
**SHAREHOLDERS REPRESENTATIVES COUNCIL of
SOCIETATEA DE INVESTITII FINANCIARE MUNTEANIA S.A.**

16, Splaiul Unirii, sector 4,040035, Bucharest
Trade Registry No. J40 / 27499 / 1992, SRC 3168735
Registered with the NSC under no. PJR09SIIR / 400005 / 15.06.2006
Authorized by NSC Decision no. 1513/15.07.1999
Registered in the Personal Data Operators Register with no. 26531

**REPORT
OF THE SHAREHOLDERS REPRESENTATIVES COUNCIL OF
SOCIETATEA DE INVESTITII FINANCIARE MUNTEANIA S.A.
for the mandate exercised during the year 2017**

Members of the Shareholders Representatives Council of SIF Muntenia S.A. (S.R.C.), elected at the Shareholders General Ordinary Meeting of S.I.F. Muntenia S.A. (S.G.O.M.) dated 26 June 2014, respectively dated 30 April 2015, adopted on 23 March 2018 this Report for the mandate exercised during the year 2017.

I. Brief context

Brief description of national economic environment in 2017 may be depicted considering:

- gross Domestic Product (GDP) had an annual dynamics of 7% (on seasonally adjusted series, according to the National Institute of Statistics - N.I.S.) - Romania registering the highest economic growth in the European Union (EU);
- the execution of the consolidated general state budget ended with a deficit of 2.88% of GDP (according to the data presented by N.I.S.), below the budget deficit set by the Maastricht Treaty of 3% of GDP;
- the average consumer price index during the period January 2017 - December 2017 compared to the previous 12 months, calculated on the basis of the national concept (consumer price index - CPI), was 1.3%; the average rate was of 1.1%, determined on the basis of the harmonized methodology of the European Union, (according to the data provided by N.I.S.);
- the NBR's monetary policy rate remained at 1.75% per annum, equal to the one registered at the end of 2016 (on 8 January 2018 and 7 February 2018 respectively, it was increased successively up to 2.25% a year on the background of rising inflation above expectations - consumer prices in February 2017 compared with February 2016 rose by 4.72%);
- according to provisional data provided by NBR, in the period January - December 2017: public debt increased by 1.235 billion euros (reaching 33.534 billion euros - with an estimated debt of 35.7% of GDP, Romania may have the fourth lowest public debt in the EU) ; the current account of the balance of payments recorded a deficit of 6.464 billion Euro compared to 3.498 billion Euro in the same period of 2016; the direct investments of non-residents amounted to EUR 4,586 billion, comparable in volume to those of the previous year;
- the commercial banking system in Romania recorded the highest profit in the last three consecutive years, of about 5.6 billion lei, with a growing volume of assets up to

RON 427.4 billion (according to the NBR's aggregate indicators for the credit institutions);

- according to data provided by the Bucharest Stock Exchange (BSE), the national capital market, still classified as a border market, was more dynamic than in 2016, being marked by: the merger of BSE with the Sibiu Stock Exchange (SIBEX), since 2018 Romania having only one stock exchange; four private entities listed their shares and there was registered the largest initial public offer (IPO) of a private entity in the history of the local capital market; nine listings have taken place on the corporate bonds segment; the capitalization of the Romanian companies listed on the BSE increased by 20% compared to 2016; the daily average of traded values on all types of financial instruments increased by 25% compared to 2016;
- at the legislative level, efforts continued to transpose European legislation governing the capital market into national legislation, probably for 2018, awaiting the adoption of the Law for Alternative Investment Fund (AIF), which will complement the Law on Alternative Investment Fund Managers (AIFM), already in force (Law 74/2015).

II. Attributions and organizational framework for the operation the Shareholders Representatives Council

S.I.F. Muntenia S.A. is an undertaking for collective investment classified as "Other Undertakings for Collective Investment" (NON-UCITS.), administrated by Societatea de Administrare a Investițiilor Muntenia Invest S.A. (S.A.I. Muntenia Invest S.A.), registered in the FSA Registry in Section 7¹ - Alternative Investment Fund Managers, Subsection 4 - Alternative Investment Fund Managers under the number PJR071AFIAI / 400005.

At the SGOM dated 26 June 2014, S.I.F. Muntenia S.A. shareholders appointed a Shareholders Representatives Council for a period of 4 (four) years, aiming to supervise the administration carried out by Muntenia Invest S.A.. During 2017 as well, the SRC has exercised its powers to represent the interests of the shareholders and to supervise the activity and the responsibilities of the administrator, within the limits imposed by the provisions of the Articles of Incorporation of S.I.F. Muntenia S.A., the administration contract and the decisions of the General Meetings of the Shareholders of S.I.F. Muntenia S.A. (S.G.M.).

Following the appointment of the SRC members at the SGOM dated 26 June 2014 and respectively 30 April 2015 and following the events reported in 2014, 2015 and 2016, at the end of 2017 the SRC had the following composition: Marius Ioan PANTEA – President; Andrei Liviu DIACONESCU – Vice-President; Iulian AURSULESEI – member; Gheorghe BÎLTEANU – member; Sergiu BUȘILĂ – member; Emil CAZAN – member; Daniel Florian MIRON – member; Adrian STĂVARU – member; Petru Pavel SZEL – member; Vicențiu Octavian ZORZOLAN – member.

SRC's meetings calendar was established according to the financial communication calendar of S.I.F. Muntenia S.A., or to specific need for information, analysis, or endorsement. Thus, during 2017, the S.R.C. met both in working meetings taking place at S.I.F. Muntenia S.A. headquarters and meetings held by electronical means. The topics addressed on the agenda were directly correlated with the SRC duties recorded in the Articles of Incorporation of S.I.F. Muntenia S.A., with the rights and obligations of the SRC stipulated in the administrating contract and targeted specific requirements for representation of shareholders, respectively the supervision of the administrator. Whenever it was considered necessary and appropriate, meetings were attended by representatives of the administrator. We mention that, throughout the year 2017, the SRC has functioned in a statutory manner, and all the

resolutions adopted have been taken unanimously, under quorum and decisional transparency.

The S.R.C. was provided with its own technical secretariat, for the preparation and organization of Shareholders Representatives Council meetings as well as for the communication with the administrator, the shareholders, the statutory or internal auditor or with other various institutions, and for keeping its own records.

Execution of the SRC budget was performed in accordance with the budget approved by the SGOM as of 27 April 2017 and in strict correlation with the operational needs of the SRC so that at 31 December 2017 the level of expenses available to the SRC was below the budget approved by the shareholders, achieving cost savings.

We underline that the SRC does not perform acts of administration, so S.A.I. Muntenia Invest S.A., as administrator, is and remains responsible for the administration activity, adoption and implementation of investment policies and for preparation and presentation of briefings and materials made available to SRC and SGOM. As a result, SRC's surveillance activity does not exonerate S.A.I. Muntenia Invest S.A. for acts and operations performed as administrator nor the obligation to ensure the compliance with applicable legislation and the administration contract throughout its administration activity.

III. Analysis of information materials and reports sent by the administrator S.A.I. Muntenia Invest S.A.

In exercising its powers, the S.R.C. targeted that the interests of S.I.F. Muntenia S.A.'s shareholders to be complied with by applying the administration program approved by the SGOM dated 27 April 2017 and following the execution of the approved budget.

Subordinated to this goal, in addition to regular reports, current reports, press releases and monthly information materials prepared and presented by S.A.I. Muntenia Invest S.A., the S.R.C. conducted also punctual inquiries to the administrator regarding:

- the state of implementation of the remedial measures contained in the plan of measures in the FSA Decision no. 2085 / 01.11.2016 and the recommendations made by the FSA on the occasion of the periodic inspection carried out during the year 2016;
- the stage of compliance with the provisions of the Corporate Governance Code of the BSE and those of the FSA on the application of the principles of corporate governance by entities authorized, regulated and supervised by the FSA;
- the objectives, the internal audit plan, the conclusions and recommendations of the internal audit reports of the SIF Muntenia S.A. and S.A.I. Muntenia Invest S.A.;
- the conduct of the independent auditor's selection procedure for the period 2017-2019 and the negotiation of the Audit Engagement and Review Letter with KPMG Audit S.R.L., the financial auditor chosen in the SGOM of S.I.F. Muntenia S.A. as of 31 August 2017;
- the activity of unlisted entities with the largest share in the SIF Muntenia S.A.'s assets and to which S.I.F. Muntenia S.A. owns the major package of shares/social parts (unlisted subsidiaries);
- the status of the proceedings pending before the courts of law in various stages in which S.I.F. Muntenia S.A. is part, the administrator drafting and presenting answers, and the SRC analyzing and making the recommendations contained in this report.

From this point of view, the SRC considers that the relationship with the administrator has been within normal, strictly professional limits.

Regarding the financial and patrimonial situation and the implementation of the budget of revenues and expenditures approved by the SGOM on 27 April 2017, members of the SRC paid due attention to the monitoring of the financial position, the revenue and expenditure dynamics, the evolution of net asset value and, implicitly, the change in the share's exchange price on the BSE.

According to its duties, the SRC analyzed and endorsed the regular reports as at 31 March 2017, 30 June 2017 and 30 September 2017 - drawn up in accordance with the legal provisions and NSC/FSA regulations.

The SRC also reviewed and endorsed the individual financial statements and consolidated financial statements as at 31 December 2016 prepared in accordance with the FSA Norm. no. 39/2015 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards (IFRS) applicable to entities authorized, regulated and supervised by the FSA, the Financial Instruments and Investment Sector, accompanied by the independent auditor's report, KPMG Audit S.R.L., and approved in the SGOM from 27 April 2017 and 31 August 2017, respectively.

Considering that, since this year, S.I.F. Muntenia S.A. has the obligation to submit the consolidated annual financial statements in the same period as the individual annual ones (according to the provisions of Law 24/2017 on issuers of financial instruments and market operations), the SRC also analyzed and approved the statements related to the financial year 2017, based on the duties stipulated in the Articles of Incorporation of SIF Muntenia S.A., which will be subject to approval in the SGOM as of 26/27 April 2018.

The SRC also analyzed and debated the monthly information prepared by S.A.I. Muntenia Invest S.A. with regard to: the implementation of the administration program; the calculation of the administration fee, respectively the preparation of the assets and liabilities situation. We specify that these situations reflect the operations that the administrator performed without prior consultation of the SRC, who did not examine, recommend or participate in their substantiation or implementation. Subsequent receipt of such information may not constitute approval or ratification of such operations by the SRC.

Finally, SRC considers that in terms of meeting the appropriateness of accounting policies used, as regards the reasonableness of accounting estimates made by S.A.I. Muntenia Invest S.A., the shareholders should refer to the opinions and conclusions provided by the independent financial auditor KPMG Audit S.R.L. In a similar way there should be approached also reporting of the monthly statements of assets and liabilities certified by the depository B.R.D. - Groupe Societe Generale. The SRC considers that the opinion issued by the independent financial auditor KPMG Audit SRL can support the conclusion that the individual yearly financial statements presented for the year ended 31.12.2017 prepared in accordance with FSA Norm 39/2015, reflect the company's financial and economic situation considered as a separate entity.

Further, SRC maintains its request to the administrator about the need for a proper vigilance in managing the risks that could spread effects on maintaining the integrity of S.I.F. Muntenia S.A.'s patrimony and the variation in the S.I.F. Muntenia S.A.'s share price, respectively the assurance according to the capital market regulations and internal rules and procedures of the Administrator and its administrating in order to implement the administration act under the best conditions.

IV. Conclusions and recommendations of the Shareholders Representatives Council addressed to the Administrator S.A.I. Muntenia Invest S.A.

According to the individual financial statement as at the end of the year 2017, S.I.F. Muntenia S.A. presented at the end of the financial exercise a level of profit before taxes according to IFRS of approximately 57 million lei, higher than the amount registered in 2016 and 32.6% higher than the one budgeted in the administration program for the year 2017, respectively a net profit level of about 51 million lei, slightly higher than the one registered in the year 2016. As regards the individual financial position under I.F.R.S., S.I.F. Muntenia S.A. closed the 2017 reporting period with a total assets value of almost 1.3 billion lei (over 15% compared to the previous year) and an equity value of about 1.2 billion lei (over 17% compared to 2016), with a clear upward trend from 2016. If we consider the discount on the net asset on 29 December 2017, amid the increase in both the closing price of the share and the unit value of the net asset, it registered a decrease, down to 42.3%.

In principle, during the activities carried out in 2017, the SRC reiterated in discussions held with S.A.I. Muntenia Invest S.A., the necessity to observe the prudential norms provided by the legislation in force applicable to S.I.F.-type entities in accordance with the objectives assumed by the administrator through the administration program, with the corresponding management of the company's assets, with the risk management of the activity.

In a more analytical approach, the SRC has brought to the administrator's attention several recommendations regarding:

- the FSA recommendation, that considers that the evaluation and monitoring of the effectiveness and proportionality of the implemented measures must be part of a continuous internal process (the communication of the FSA addressed to S.A.I. Muntenia Invest SA with DSC No. 52 / 04.01.2017);
- situation of litigations/ legal proceedings in which S.I.F. Muntenia S.A. is a part, which the administrator presents quarterly to the SRC., to include additional explanations regarding the purpose and potential effects of the actions in court on the patrimony and activity of S.I.F. Muntenia S.A.;
- make the necessary efforts to meet all the criteria set forth in the Corporate Governance Code of the BSE and FSA Regulation 2/2016 on the application of the principles of corporate governance by entities authorized, regulated and supervised by the FSA;
- inclusion in the text of the SGM decisions for approving the individual annual financial statements of synthetic elements of the individual financial position statement at the end of the financial year, such as: total assets, total liabilities and total equity;
- ensuring and carrying out all necessary diligence, including cash financial resources, for observing the shareholders' vote on the distribution of dividends for the financial year 2016 starting with 28 September 2017, according to the decision of the SGOM as of 27 April 2017;
- the recommendation addressed to the administrator last year (included in the SRC report for 2016) regarding the involvement and wider accountability of the representatives of the SIF Muntenia S.A. in the Boards of Directors of the companies in the portfolio; and more, the SRC recommended to the administrator that in the companies where S.I.F. Muntenia S.A. is a major shareholder, this responsibility

should also concern the level of effective management, in order to ensure lawful conditions of profitability of the respective entities, able to pay by dividends the investment made by S.I.F. Muntenia S.A. in their share capital;

- the conclusions and recommendations made in the internal audit reports, which the administrator takes into account in running its activity;
- to provide investors with complete and explicit information on the effects arising from the obligation to apply the International Financial Reporting Standard no. 9 "Financial Instruments" (IFRS 9) as of 1 January 2018, which implies a new approach to the classification and measurement of assets with an impact on asset management, financial position and cash flow characteristics.

As regards shareholder remuneration policy, the SRC notes the principle of dividend distribution as a way that can ensure the attractiveness of the share, ie preserving investor confidence, but at the same time, the SRC notes also the principle of capitalizing the results obtained as a means of providing the resources needed to consolidate the investment potential of the SIF Muntenia S.A. in the perspective of a sustainable medium and long term path. As a result, the SRC concludes that the shareholders, by their vote, are the only ones entitled to decide on destinations of distributing the net profit, implicitly on the setting the dividend per share.

This report of the Shareholders' Representatives Council of Societatea de Investitii Financiare Muntenia S.A. is addressed exclusively to the shareholders of S.I.F. Muntenia S.A. and to be presented at the Ordinary General Meeting of Shareholders of S.I.F. Muntenia S.A. as of 26/27 April 2018.

Shareholders Representatives Council of S.I.F. Muntenia S.A. by

Marius Ioan PANTEA,
President