344,489	70,652,864	214,350	477,275	-
Total financial liabilities	175,427,653	162,959,763	4,780,477	7,687,413	-
Liquidity surplus	760.524.573	105.590.914	13.621.740	(5.644.742)	646.956.661

Taxation risk

Romanian fiscal legislation requires detailed and complex rules which undergone several changes in recent years. Interpretation of the text and the practical implementation of tax laws may vary with the risk that certain transactions be interpreted differently by the tax authorities as compared to Group's treatment. In terms of corporation tax for the financial year 2016, there is a risk of different interpretation by the tax authorities of the fiscal rules applied as determined by IFRS accounting regulations.

Romanian Government has a number of agencies authorized to conduct audits (controls) of companies operating in Romania, these controls are similar to tax audits in other countries, and may extend not only to tax matters but to other legal and regulatory aspects that are of interest to the these agencies. The Group may be subject to tax audits on the extent of issuing new tax regulations.

6 MARKET OF SECURITIES ISSUED BY THE GROUP

6.1 MARKET OF SECURITIES ISSUED BY SIF MUNTENIA

SIF Muntenia's subscribed and paid share capital of is 80,703,651.5 lei, divided into 807,036,515 common shares with a nominal value of 0.1000 RON / share.

Main characteristics of SIF Muntenia's shares

All shares are ordinary shares, with a nominal value of 0.1 lei / share,

There were no changes in the number of shares issued in 2016. Until 31.12.2016 the company has not approved any repurchase program and has not made acquisitions of own shares.

SIF Muntenia has not issued bonds and / or other debt securities, with no obligation of this nature. Financing the entire activity is achieved only through own funds.

Shares issued by SIF Muntenia are listed on the Bucharest Stock Exchange, the premium category, in accordance with the provisions of BSE Decision No. 200/1999 and traded on the market starting with 01.11.1999.

SIF Muntenia shares and shareholder's records are kept by the Central Depository S.A. Bucharest, company authorized by NSC / FSA.

TRADING OF SHARES ISSUED BY SIF MUNTENIA SA

SIF Muntenia shares are registered in the FSA Register with the symbol PJR09SIIR / 400005, have the ISIN indicator ROSIFDACNOR6, are traded on the Bucharest Stock Exchange with the symbol SIF4 and on Bloomberg information system has the indicator BBG000BMN7T6.

SIF Muntenia shares are included in the **BET-FI**, own index of the BSE. BET-FI is the first sectorial index released by BSE reflecting the evolution of the financial investment companies (SIFs) and other similar institutions (Property Fund).

Share performance

	2011	2012	2013	2014	2015	2016
Closing price lei	0.571	0.77	0.882	0.881	0.744	0.656
NAV per SHARE lei	1.5335	1.3189	1.3150	1.2590	1.3408	1.4556
Net Asset Discount %	62.8%	41.6%	33%	30.0%	44.5%	54.9%
Market capitalization mn lei	460.82	621.42	711.81	711.00	600.44	529.42

Obs. Net asset discount = 1- Closing price for the period/NAV per Share (percentage)

Trading of shares issued by SIF Muntenia in 2016, summary

	REGS
Number of trades	24,709
Number of traded shares	41,582,910
Total value (lei)	25,558,060
% total number of shares	3.17%

6.2 MARKET OF SECURITIES ISSUED BY SUBSIDIARIES

Among the 14 subsidiaries included in the consolidated report:

- Two subsidiaries are listed on the Bucharest Stock Exchange - Biofarm and Casa de Bucovina Club de Munte
- Five subsidiaries do not have the shares listed on a regulated securities market or an alternative trading system
- Seven subsidiaries that were listed on RASDAQ were transferred to AERO, the alternative trading system of the BSE

Information on the listing market for each subsidiary is presented in the Presentation of Subsidiaries chapter.

7 MANAGEMENT OF THE GROUP

7.1 SIF MUNTENIA SHAREHOLDERS GENERAL MEETINGS

SIF Muntenia Shareholders General Meeting (SGM) is convened by the Board of Administrators of SAI MUNTENIA INVEST SA according to legal provisions, NSC/FSA regulations and SIF MUNTENIA SA's Articles of Incorporation.

The main attributions of the shareholders' general meetings are presented in SIF Muntenia's updated Articles of Incorporation, which can be consulted on SIF Muntenia website, under art. 6. They are supplemented with the legal provisions regarding the companies subject to commun law, Law 31/1990, and with special provisions in the field of financial investment companies as undertakings for collective investment in transferable securities, subject to the FSA supervision.

7.2 THE ADMINISTRATOR, SAI MUNTENIA INVEST

Description of the core activity

The Investment Management Company Muntenia Invest SA was founded in 1997, in compliance with Government Ordinance No. 24/1993, approved by Law no. 83/1994 and NSC Regulation 9/1996.

SAI Muntenia Invest SA's main activity is provision of specific services on the management of undertakings for collective investment in transferable securities (UCITS) and the management of other collective investment undertakings (UCI), in compliance with Law no. 297/2004 and secondary legislation developed by NSC. The company is registered with the Trade register under number J40 / 3307/1997 and has the unique registration code 9415761 and is authorized as an investment management company by NSC Decision No. 6924/1997, reauthorized by Decision 110/2004.

SAI Muntenia Invest SA is registered in the NSC Register under No. PJR05SAIR / 400006

According to SIF Muntenia SA's establishment deed as approved by the General Shareholders Assembly decision since 1997, the management company Muntenia Invest SA concluded a management contract with SIF Muntenia SA.

During 01.01.2016 – 31.12.2016 SAI Muntenia INVEST was employed as manager of SIF Muntenia in accordance with the administration and management contract and SIF Muntenia's Programme for 2015, approved by SGM dated 28 April 2016.

There are no family agreements or understandings that SAI Muntenia Invest was appointed administrator of SIF Muntenia.

Participation of the administrator in the company's share capital manager - SAI Muntenia Invest does not own shares in SIF Muntenia or its subsidiaries.

7.3 AFFILIATES UNDER SPECIAL RELATIONS

During its activity, SIF Muntenia identified the following parts under special relationships:

- **S.A.I. Muntenia Invest S.A. – Company's Administrator**

SIF Muntenia operates under a management contract signed with the Investment Management Company Muntenia Invest S. A. The majority shareholder of the Investment Management Company Muntenia Invest S.A. is SIF Banat-Crisana, holding 99.96% of the capital social as of 31 December 2016. The Board of Directors of SIF Banat Crisana S.,A. may change the Board of Directors of SAI Muntenia Invest S.A., Company's Administrator.

• Group subsidiaries

The percentage of voting rights resulted according to direct **and indirect** holdings is presented in the following table

Company denomination	Percentage of voting rights as of 31 December 2016	Percentage of voting rights as 31 December 2015
Avicola București S.A.	99.40%	99.40%
Bucur S.A.	67.98%	67.98%
Casa de Bucovina - Club de Munte S.A.	68.94%	68.94%
CI-CO S.A.	97.34%	97.34%
Firos S.A.	99.69%	99.69%
FRGC IFN S.A.	53.60%	53.60%
Gecsatherm	50.00%	50.00%
Mindo S.A.	98.02%	98.02%
Muntenia Medical Competences SA	98.94%	98.94%
Semrom Muntenia S.A.	90.68%	90.68%
Semrom Oltenia S.A.	88.50%	88.50%
Unisem S.A.	76.97%	76.97%
Voluthema Property Developer S.A.	99.81%	99.81%
Biofarm S.A.	50.98%	50.98%

• Key management personnel

At 31 December 2015:

- BoD Members of SAI Muntenia Invest S.A.: Dănuț Florin Buzatu, Florica Trandafir, Sorin Florian Boldi, Daniel-Silviu Stoicescu;
- Gabriela Grigore – General Manager of SAI Muntenia Invest SA
- Members of the Shareholders Representatives Council.

At 31 December 2016:

- BoD Members of SAI Muntenia Invest S.A.: Florica Trandafir, Daniel-Silviu Stoicescu, Nicușor Marian Buică*
- Gabriela Grigore – General Manager of Muntenia Invest SA
- Mircea Constantin – Strategy Director of SAI Muntenia Invest SA
- Members of the Shareholders Representatives Council.

*Mr. Nicușor Marian Buică was appointed as Administrator for a four year mandate starting with 27.12.2016. He was authorized by the FSA by authorization no. 45/03.03.2017.

Transactions entered into by the Company with parties under special relations were conducted in the normal course of business, the Group did not receive and did not give guarantees in favor of any party under special relations.

8 PERSPECTIVE PROSPECTS ON THE ACTIVITY

8.1 SIF MUNTENIA OBJECTIVES AND STRATEGY FOR 2017

The portfolio of SIF Muntenia now has the characteristics of a well-defined **multi asset fund**, which combines assets (different types of financial instruments) with growing potential for the value of managed assets and substantial dividends for shareholders each year.

The balanced or multi-asset fund strategy refers to the type of investment strategy that involves investing in different asset classes. This is a strategy that uses an asset allocation program to determine the proportion of assets held in different types of financial instruments and sub-strategies that relate to the objectives of the investment process in the classes of individual assets / financial instruments that make up the portfolio.

From the point of view of the classification of the AIF used by ESMA¹ in accordance with **Article 3 paragraph (3) letter (d) and Article 24 paragraph 1 of Directive 2011/61 / EU (Annex IV to EU Regulation 231/2013) - Details of the Investment Strategies** - the predominant type of fund to which SIF Muntenia falls is **e) Other strategies / Other funds**.

The overall objective of the management is to maintain SIF Muntenia as a diversified multi asset fund, combining a balanced growth of the asset with satisfactory incomes at an average risk level.

PRIORITY STRATEGIC OBJECTIVES FOR 2017

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

MAIN DIRECTIONS OF ACTION FOR 2017

- Investing in a mixed asset structure of classes of financial assets with different risk and performance profiles and prudential diversification within these asset classes;
- Focusing on investments in Romania;
- Respecting investment restrictions resulting from existing legal frameworks;
- Observing the medium risk degree.

8.2 MAIN DIRECTIONS OF ACTION FOR 2017 – SUBSIDIARIES

Improving the quality of subsidiaries management by participating in the selection and appointment of subsidiaries' management and the regular monitoring and evaluation of their performance. The management approach will be based on decentralization, accountability and transparency, in an environment where there is a fundamental set of shared values, clearly defined objectives for each activity and a comprehensive infrastructure to guide and control progress and achievements.

The following will be pursued:

- exercising adequate control over the executive management of companies to verify the manner in which managerial responsibility is met;

¹ ESMA/2014/869EN Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD

- Establishing key objectives for each subsidiary. Regular reporting by the Board of Directors and executive management on the economic and financial performance and on particular issues raised in the companies' activity;
- Ensuring consistency between the dynamics of the management characteristics of each company and the changes produced in the company's environment;
- Imprinting an emphasized dynamism on the activities of each company to achieve superior economic performance;
- Engaging in effective operation and development of the relationship system and harmonizing interests with each company's stakeholders;
- Focusing efforts together with the executive management of companies to provide the financial, material, human and informational resources needed to make the activity more efficient

Increasing the efficiency of the activities carried out by the subsidiaries seeks to strengthen their capacity to generate profit with the resources available, profit that is to be realized as dividends that will be distributed to SIF Muntenia.

The investment process in subsidiaries, materializing the intentions of SIF Muntenia regarding the development and economic growth of the subsidiaries.

In addition to hiring important resources, the investment is primarily a strategic decision because it involves changes in the activity of the respective subsidiary for long periods of time and has repercussions on the future activity of the respective company. SAI Muntenia Invest pursues sustainable development objectives through the investment process that takes place in SIF Muntenia's subsidiaries.

The investment processes carried out in subsidiaries - whether **productive investments**: expansion, maintenance, modernization according to the specifics of their activity and the market context, or **investments outside exploitation** related to ecological or social activities, will be followed.

The investment activity is carried out in compliance with the legal and prudential exposure limits, in line with macroeconomic trends. The returns / risks of each major investment will be monitored by SIF Muntenia's administrator.

Continue to implement corporate governance principles in subsidiaries.

- For listed subsidiaries, finalize alignment with the corporate governance codes applicable to the markets they are listed;
- Increasing shareholder transparency that corporate governance implementation implies will increase shareholders' returns based on a possible support for increasing stock market quotes

9 IMPORTANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL EXERCISE

SIF Muntenia

- Starting with 01.01.2017, the internal auditor of SIF Muntenia is the company MZ FINANCE ADVISORY AND ASSURANCE SRL.
- Mr. Nicușor Marian Buică was appointed as Administrator of SAI Muntenia Invest SA for a four year mandate starting with 27.12.2016. He was authorized by the FSA by authorization no. 45/03.03.2017.

Subsidiaries

BUCUR SA Bucuresti: On 29.05 2017 the resignation from the Board of Directors of Ms. Uță Vasilica was registered at the headquarters of the company. On 08.06.2017, the Board of Directors appointed Mr. Sergiu Mihailov as temporary administrator, according to legal provisions.

CI-CO SA Bucuresti: In May 2017 the resignations of the members of the Board of Directors – Catalin Corneliu Scripcariu, Pavel Avrămoiu, Daniel Silviu Stoicescu – were registered. The SGOM dated 19.06.2017 appointed as members of CI-CO Board of Directors Mr. Sergiu Mihailov and Mr. Constantin Ștefan. The newly appointed Board of Directors decided on 28.06.2017 to appoint Mr. Ioneață Ion-Sorin as temporary administrator and his appointment as General Manager starting with 30.06.2017. The SGM of the company was convened for 8/9 August 2017 for appointing a new member of the Board of Directors..

Fondul Român de Garantare a Creditelor IFN: On 03.01.2017, Mr. Vasile Jianu was appointed as General Manager, with a mandate until 03.01.2018

MINDO SA Dorohoi: On 22.03.2017 the resignation of Ms. Alexe Valentina from the BoD was registered. Ms. Iancu Liliana was appointed as a temporary member – then permanently according to the SGM of the company.

Muntenia Medical Competencies: On 12.01.2017 the Shareholders General Meeting approved the revocation of its special administrator and appointing Mr. Palea Ovidiu Nicolae, doctor, as special administrator.

Voluthema. On 28 June 2017 Voluthema organized an open tender for the sale of the land owned in Jandarmeriei St. The auction ended with the sale of the land at the price of 650 eur / sqm. At the date of this report, the purchase contract was not finalized and therefore the land value was not collected.

10 CONSOLIDATED NON-FINANCIAL STATEMENT

*FSA Rule No 39/2015 Article 29 provides that entities that are parent companies of a large group that at the balance sheet date on a consolidated basis, **exceed the criterion of having an average of 500 employees during the financial year**, include in the Administrators' Consolidated Report a non-financial consolidated statement containing, to the extent necessary to understand the development, performance and position of the group and the impact of its activity, information on at least environmental, social and personnel aspects, respect for human rights, the fight against corruption and bribery, including:*

- a) a brief description of the business model of the group;*
 - b) a description of the policies adopted by the group in relation to these issues, including the necessary procedures of diligence applied;*
 - c) the results of these policies;*
 - d) the main risks associated with such matters arising from the operations of the group, including, where relevant and proportionate, business relationships, products or services that could have a negative impact on those areas and how the group manages those risks;*
 - e) key non - financial performance indicators relevant to the entity 's specific activity.*
- If policies are not implemented at the level of the group in one or more of these aspects, the consolidated non-financial statement provides clear and reasoned explanations for this.*

Since the adoption of Directive 2013/34 EC on the annual financial statements, consolidated financial statements and related reports of certain types of companies, the groups are defined as "a parent company and all its subsidiaries". What determines whether an entity is a subsidiary of a parent is the notion of "control". Recital 31 of the Directive details the specific circumstances in which control is deemed to have been exercised. Although the relationship between an investment fund in general (and a financial investment company in particular) and its portfolio companies is fundamentally different from the one existing in a group of companies or a conglomerate, these structures fall under the definition of "Group" as currently defined by EU legislation.

Investment funds select companies to invest in, holding a minority or majority holding in these companies, and from a legal point of view they can be group companies. However, in practice:

- (i) these portfolio companies will operate independently of each other and the parent company (for example, the fund itself);
- (ii) the financing structures of the portfolio companies will generally be independent of each other

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

10.1 BUSINESS MODEL OF THE GROUP

The group formed by SIF Muntenia and its subsidiaries operate on the basis of the legislation in force governing the financial investment companies

The business model of SIF Muntenia group is closer to the group / financial holding company where the parent company only deals with the management and control of the participations.

It should be emphasized that SIF Muntenia, by its nature, is subject to special national and European regulations, it is supervised by the Financial Supervisory Authority and the investments and financial instruments in which it invests are subject to additional limitations as compared to a "general" holding.

The markets served by the companies belonging to SIF Muntenia group are presented in the chapter "Segment Reporting".

10.2 NECESSARY DILIGENCE PROCEDURES APPLICABLE

At the level of 2016, there were no specifically formalized diligence procedures, diligence issues were pursued for various activities as reflected in the applicable legislation

- **The Administrator's obligation of diligence** in compliance with art. 803 of the Civil Code.
Obligation of diligence, honesty and loyalty
(1) *The administrator shall act with due diligence as a good owner shows in the administration of his property.*
(2) *The administrator must also act honestly and loyally in order to achieve best the interests of the beneficiary or the intended purpose.*
- SAI Muntenia Invest complies with the required diligence of "know your customer " and the necessary diligence on all new operations in order to detect possible compliance or integrity issues. Such due diligence is carried out in accordance with the **basic requirements of the Anti-Money Laundering and Terrorist Financing Directives**.

Following the registration as an AIFM (the FSA approval procedure is in progress at the time this document is drawn up), SAI Muntenia Invest seeks to manage SIF Muntenia and comply with the provisions of Art. 18 and 19 of EC Delegation Regulation no. 231/2013 on **written policies and procedures on due diligence** and will implement effective measures to ensure that investment decisions taken on behalf of the AIF are executed in accordance with the objectives, the investment strategy and, where appropriate, the risk limits of FIA.

10.3 CORPORATE GOVERNANCE

10.3.1 SIF MUNTENIA CORPORATE GOVERNANCE. CODES TO WHICH IT HAS ADHERED

Starting with the annual report for the financial year 2015, SIF Muntenia administrator has decided to adhere to the corporate governance rules and principles of the new Corporate Governance Code of the BSE (version September 2015). The Corporate Governance Code of the Bucharest Stock Exchange is available for consultation on the stock exchange's website, www.bvb.ro.

The annual individual report on the management of SIF MUNTENIA SA contains **attached** the Declaration prepared according to the BSE Code of Corporate Governance. The declaration on the application of corporate governance principles for SIF Muntenia, prepared according to the Annex to Regulation 2/2016, was also approved and transmitted to the FSA.

10.3.2 SIF MUNTENIA CORPORATE GOVERNANCE STRUCTURES

The management of SIF MUNTENIA SA is carried out in a **unitary system**, in compliance with the provisions of Law no. 31/1990 and the Articles of Incorporation.

The **General Meeting of the Shareholders** is the supreme governing body of SIF Muntenia and it is competent to decide on all the matters provided as in its competence by the legislation in force and by the Articles of Incorporation.

In the period between General Shareholders' Meetings (SGM) SAI MUNTENIA INVEST SA is supervised by the Shareholders Representatives Council (SRC), a supervisory body (representing the interests of the shareholders of SIF Muntenia in relation with SAI Muntenia Invest SA, with the financial auditor), made up of 11 individuals elected by the SGM with a 4-year mandate.

The attributions and responsibilities of the SRC are established by the Articles of Incorporation of SIF MUNTENIA SA under art. 7. The current mandate of the SRC started in June 2014 (SIF Muntenia SGM as of 26 June 2014).

The other corporate governance structures of SIF Muntenia SA are:

- The manager of SIF Muntenia SA (SAI MUNTENIA INVEST SA) represented by the members of the Board of Directors of the administrator (according to the provisions of Law no. 31/1990 and Law no. 297/2004).
- The effective management of SIF MUNTENIA SA (SAI MUNTENIA INVEST)
- Designated permanent representatives

SAI Muntenia Invest presents to SIF Muntenia **two** reports of the administrator, the administrators' report and the consolidated report of the directors.

10.3.3 DESCRIPTION OF THE MAIN CHARACTERISTICS OF COMPLIANCE AND RISK MANAGEMENT SYSTEMS OF SIF MUNTENIA

The compliance in relation to the financial reporting process is carried out by the Board of Directors, the effective management and the personnel of SIF Muntenia's administrator, and is meant to ensure the achievement of the objectives of the company, taking into account:

- the effectiveness and efficiency of operations;
- the accuracy of financial reports;
- compliance with applicable laws and regulations within the Company.

The management of SIF Muntenia is controlled by its shareholders and the financial auditor, according to the legal regulations in force in Romania.

Compliance

The Compliance Department ensures the observance by SAI MUNTENIA INVEST SA / SIF Muntenia and their staff of the legislation in force concerning the capital market, as well as of the internal regulations and procedures. The representative of the compliance department is subject to the authorization of the FSA and is registered in the FSA public register. In fulfilling the duties of the representative of the compliance department, it reports directly to the Board of Directors of the SIF Muntenia's administrator.

Internal audit

Within the management company, persons have been appointed and maintained to ensure the internal audit function both for their own activity and for the managed entities (such as SIF Muntenia). The internal audit function is separate and independent of other functions and activities. For SIF Muntenia, the internal audit function is outsourced. During 2016, the internal audit was provided by AUDIT CONSULT GROUP SRL. The internal audit activity for SIF Muntenia in 2016 was carried out in compliance with the internal audit plan established in accordance with the objectives and the specific activity of the company and approved by the Board of Directors.

Subsequent event

Starting with 01.01.2017, the internal auditor of SIF Muntenia is the company MZ FINANCE ADVISORY AND ASSURANCE SRL.

Audit committee

The Audit Committee was set up to provide support to the Board of Directors of SAI Muntenia Invest in Risk Management and Financial Reporting

The audit committee had the following structure in 2016:

- In the period 01.01.2016 - 27.12.2016: Sorin Florian Boldi and Mr. Daniel-Silviu Stoicescu.
- From 27.12.2016 to 31.12.2016: Mr. Daniel-Silviu Stoicescu.

On 14 January 2016, Mr. Daniel-Silviu Stoicescu was appointed Chairman of the Audit Committee. The Audit Committee met 4 times in 2016 in connection with the management of SIF Muntenia.

Risk Management

The Risk Management Department is hierarchically subordinate to the General Director and has the following duties and responsibilities:

- a. Identifies and evaluates the significant risks associated with SAI MUNTENIA INVEST and each of the entities managed (such as SIF Muntenia) by SAI MUNTENIA INVEST;
- b. Monitors the significant risks associated with SAI MUNTENIA INVEST and each entity managed by SAI MUNTENIA INVEST;
- c. Quantifies the influence of significant risks on the approved risk profile for the portfolio of each managed entity;
- d. Develops and implements the policies and procedures for managing (identifying, evaluating, monitoring and controlling) the risk for all entities managed by SAI MUNTENIA INVEST

10.3.4 APPLYING THE CORPORATE GOVERNANCE IN SUBSIDIARIES

Corporate governance is the set of principles underpinning the governance framework by which the company is run and controlled. Translated into internal normative documents these principles determine the efficiency and effectiveness of the control mechanisms adopted in order to protect and harmonize the interests of all categories of participants in the activity carried out in the company - shareholders, administrators, directors, managers of the various structures of the company, organizations representing their interests, clients and business partners, central and local authorities, etc.

Subsidiaries listed on the capital market that use corporate governance

At the beginning of 2016, following

- ✚ The amendment of the Corporate Governance Code of the BSE
- ✚ The emergence of Corporate Governance Principles for companies listed on AERO

The listed subsidiaries made available to the stakeholders, as annexes to the annual reports for 2015 and 2016, Statements of compliance with the applicable corporate governance codes.

Within the group companies listed on the regulated market of BSE, the **internal audit function** is performed, which periodically audits the company's activities in order to provide relevant information regarding the performance of these activities, makes recommendations for improving the processes, procedures and controls performed. The internal audit activity is carried out on the basis of the annual audit plans approved by the respective boards of directors.

The rights of minority shareholders in companies where SIF Muntenia is a majority shareholder are adequately protected in accordance with applicable national law. Shareholders have the right to obtain relevant information about the company in a timely manner and on a regular basis. They have the right to be informed about fundamental corporate changes in order to understand their rights.

Branches listed on BSE's ATS, AERO, presented as annex to the annual 2016 annual reports the state of compliance with corporate governance principles for AERO that were issued by the Bucharest Stock Exchange.

Applying corporate governance elements by SIF Muntenia to optimize the subsidiaries' management

Particular attention is paid to the relationship with the companies in which SIF Muntenia has majority holdings. In order to improve corporate governance of holdings, management contracts were signed with the members of their boards of directors, setting out the objectives to be pursued in 2016. Also, in order to achieve these objectives, special attention will be paid to promoting in the board of directors and executive management of people with good professional training.

The remuneration of boards of directors and directors fully respects the provisions of Law 31/1990, being transparent and fully controlled by shareholders.

Subsequent event

In the general meetings of shareholders approving the financial results of 2016, carried out in the first part of 2017, addendums to the management contracts concluded in 2016 related to the objectives of 2017 were signed.

10.4 ENVIRONMENT ISSUES

SIF Muntenia Group does not have an integrated environmental and social governance policy or procedure.

Relevant issues in this area are covered in various corporate documents applicable to each company, covering specific aspects of their activity.

Subsidiaries in certain sectors recognized by the current national legislation as being at risk for the environment and the social are concerned about the environmental and social risks and the ways to mitigate them.

Details of how environmental issues are handled are presented in the 2016 annual reports of the directors of those subsidiaries. For some companies, there were mentioned the management systems for which certifications were obtained, applicable / pertinent to the environmental management systems used.

SIF MUNTENIA

SIF Muntenia does not carry out basic activities that have an impact on the environment.

The Company did not record any obligations at 31 December 2015 and 31 December 2016 for any expected costs, including legal and consultancy fees, site studies, design and implementation of remediation plans on environmental issues. The management of the Company does not consider the costs associated with potential environmental problems to be significant.

There are no existing or foreseen litigation regarding breaches of environmental legislation.

Subsidiaries that, given the specifics of the activity, environmental issues are monitored and managed with priority**Avicola S.A. Bucuresti**

The company manages the environmental impact along the entire value chain in its three locations in order to efficiently use natural resources and minimize waste and emissions in the air, water and soil. It has sanitary veterinary authorizations and water treatment approvals for the activity carried out. Given the sector of activity, the company is at particular risk of spreading pathogens and diseases. The company has implemented a biosecurity policy and permanently monitors the health status of chicken flocks.

Biofarm S.A. București

The company's quality management system is certified in accordance with the requirements of ISO 9001 and the GMP for all production lines. In 2016, the company recertified the GMP as a consequence of the efforts made by the members of the organization and the special involvement of Top Management. At the same time, Biofarm has certified the environmental and occupational health and safety management system according to ISO 14001 and OHSAS 18001, since 2013.

Supervision audits for the quality management system, environmental management and occupational health and safety were carried out in 2016, certifications according to ISO 9001, ISO 14001 and OHSAS 18001 having been maintained. The company intends to integrate the three management systems and recertification according to updated standards and expanding the quality management system certification to the requirements of the ISO 13485 standard for medical devices.

No accidental environmental pollution was recorded, the monitoring requirements were met, no fines were recorded.

Subsidiaries where environmental issues do not have major impacts

Gecsatherm S.A. Târnăveni. It has the Integrated Environmental Authorization no. 254– valid until: 27.07.2019

FIROS S.A. București. It has the Integrated Environmental Authorization no. 361/ 21.06.2011 revised in 11.04.2016 valid until 2021.

Mindo S.A. Dorohoi. Environmental Authorization no. 39/29.07.2015– Issuer BOTOSANI ENVIRONMENTAL PROTECTION AGENCY. The authorization stipulates the operation of the "Dorohoi Section" facility, valid until 29.07.2020. The authorization is being reviewed to include the expanded polystyrene production activity.

Muntenia Medical Competences S.A. Pitești. Environmental Authorization no. 380/27.11.2011 valid until 27.12.2021. It has the SR EN ISO 9001/2008 certification for the hospital's management system (all departments) for the quality management, SR OHSAS 18001/2008 certification for the hospital management system (all departments) regarding Health and Safety at Work;

Semrom Muntenia S.A. București. The company has environmental permits in all branches with validity terms that expire between 21.09.2019 and 23.01.2024.

Semrom Oltenia S.A. Craiova. It has authorizations issued by the competent institutions for all the activities carried out.

Unisem S.A. București - Integrated Environmental Authorization – valid until 2023

Subsidiaries that have little impact on the environment -Voluthema, Fondul Român de Garantare a Creditelor, CI-CO SA Bucuresti, Bucur SA București, Casa de Bucovina Club de Munte.

10.5 SOCIAL RESPONSIBILITY OF THE COMPANY, SOCIAL ASPECTS, DIVERSITY

SIF Muntenia continuously carries out activities on the social responsibility of the company, annually supporting, directly or through specialized foundations / associations, the disadvantaged categories in the community where it operates. The Company also contributes to supporting scientific, cultural, sports, medical, educational, environmental, national or regional events.

SAI Muntenia Invest has decided **NOT to invest in the production of alcohol, tobacco, weapons, gambling** in SIF Muntenia's portfolio management activity. Even if these branches are profitable, the risks and social problems they involve are high, and through this decision we also express the **company's social responsibility**.

Social aspects pursued in subsidiaries

The fundamental (central) SOCIAL objective consists in forming the organizational culture of the market by pursuing in branches through:

- working conditions of the employees;
- remuneration;
- motivation systems and rewards;
- Means of assessment and measurement of positions, measurement of workload;
- Information and control systems and corrective means;
- How to permanently connect with customers through quality, sustainability, flexibility, through the price of products and services offered;
- availability for change; the presence of the desire to take responsibility, the presence of the desire to clarify the counterproductive situations;
- the full and efficient use of working time, blending of personal interests with the interests of the company

The evolution of the average number of employees of the Group is shown in the table below

	AVERAGE NUMBER OF EMPLOYEES THROUGHOUT THE YEAR	2015	2016
	SIF MUNTENIA	11	11
1	FIROS S.A. BUCURESTI	57	65
2	AVICOLA S.A. BUCURESTI	161	170
3	MINDO SA DOROHOI	64	67
4	CI-CO SA BUCURESTI	48	41
5	SEMROM MUNTENIA S.A. BUCURESTI	281	231
6	SEMROM OLTENIA SA CRAIOVA	74	61
7	UNISEM S.A. BUCURESTI	74	59
8	VOLUTHEMA PROPERTY DEVELOPER SA BUCURESTI	20	21
9	BUCUR SA BUCURESTI	52	50
10	FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTREPRINZATORII PRIVATI - IFN S.A.	12	13
11	BIOFARM S.A. BUCURESTI	394	388
12	CASA DE BUCOVINA CLUB DE MUNTE S.A. GURA HUMORULUI	71	78
13	GECSATHERM SA TÂRNĂVENI	37	39
14	MUNTENIA MEDICAL COMPETENCES SA PITEȘTI	108	120
	TOTAL	1,464	1,414

No collective redundancies occurred in 2016 either in SIF Muntenia or in the companies in the consolidation perimeter.

All companies in the consolidation perimeter have internal organization and functioning regulations or internal regulations approved by the Board of Directors / Sole Administrators, describing how they are organized and regulating the operation of their compartments, setting competences for each compartment, their duties and responsibilities.

In the financial year 2016, there was no **formalised diversity policy** related to the administration and management bodies on issues such as age, gender or education and professional experience.

SIF MUNTENIA SA by its administrator
SAI MUNTENIA INVEST SA

3B EXPERT AUDIT SRL

President of the Board of Administrators
Florica Trandafir

Administrator
Adriana Anișoara Badiu