



2018

ADMINISTRATION PROGRAM OF

SIF MUNTEANIA

SIF Muntenia is a Romanian legal entity, incorporated as a limited company with private capital. The company's operation is governed by ordinary Romanian laws and special character ones applicable to financial investments companies and by the provisions of its articles of incorporation.

SIF Muntenia S.A. is an undertaking for collective investment operating in Romania under Law no. 31/1990 and Law no. 297/2004 on the capital market, Law no. 24/2017 on issuers of financial instruments and market operations and Law no. 74/2015 on alternative investment fund managers.

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

ECONOMIC ENVIRONMENT

In the process of voluntary compliance to the Corporate Governance Code of the Bucharest Stock Exchange applicable from 4 January 2016, financial forecasts of the kind included in the projections of SIF Muntenia policy should be disseminated only through annual, semi-annual or quarterly reports. Since 2016, within General Meetings of Shareholders approving the financial statements and approval of strategic programs of administration and budget of revenues and expenses, SIF Muntenia will present and submit for shareholders' approval the Activity program and BRE with reference to macroeconomic indicators foreseen which were presented separately in the annual report.

In 2018, the application of **existing legislative provisions** will lead to certain changes in the activity of SIF Muntenia. Among these, we can mention the application of alternative investment fund legislation, IFRS 9, and the classification of SIF Muntenia as an investment entity from 2018.

In 2018, **legislative changes will continue to emerge** in the capital market. Several draft normative acts to transpose new European legislation or the need for better regulation of a financial segment will be pursued and will be subject to adoption by the Romanian Parliament, such as the draft law on alternative investment funds (AIF).

1 INVESTMENT STRATEGY

Throughout this period SIF MUNTEANIA SA has defined itself as a balanced fund which, through an adequate management strategy, aims to ensure both an increase in the value of its own shares and a competitive level of the amounts intended to be distributed as dividends.

SIF Muntenia's portfolio now has well-defined characteristics of **multi-asset fund**, which combines assets (different types of financial instruments) having the potential to increase the value of managed assets and substantial dividends to shareholders each year.

The 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.

MAIN STRATEGIC OBJECTIVES FOR 2018

- 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.

DIRECTIONS OF ACTION

- Continue alignment of SIF Muntenia's activity with national and European legislation on AIF - alternative investment funds.
- Defining SIF Muntenia as an investment entity.
- Implementation of the risk management system according to DAFIA regulations.

1.1 AIFMD LEGISLATION – ALTERNATIVE INVESTMENT FUNDS

AIFMD legislation establishes for the AIFM/AIF equity requirements, operational requirements for risk and liquidity management, organizational requirements including asset valuation in the AIF portfolio, storage requirements, requirements for the delegation of AIFM functions, transparency requirements.

SIF Muntenia's strategy and portfolio fit smoothly into the requirements of European regulations on alternative investment funds. SIF Muntenia is a non-leveraged AIF established according to the articles of incorporation, whose shares are also distributed to retail investors.

The main coordinates of the investment strategy of SIF Muntenia as defined in Article 3 (3) (c) of Directive 2011/61 / EU are:

- **The main categories of assets in which SIF Muntenia can invest** are defined by the legislation applicable at the current date and are detailed in the chapter Markets and financial instruments in which SIF Muntenia invests.
- **The industrial, geographic or other sectors of the market or the specific asset classes on which the investment strategy focuses:**
 - ✓ Emphasis will be placed on investments in financial instruments issued in Romania or with exposure to Romania;
 - ✓ The specific classes of assets are those allowed by applicable Romanian legislation, except for derivative instruments;
 - ✓ In the current context, investments in shares listed on organized capital markets or alternative trading systems have had and will also have the largest share in the portfolio in 2018.
- **A description of the loan policy or leverage policy of the AIF:**
 - ✓ The administrator of SIF Muntenia expressed the intention not to use the leverage effect in the administration of SIF Muntenia

From the point of view of the classification of the AIF used by ESMA¹ in accordance with **Article 3 (3) (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**.

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

DAFIA legislation considers portfolio management an activity **as important as risk management**. For details, see the RISK MANAGEMENT chapter, which presents the main features of the new risk management system applied by SAI Muntenia Invest following the registration as the AIFM and the characteristics of SIF Muntenia as above presented AIFs.

Remark The FSA has indicated its intention to promote a draft law on the regulation of alternative investment funds (AIF). The main provisions of the AIF law are:

- *Regulating the setting up and functioning of the AIF established in Romania, depending on the specific nature of each category / class of such entities, except for those aspects already addressed by Law no. 74/2015 and the FSA Regulation no. 10/2015 on the management of alternative investment funds;*
- *Adaptation / alignment of legislation relevant to the UCI domain to current European practice by creating the national regulatory framework and classification of a new category of collective investment undertakings, namely AIF, as indicated in the provisions of Directive 61/2011 / EU*

1.2 INVESTMENT ENTITY

An investment entity in accordance with IFRS 10 is an entity that:

- (a) obtains funds from one or more investors in order to provide this (these) investor (s) with investment management services;
- (b) undertakes with respect to its investor (its investors) that its object of business is to invest funds exclusively for gains from capital appreciation and / or investment income; and
- (c) quantifies and evaluates the performance of a substantial part of its investments on a fair value basis.

1.2.1 OBTAINING FUNDS FROM INVESTORS

One of the qualifying conditions as an investment entity is to have more investors that are not related parties to the entity or other members of the group that contains the entity.

SIF Muntenia shares are traded on the BSE and are freely transferable, SIF Muntenia shareholders are natural and legal persons that are not affiliated parties and hold stakes of the share capital. In addition, SIF Muntenia owns a varied portfolio of investments that diversify risks and maximize results.

The attraction of funds through capital increase through the issuance of new shares can only be carried out through public offering on the SIF Muntenia's stock exchange - Bucharest Stock Exchange.

Art. 120 para. (4) of the Law no. 297/2004 on the capital market provides, by way of derogation from the provisions of art. 114 para. 1 lett. b) regarding the issuance of a limited number of shares, the increase of the share capital of SIF will be made only by public offering of shares, based on a prospectus approved by the NSC according to the provisions of Title V of Law no. 297/2004 and the Law no. 31/1990 on companies.

1.2.2 EVALUATION OF FINANCIAL ASSETS

Changes in the process of valuation of financial assets starting in 2018 result from:

IFRS 9. As of 1 January 2018, the Fund shall apply IFRS 9 "Financial Instruments" to replace IAS 39 "Financial Instruments: Recognition and Measurement". Additional information as well as the estimated effect of the adoption of IFRS 9 on the previous financial statements is included in the Fund's annual financial statements for the year ended 31 December 2017 and further analyzes will be included in subsequent reports for the year 2018.

Under the new accounting standard for financial instruments that came into effect from 1 January 2018, a company applying this Standard may make an irrevocable choice to classify instruments that are not held for trading in the fair value instruments category for which changes in fair value are recorded under other items of comprehensive income (ie revaluation reserves). Thus, in the option of classification in this category, the profit and loss account and distributable profit are protected against adverse developments in fair value, while dividend income and earnings are available for distribution irrespective of time fluctuations in fair value.

This Standard supersedes the provisions of IAS 39 Financial Instruments: Recognition and Measurement on Classification and Valuation of Financial Assets and replaces the model for estimating adjustments for impairment of financial assets with

an expected loss-based model.

The Standard will affect the classification and measurement of financial assets held on 1 January 2018 as it contains a new approach to the classification and measurement of financial assets that reflects the business model under which assets and cash flow characteristics are managed.

The new standard eliminates the categories of IAS 39 held-to-maturity assets, loans and receivables and available-for-sale assets by reclassification into three main categories of classification: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

The Standard will affect the classification and measurement of financial assets held on 1 January 2018 as follows:

- Bonds that are classified as loans and receivables and measured at amortized cost in accordance with IAS 39 will be measured at amortized cost or at fair value through profit or loss in accordance with IFRS 9.
- Shares that are classified as available for sale in accordance with IAS 39 will be measured in accordance with IFRS 9 at fair value through other comprehensive income on a case-by-case basis. These securities are mainly held for long-term strategic purposes and will be designated as measured at fair value through other comprehensive income on 1 January 2018. **Therefore, from 2018 onwards, the profits from the sale of these assets will not be anymore registered in the profit and loss account of the year, but in an achieved reserve account.**
- Fund units that are classified as available for sale in accordance with IAS 39 will be measured in accordance with IFRS 9 at fair value through profit or loss.
- Structured products that are measured at fair value through profit or loss in accordance with IAS 39 will continue to be measured at fair value through profit or loss and in accordance with IFRS 9.

In addition to the direct effect that IFRS 9 will have on the valuation of SIF Muntenia's financial assets, the performance of SIF Muntenia's shareholdings in the banking sector will be affected by the implementation of this new standard. The new IFRS 9 Accounting Standard, adopted after the financial crisis, emphasizes the early recognition of credit losses. Thus, banks will also make provision for loans that are not considered as risk carriers, for a period of up to one year, this being the novelty with the greatest impact.

AIFM. SAI Muntenia Invest, as an AIFM, will ensure that the individual assets of the AIF / SIF Muntenia have been correctly assessed in accordance with the valuation policies and procedures. The AIFM must establish sufficient controls to ensure that the value of the assets of the AIF is characterized by an appropriate degree of objectivity and the value of each asset must be reviewed in accordance with the provisions of Article 71 of R 231².

SAI Muntenia Invest has revised its working procedures in the registration process as AIFM, these procedures have been approved by ASF.

INVESTMENT ENTITIES. Evaluate the quasi-total of investments based on fair value. SAI Muntenia Invest uses fair value as the basis of analyzes and information to key management personnel. The information provided to shareholders based on fair value is presented in the quarterly, half-yearly and annual reports and in the Appendix to the UCI Reports set up by the articles of incorporation/Detailed Investment Statement.

As an investment entity, SIF Muntenia will no longer prepare consolidated financial statements.

1.2.3 EXIT STRATEGIES

An investment entity is distinguished from other entities in particular by the fact that an investment firm **does not intend to retain its investments for an indefinite period of time.**

As an investment entity, SIF Muntenia has different strategies for different types or investment portfolios, including a realistic timeframe for disinvestment.

In order to meet the proposed strategic objectives and fulfillment of the budgeted indicators, the restructuring of the portfolio will continue in the coming years. Exit strategies to be pursued include:

- Listed companies in which SIF Muntenia owns less than 20% and have values in the NAV of SIF Muntenia as at 31.12.2017 of less than 2,000,000 RON will be primarily sold through capital market transactions following the analysis of the opportunity for sale under the conditions offered by the market;

² Delegate Regulation (EU) no. 231/2013 of 19 December 2012 supplementing Directive 2011/61 / EU of the European Parliament and of the Council as regards exemptions, general conditions of operation, storage, leverage, transparency and supervision

- Closed companies in which SIF Muntenia holds less than 49% and have values in the NAV of SIF Muntenia as at 31.12.2017 of less than 2,000,000 RON will follow a process of evaluation and negotiations with the majority shareholder / shareholders for an exit in the next 3 years;
- Listed companies that are not Subsidiaries and value more than 2,000,000 RON in the NAV calculated as at 31.12.2017 will be monitored on a permanent basis so that the most feasible exit outcomes at the same time as the dividend income payment for those that have an annual dividend distribution policy; for these companies, there is a parallel analysis and monitoring for the acquisition of new packages for registering future positive results/future profitability;
- Unlisted companies that are not Subsidiaries and value in excess of 2,000,000 RON in the NAV calculated as at 31.12.2017 will be analyzed and evaluated and in the next 3-5 years their structure will change by realizing some exits negotiated with the shareholder / the majority shareholders, provided that the internal policy and strategy of these companies is different from the interest of the shareholder of SIF Muntenia, with the registration of a positive result for SIF Muntenia;
- **Subsidiaries:** Beginning with 2018, SIF Muntenia S.A. will assess subsidiaries at fair value through profit or loss. As a result, the impact of these assessments will be directly reflected in the profit distributable to shareholders. As such, they will be monitored analytically by constantly increasing their fair value by taking immediate measures especially in the case of non-fulfillment of the indicators of the income and expense budgets approved by GMS. Constant growth will be monitored both in terms of the result and the position on the market in which it operates so that the fair value does not have any negative effects in the annual result registered by SIF Muntenia. For performing subsidiaries, parallel to the pursuit of value growth, the exit strategy will be prepared so that it will be realized in profitable conditions for SIF Muntenia;
- Regardless of the value of the companies in the NAV calculated as at 31.12.2017, for all companies, less subsidiaries, the SIF Muntenia administrator will follow the public or private placements, purchase offers organized at the issuer level, the distributions from the shareholders' equity to the shareholders so that the restructuring portfolio to be achieved under the best conditions for SIF Muntenia;
- Shares that were classified as available for sale in accordance with IAS 39 and which are measured in accordance with IFRS 9 at fair value through other comprehensive income are held primarily for long-term strategic purposes. These will be analyzed and evaluated and in the next 3-5 years exit strategies will be established, provided that the internal policies and strategy of these companies are different from the interest of the shareholder of SIF Muntenia, with the registration of a positive result for SIF Muntenia;
- Holdings in fund units will target the capitalization of the investment by redemption of fund units at the time of the exit. The holding period will take into account the type of fund (closed end / open end) and the recommended holding period in the fund prospectus.

1.2.4 COMMITMENT TO INVESTORS

SAI Muntenia Invest SA commits to SIF Muntenia investors that SIF Muntenia's activity is to invest funds exclusively for profitability from the increase of invested capital value and / or from investment income

The AIFM will treat fairly all the company's investors. The principles for treating investors correctly include, but are not limited to:

- Will act to the interest of the Company and the Shareholders;
- Ensure that the investment decisions taken on behalf of SIF Muntenia are executed in accordance with the investment policy, objectives and risk profile;
- Ensure that the interests of any group of shareholders are not placed over the interests of any other group of shareholders;
- Ensure that fair, accurate and transparent pricing models and rating systems are used for the company portfolio;
- Prevent imposing undue costs on SIF Muntenia and its shareholders;
- Take all reasonable steps to avoid conflicts of interest and when they can not be avoided, identify, manage, monitor and, where applicable, disclose these conflicts of interest in order to prevent them from adversely affecting the interests of the shareholders;
- Recognize and properly handle complaints and petitions.

The company has and implements policies and procedures designed to manage current and potential conflicts of interest.

SIF Muntenia SA and SAI Muntenia Invest SA do not intend to provide investment-related activities, either directly or through a subsidiary that is a separate substantial economic activity or a separate, important source of income for SIF Muntenia.

2 ASSET ALLOCATION

Asset allocation (based on objectives and risk perception) and portfolio diversification are techniques used to identify, build and operate a portfolio of financial instruments. Asset allocation identifies asset class ratios in the global portfolio, while portfolio diversification suggests the right mix of securities / financial instruments in each of the asset classes.

For the allocation of SIF Muntenia assets, the administrator will use both strategic allocation and tactical allocation elements.

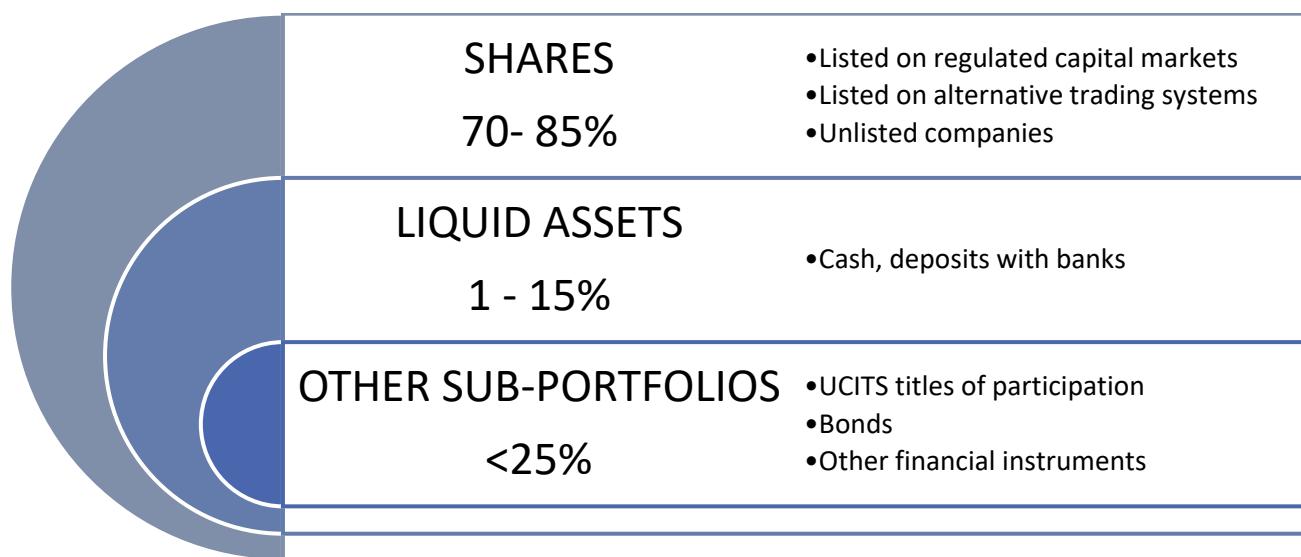
2.1 STRATEGIC ASSET ALLOCATION

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

Strategic Asset Allocation is a long-term allocation. In the long run, the value of assets is determined by elements of a fundamental nature and general market conditions. The strategic allocation takes into consideration general investment restrictions in the legislation. In the 2018 Program subject to the approval of the shareholders, the general investment restrictions that were taken into account **are those in force at the date of its preparation**.

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

The figure below shows the **target portfolio** of SIF Muntenia for the year 2018. The values used to calculate the percentages in the figure below are those used for the calculation of the total asset and net asset according to the FSA regulations in force at the date of preparation of this material.



Against the backdrop of maintaining low interest rates, it is proposed to lower the upper limit to liquid assets from 20% to 15% in 2018. The limit is indicative, and it may be exceeded if high value sales will occur.

2.2 TACTICAL ASSET ALLOCATION

Tactical Asset Allocation is a short to medium term asset allocation consisting of systematically or punctually adjusting the portfolio to benefit from "short-term" opportunities and a high-performing asset selection in the sub-portfolios, which takes into account:

- Restrictions / targets imposed by strategic allocation;
- The principle that, in the medium term, the capital market reflects a combination of investor expectations and the fundamental value of assets / liabilities;
- Price volatility on the markets in which portfolio financial instruments are traded (short term speculation opportunities);
- Limitations due to investment opportunities and liquidity available or required for certain operations (eg, dividend distribution to shareholders)

2.3 MARKETS AND FINANCIAL INSTRUMENTS IN WHICH SIF MUNTEANIA INVESTS

Financial instruments present at the moment in SIF Muntenia's portfolio are included in the financial instruments allowed by legislation:

- transferable securities and money market instruments listed or traded on a regulated market, as defined by art. 125 of the Law no. 297/2004, from Romania or from a Member State;
- transferable securities and money market instruments admitted to official listing on a non-member state stock exchange or negotiated on another regulated market in a non-member country that operates on a regular basis and is recognized and open to the public;
- newly issued securities, provided that:
 - the issuance conditions include a firm commitment requiring admission to trading, on a stock exchange or on another regulated market that operates regularly and is recognized and open to the public,
 - that admission be granted within a maximum period of two years from the issue;
- securities of collective investment undertakings (UCI) and / or other collective investment undertakings (NON-UCI.);
- deposits with credit institutions that are redeemable on demand or offer the right of withdrawal with a maturity of not more than 12 months provided that the registered office of the credit institution is located in Romania or in a Member State or, if outside the European Union, be subject to prudential rules assessed by the FSA as being equivalent to those issued by the European Union;
- money market instruments other than those traded on a regulated market that are liquid and have a value that can be precisely determined at any time.

The administrator does not invest in derivative financial instruments (traded on regulated markets, on organized trading systems (OTF) or over-the-counter (OTC)).

Markets on which SIF Muntenia invests (trading venues in which the AIFM trades) The vast majority of transactions are carried out on the Bucharest Stock Exchange.

3 SHARES SUB-PORTFOLIO

The priority of the administration activity with the highest volume of activity remains the management of the sub-portfolio of shares, which is SIF Muntenia's most important sub-portfolio, both in terms of asset value and in terms of revenues. 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 are monitored by the SIF Muntenia administrator.

SIF Muntenia has invested and is still investing in shares in order to increase the value of the equity and / or the income from these investments and does not intend to obtain other benefits resulting from the entity's investments.

Directions for action in managing the sub-portfolio of shares:

- Increasing the quota of participations in listed companies on regulated markets, which have a high liquidity of transactions; the reduction of the quota of holdings whose securities are not traded on regulated capital markets;
- Identification and capitalization of the opportunities offered by the regulated capital markets for short and medium term investments / disinvestments by selecting issuers with growth prospects in relation to the trading prices or the available valuations;
- Increase the holdings of issuers operating in the performing economic sectors at this time. Among the sectors of activity with current potential in the economic / business cycle, we can mention the banking, energy and utilities sector, the pharmaceutical industry. (There are no legal restrictions on the sectors in which SIF Muntenia can invest, or in terms of the value of the investment in a sector) SIF Muntenia will continue its strategy to invest in several entities from the same sector of activity on the same market or from the same geographical area, in order to take advantage of the synergies that increase the value of equity and the investment income from the entities where investments have been made;
- Priority management of large exposures. Continue to reduce the atomisation of the portfolio (more significant holdings of about 10% of the total assets each), but with the possibility of exceeding this limit in case of investment opportunities, corroborated with the faster sale of participations with very small/no prospects and/or do not provide dividends. Accelerating the reduction in the number and weight of the total portfolio of companies defined as residual (remaining in the portfolio of FPP IV Muntenia), ie companies with no potential for growth;
- The orientation of the investment policy towards companies that regularly pay dividends and where the application of corporate governance ensures the observance of the rights of SIF Muntenia as a minority shareholder;
- Protect and increase the value of participations by engaging in companies using corporate governance elements. Encourage companies in which participations are held to engage in business and management practices that support long-term sustainable financial performance.

4 LIQUID ASSETS. ENSURING LIQUIDITY

The prudent management of liquidity risk involves maintaining sufficient cash for current activity (operating and fiscal expenses), sources of investment and dividend distribution.

It is intended to provide as much flexibility as possible from this point of view.

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

- Cash and cash equivalents (current accounts opened with banks)
- Deposits placed with banks

Depending on the overall strategy and liquidity needs, the administrator will place SIF Muntenia liquid assets mainly on certain classes of assets and market segments, according to its expectations, **primarily aiming to protect the capital** against the maintenance of a reduced level of interest rates.

Bank deposits are low-risk money market instruments, but potential gains are also lower.

In managing bank deposits, the administrator will aim at:

- Placing available resources to banks in Romania with a solid financial situation;
- Dispersion of amounts placed in banks following the rules of prudence;
- Obtaining an average interest rate on SIF Muntenia deposits over ROBID per month.

5 OTHER SUB-PORTFOLIOS

BONDS SUB-PORTFOLIO

Neither in 2018 there is foreseen an important increase in the value of this sub-portfolio, primarily due to the reduced offer on the Romanian bond market which corresponds to the investment objectives pursued.

In managing this sub-portfolio there will be pursued:

- Investing in medium-term bonds (maturity below 5 years) where there is no stable and liquid secondary trading market, or the collateral is sound and the interest rate offered is higher than that obtained from banks;
- Under no circumstances invest in long-term bonds - over 10 years - given the role of this sub-portfolio in SIF Muntenia's global portfolio and general economic conditions

PARTICIPATION TITLES IN UCITS / AIF SUB-PORTFOLIO

UCITS / AIF participation titles contribute to reducing the overall portfolio risk through diversification and provide access to segments of the financial and investment market that could not be accessed directly for regulatory or cost reasons.

In managing this sub-portfolio there will be pursued:

- Regular analysis and rebalancing of participations according to the macroeconomic expectations and the profiles and portfolios of each fund / UCITS / AIF where units were purchased;
- Prioritizing open and closed funds for similar investment profiles;
- Marking profits under minimum commissions;
- Identification of new titles of participation with potential for growth.

OTHER FINANCIAL INSTRUMENTS SUB-PORTFOLIO

- Holding of existing financial instruments in this category until maturity.
- Permanent analysis of other opportunities.

6 DIVIDEND POLICY

SIF Muntenia's policy on the annual distribution of dividends or other benefits to shareholders has been drawn up in the voluntary compliance process with the Corporate Governance Code of the Bucharest Stock Exchange applicable from 4 January 2016 and is presented on the SIF Muntenia website, Corporate Governance section.

“In the general meetings of shareholders approving financial statements, strategic administration programs and revenue and expense budgets, proposals for net profit distribution will be presented and subject to shareholders approval so as to maintain a balance between shareholder remuneration through dividend and the need to finance the acquisition of new financial instruments in order to ensure the value and asset quality increase.”

Upon completion of the changes to the AIF legal framework, SAI Muntenia Invest will re-analyze the dividend policy for SIF Muntenia and will inform shareholders if changes are necessary.

SIF Muntenia Administrator will analyze the structure of the net profit recorded in the context of the application of IFRS 9 and IFRS 10 at each end of the year and will present to SIF Muntenia shareholders a distribution mainly of the positive results recorded as a result of exits so that the shareholders to decide in an informed manner and to avoid the risk of decapitalization of the fund by distributing amounts that would reduce the liquidity of the fund below acceptable limits.

DIVIDENDS NOT CLAIMED WITHIN 3 YEARS

The policy of the company is to keep them at the disposal of shareholders for 3 years, in accordance with the legal provisions in force. Dividends not claimed after this deadline are registered in reserves following a decision made by the General Meeting of Shareholders.

7 RISK ADMINISTRATION

SAI Muntenia Invest, as an AIFM, has implemented a permanent independent risk management framework (permanently, operationally and independently of the administration of the managed entity portfolios) designed to ensure through established risk management policies and procedures, monitoring and compliance with the established risk limits.

During 2017, this system was modified and updated to meet the legal framework requirements for SAI Muntenia Invest as AIFM and SIF Muntenia as AIF. The new risk policies and procedures have been approved by the FSA.

- SAI Muntenia Invest / AIFM has formally documented the risk management process and submitted this document to the regulator; The AIFM has risk management policies regarding the risks related to SIF Muntenia and the adequacy and effectiveness of this formal framework are reviewed and approved at least annually.
- For each relevant risk area, the AIFM sets limits on exposure to risk, based on the Fund's objectives, strategy and risk profile. These limits are periodically monitored, depending on the nature of the risk area, and the sensitivity of the portfolio to the key risks is regularly reviewed, depending on the need to assess the impact of changes in the main variables on the Fund.
- The risk profile for SIF Muntenia was asserted and approved. The main risks to which the Fund is exposed are market risk (including stock price risk, interest rate risk and concentration risk by sector), credit risk and liquidity risk.

Particularities of liquidity risk management

The closed-end structure of the Fund determines low liquidity requirements, reducing the impact of the potentially low liquidity of the portfolio. The AIFM's risk function performs regular assessments of liquidity to ensure that the Fund is able to meet its payment obligations. The shares of SIF Muntenia do not have the option of redemption, and the shareholders are not entitled to request the Fund to buy their shares. Therefore, the liquidity management policy ensures that the investment portfolio is sufficiently liquid to meet the following main obligations - covering operational expenses, investment requirements, and dividends / other distributions to shareholders.

No Fund assets were subject to special measures due to their illiquid nature.

BUDGET OF REVENUES AND EXPENSES

SIF MUNTENIA 2018

Guidelines that were the basis for drafting the BER:

- The implementation of the strategic administration program for 2018
- Prudent estimation of the company's resources
- Ability of the company to meet its future payment obligations
- An efficient collection and exercise of SIF Muntenia rights
- Applying provisions of IFRS9 and IFRS10

Assumptions in the preparation of the REB are:

Fees, taxes, retainer fees and contributions are based on levels according to legal provisions in force at the date of preparation, as well as the projected ones, according to existing applicable legal basis.

Dividend revenues are estimated according to reports presented by the issuers in the portfolio and are registered in the BRE at gross value, that includes also the tax on dividends.

Interest revenues are estimated considering:

- level of cash and cash equivalents at the end of 2017, influenced by the transactions planned to be conducted on the capital market and monetary investments planned to be conducted in 2018.
- income level of bonds sub-portfolio.
- an average level of interest on bank deposits of 1.5% per year, and for corporate bonds existing in the portfolio. The level stipulated in the prospectus in force; no interest income for new bonds was taken into account

Net trading profit is established on the basis of estimated transaction to be performed only from the sale of financial instruments in 2018 that are assessed at fair value through profit or loss. Even if we've believed that the performance and profitability of the companies in which SIF Muntenia holds participations will improve in 2018 in line with current prospects of the economy, the positive result of the sale of some of these participations will be recorded in reserves (in accordance with IFRS 9) for equity investments measured at fair value through other comprehensive income.

Administration expenses, represents the annual fee of the Administrator according to the administration contract in force.

Third party expenses are established according to agreements in force; they include expenses with other service providers (BRD, both as the depositary and the custodian, Central Depository, FSA fees and charges, KPMG - financial auditor, internal auditor, expenses related to investors relations, charges with mandatory publicity, payments to the Trade Register).

Portfolio administration expenses are established according to the analysis of expenses performed during 2017, to the revenues from planned trading and ongoing contracts; they include expenses with the trading commissions to brokers, banking expenses, notary public fees, debt recovery expenses, court of law expenses, valuation of certain holdings in the portfolio to be performed by external evaluators for IFRS reporting purposes, etc). Given the fact that the Administrator pursues an active management strategy, during the year opportunities to buy or sell certain participations may arise and achievement of these transactions may involve certain costs associated with the services provided by third parties who were not taken into account at a first approximation of this expenses position.

The following have not been forecasted:

- Gain or loss from exchange rate differences
- Tax on dividends received by SIF Muntenia and Deferred income tax
- Possible income and expense from fair value measurement through the profit and loss account of the portfolio measured at fair value through profit or loss.

Estimated **gross** result (without taking into consideration the influence of valuation elements that have not been forecasted) for the year 2018 amounts to 39,700,000 RON.

2018 BUDGET OF REVENUES AND EXPENSES

Item	BRE Proposal 2018
1. TOTAL REVENUES	62,500,000
1.1. Investment income	62,400,000
1.1.1 Dividend income	40,000,000
1.1.2 Interest income	2,400,000
1.1.3 Net income from trades	20,000,000
1.2 Other income	100,000
2. TOTAL EXPENSES	22,800,000
2.1 Administration expenses	17,400,000
2.2 Third party expenses	2,600,000
2.3 Portfolio management expenses	1,300,000
2.4 SRC expenses	1,300,000
2.5 Other expenses	200,000
3. Gain / loss on valuation of participations at fair value through profit and loss	
4. GROSS PROFIT	39,700,000

SIF MUNTENIA SA by its Administrator

SAI MUNTENIA INVEST SA

General Director

Nicușor Marian Buică