

SOCIETATEA DE INVESTITII FINANCIARE MUNTENIA S.A.



**ADMINISTRATOR'S REPORT
FOR THE 2017 FINANCIAL EXERCISE**

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
LEI Code	2549007DHG4WLBMAAO98
FSA Registry Number	PJR09SIIR/400005
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 issued securities are traded	Bucharest Stock Exchange, main segment, premium tier, SIF4 symbol
Main object of activity	<p>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.</p> <p>CAEN Code 6499 - Other financial service activities, except insurance and pension funding n.e.c</p>
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	<p>Romania, Bucharest, sector 4, 16 Splaiul Unirii, 040035</p> <p>Tel: +4021-3873210; +4021- 3873208</p> <p>Fax: +4021-3873265; +4021-3873209</p> <p>www.sifmuntenia.ro</p> <p>e-mail: relatii@sifmuntenia.ro; sai@munteniainvest.ro</p>

Report prepared by Societatea de Administrare a Investițiilor Muntenia Invest S.A. pursuant to the provisions of Law no. 297/2004, Law no. 24/2017, NSC Regulation no. 1/2006, BSE Code and FSA Rule no. 39/2015.



Authorised by NSC Decision no. D6924/17.07.1997
 Reauthorised by NSC Decision no. 110/13.01.2004
 Registered in the FSA Registry under no. PJR05SAIR/400006 /as of 21.12.2017 following the registration as AIFM PJR07 1AFIAI/400005.
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1 GENERAL INFORMATION

SIF Muntenia is a legal Romanian person, established as a joint stock company with fully privately-owned capital. The operation of the company is regulated both by ordinary and special character legislation, applicable to financial investment companies, and by its articles of incorporation¹.

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.

SIF Muntenia S.A. is a collective investment institution that operated in Romania in accordance with the provisions of Law no. 31/1990 and Law no. 297/2004 regarding the capital market and Law no. 74/2015 on Alternative Investment Fund Managers, G.E.O. no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for amending and completing the Law no. 297/2004 on the capital market, the F.S.A. Rule no. 9/2014 regarding the authorization and functioning of the investment management companies, UCITS and the UCITS depositary, FSA Regulation no. 10/2015 on the management of alternative investment funds, N.S.C. Rule no. 1/2006 on issuers and transactions with securities.

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

During 2017 there were no significant reorganizations of SIF Muntenia's activity. There were no changes to the articles of incorporation. SIF Muntenia does not have subsidiaries or branches but has prepared consolidated financial statements under IFRS in which controlled companies are consolidated as subsidiaries.

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

The main areas of activity of SIF Muntenia are:

- administration and management of its securities portfolio;
- making investments in securities in accordance with regulations in force;

2 ACTIVITY ANALYSIS

The activity of SIF Muntenia in 2017 had a character of continuity, there were no changes requiring dramatic restructuring of the activity or portfolio held.

Acquisitions and disposals of assets carried out by SIF Muntenia during 2017 refer to the sale and purchase transactions of financial securities. Details of these transactions are provided below in this Report.

Economic environment

The economic growth of Romania for 2017 - the evolution of the gross domestic product - was estimated at 7%, partly reflecting the earnings and fiscal stimulus received from the government over the past two years. The measures have stimulated consumption and economic growth but have generated imbalances. Thus, the current account of payments balance recorded a deficit of 6.46 billion euros last year, 85% higher than the level recorded in 2016, especially as a result of the imbalance of the trade balance. The state of public finances also deteriorated as a result of fiscal relaxation, the 3% budget deficit was maintained by reducing public investment.

Evolution of the financial and banking sector. The banking sector's total own funds ratio remains high, profitability has been strengthened, liquidity is adequate, and the non-performing loan ratio has declined considerably. The evolutions

¹ SIF Muntenia's Establishment Deed can be found on the website www.sifmuntenia.ro

of the companies in this sector are followed with the greatest attention by the SIF Muntenia Administrator, as SIF Muntenia's portfolio has the highest exposure to companies in this sector. Details in the Sub-Portfolio of Shares / Allocation by Activity Sectors chapter.

Interest rates on the RON remained at low rates for most part of the year, the exchange rate was almost stable for the entire year, with an upward trend in the late part of the year in response to political instability. The inflation rate returned to positive grounds, being 3.3% in 2017, which led to interest rates on deposits placed with banks moving in the real negative area. Details in Other subportfolio / bank deposits.

Capital market

At a first glance, we can note as a positive development that the trading prices of the shares quoted on the Bucharest Stock Exchange have increased significantly, and the increase of the stock market indices in Romania in 2017 seems impressive at a first glance. If we compare with the developments of the foreign markets, we can see that the Romanian stock exchange underperformed, losing the correlation with the external markets that have had favorable evolutions or even reached the historical highs of quotations.

The insufficient free float for the listed companies and the still small trading volumes (liquidity) from the Bucharest Stock Exchange translate into difficulties in investing / disinvestment of significant stock packages. Romania remained a frontier market, in 2017 the criteria were not met to get the emerging market status.

As positive elements, we can mention the merger between BSE and SIBEX, a number of listings of companies from the private area, the continuation of the process of alignment with the European legislation of the issuers and the managed entities.

The evolutions of the economic and investment environment in Romania have determined that the decisions taken in the administration to imply 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 dividend per share, 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 allocation of resources and the flexible adaptation of the means to changes in the economic and financial environment.

Transition to organizational form as alternative investment fund.

On 21.12.2017, the FSA certified the registration of SAI Muntenia Invest SA as alternative investment fund manager under the number PJR07 1AFIAI / 400005. From then on, SIF Muntenia has started operating on a new set of procedures, approved by the FSA, which are in line with European and national regulations on alternative investment fund managers.

These procedures will become significant for the administration of SIF Muntenia in 2018, and relevant details will be presented in the Administration Program for 2018. Further in this report, relevant elements for the administration of SIF Muntenia are presented, as they were carried out in 2017 by SAI Muntenia Invest SA, prior to being registered as an AIFM.

2.1 IMPLEMENTATION OF STRATEGIC OBJECTIVES

Through its mission statement, SIF Muntenia was structured as a "diversified balanced fund".

The overall management objective is to maintain SIF Muntenia as a diversified balanced fund, combining a balanced growth of the assets with satisfactory income at a medium risk.

MAIN STRATEGIC OBJECTIVES FOR 2017:

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

SIF MUNTENIA. YEARLY ADMINISTRATOR'S REPORT FOR 2017

ASSET EVOLUTION	2015	2016	2017
Calculated as of NSA regulations			
TOTAL CERTIFIED ASSET (LEI)	1,210,135,780	1,277,694,783	1,465,056,365
NAV (LEI)	1,057,391,571	1,173,709,073	1,370,827,959
NAV per SHARE (lei/ share)	1.3102	1.4543	1.6986

SIF Muntenia reported in 2017 a total value of the certified asset increased by 14%, respectively a total increase of 21.1% compared to 31.12.2015. NAV and NAV per SHARE increased in 2017 by 16% (29.6% as of the end of 2015). Details in the TOTAL ASSETS AND NET ASSETS chapter.

The increase in SIF Muntenia shares prices was even higher, leading to a decrease in the discount between NAV per SHARE and trading prices.

SHARES lei	2015	2016	2017
CLOSING PRICE END OF PERIOD	0.744	0.656	0.980
MARKET CAPITALIZATION	600,435,167	529,415,954	790,895,785
NET ASSET DISCOUNT	43.2%	54.9%	42.3%

The trading value of SIF Muntenia shares increased by 49% in the last year. The discount on net assets fell from 54.9% to 42.3%. Liquidity of transactions with SIF4 shares remained at low levels - the total trading value of SIF Muntenia shares on BSE in 2017 amounted to RON 74.5 mn, traded shares representing 10.77% of the number of issued shares mostly on the DEAL market, the "regular" transactions in the REGS market - regular, accounting for only 4.43% of the total number of shares.

Details in the chapter TRADING OF SHARES ISSUED BY SIF MUNTENIA.

DIVIDENDS-lei	2014	2015	2016	2017
GROSS DIVIDEND PER SHARE	0.0715	0.045	0.040	0.0347 *

The distribution of dividends for the financial years 2014 and 2015 continued and in September the distribution of dividends for the financial year 2016 began. Gross dividends were distributed in the amount of RON 18.2 million. In 2017, we submitted to the shareholders' approval a share repurchase program that was not approved by shareholders, who preferred dividend distribution. Details can be found in the chapter SIF MUNTENIA SHARES. SHAREHOLDERS RELATIONS / DIVIDENDS.

* The Administrator's proposal for the distribution of profits will be subject to shareholders' approval by a separate item on the SGOM's agenda.

ACCOUNTING ASSETS AND LIABILITIES-lei	2015	2016	2017
EQUITY	923,881,250	1,024,446,598	1,204,627,895
TOTAL LIABILITIES	152,744,209	103,985,710	94,643,957
GROSS PROFIT	75,643,338	55,282,504	56,998,848
NET PROFIT	63,855,737	50,386,184	51,005,327

Equity value increased by 17.65% amid a 8.98% decrease of liabilities.

The largest increase (22%) was reported by financial assets classified as available for sale, mostly represented by shares.

The main factors that contributed to the profit registered in 2017 were the net gain from revaluation of financial assets and dividend income received (RON 41.08 million).

The gross profit of RON 57 mn is 130.41% higher than the gross profit proposed to be achieved in 2017 according to the

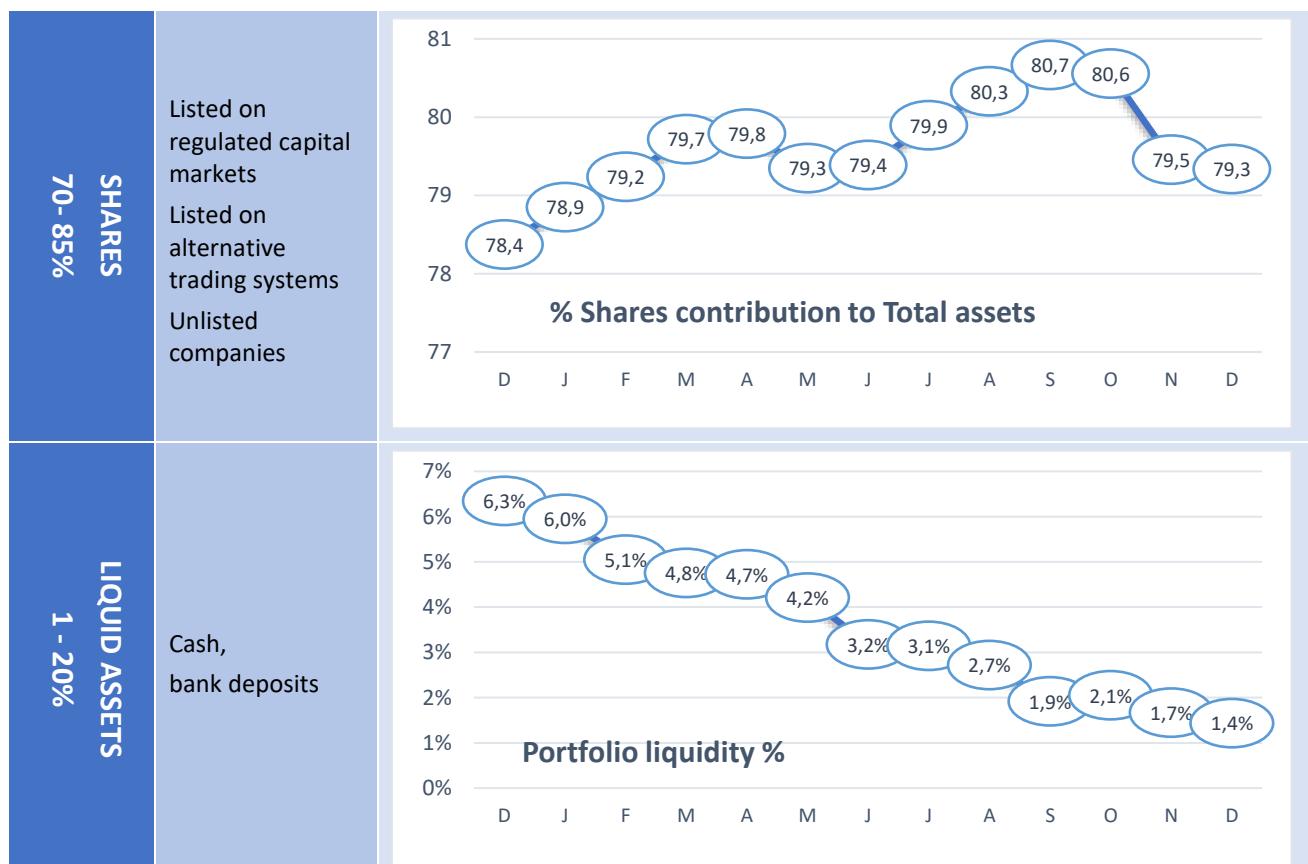
Income and Expenses Budget. Compared to the net profit of 2016, an increase of 1.23% was recorded in 2017. Details in the FINANCIAL ACCOUNTING STATEMENT chapter.

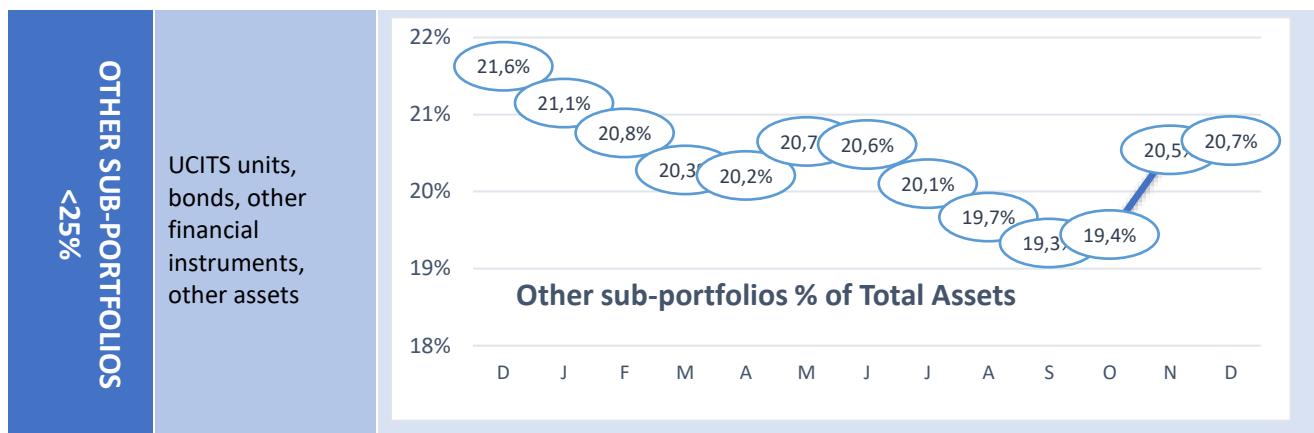
Financial ratios	2015	2016	2017
Net Profit/FAS Net Asset	6.04%	4.29%	3.72%
ROE= Net Profit/ equity	6.91%	4.92%	4.23%
ROA= Net Profit / Total accounting assets	5.93%	4.47%	3.92%

2.2 PORTFOLIO MACROSTRUCTURE – ASSET ALLOCATION

SIF Muntenia's Asset Allocation was closer to a **strategic asset allocation** that pursues a long-term target portfolio structure - within certain limits, which are defined annually through approved administration programs and approved by the shareholders.

The investment in financial instruments are within the limits of investments allowed by the legislation. The portfolio of SIF Muntenia has been within the applicable legal limits and within the indicative limits defined by the diversified balanced fund target portfolio of SIF Muntenia as approved by SIF Muntenia's Administration Program for 2017.





In the chapters "Portfolio Analysis", "Shares Sub-Portfolio" and in the "Other Sub Portfolios", the values of participations that are used are those according to the NSC / FSA regulations, "net asset values" under FSA Regulation 9/2014, which have been presented to investors, through the Valuation Rules², unless otherwise stated. These net asset values calculated according to CNVM / ASF regulations may have different values from the values of the total asset and the net asset recorded in the financial statements.

The detailed statement of investments made by SIF Muntenia as at 29 December 2017, prepared in accordance with Annex 17 of Regulation no. 15/2004, is enclosed to this report.

Main sub-portfolios, in terms of value, during the last three years

In lei	31-12-15	31-12-16	29-12-17
Listed shares	740,021,288	824,298,718	992,239,037
Unlisted shares	196,625,760	177,076,756	170,101,775
Listed bonds	51,579,300	46,765,179	83,745,681
Unlisted bonds	1,161,506	1,164,294	1,194,062
Cash	4,269,773	4,486,444	5,498,622
Bank deposits	12,121,846	76,618,412	15,546,412
UCITS participation titles	138,131,581	117,187,359	181,191,076
Other assets	44,384,725	8,285,622	15,539,700

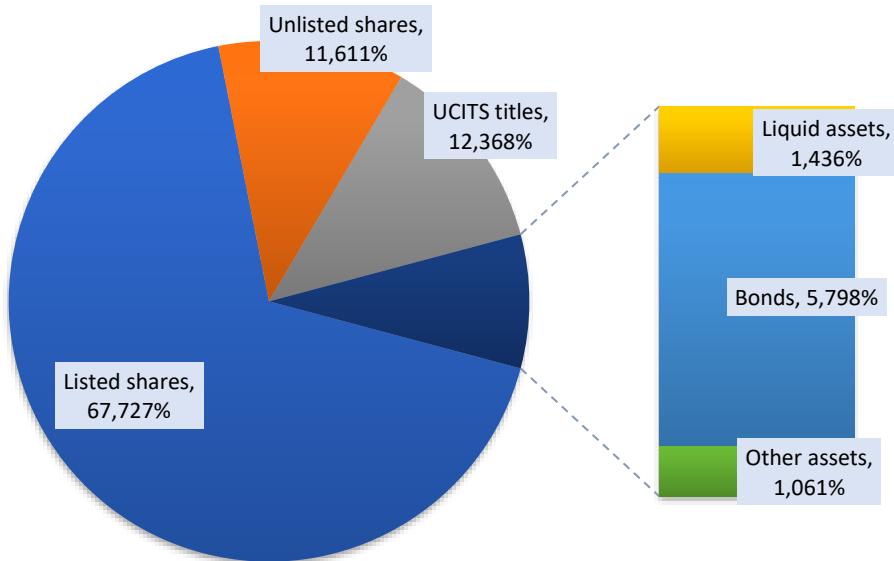
Main sub-portfolios, in terms of percentage, in 2017

In %	31-Dec-16	31-Mar-17	30-Jun-17	29-Sep-17	29-Dec-17
Listed shares	64.5%	66.7%	66.7%	68.9%	67.7%
Unlisted shares	13.9%	13.0%	12.7%	11.8%	11.6%
Listed bonds	3.7%	3.6%	3.6%	5.4%	5.7%
Unlisted bonds	0.1%	0.1%	0.1%	0.1%	0.1%
Other financial instruments	1.7%	1.8%	2.0%	0.0%	0.0%
Cash	0.4%	0.2%	1.0%	0.8%	0.4%
Bank deposits	6.0%	4.6%	2.2%	1.1%	1.1%
UCITS participation titles	9.2%	9.4%	11.0%	11.3%	12.4%
Other assets	0.6%	0.6%	0.8%	0.7%	1.1%

² Rules for asset valuation in the portfolios of managed entities <http://www.munteniainvest.ro/index.php?opt=reguli>

31 DECEMBER 2017

ASSET ALLOCATION, % OF TOTAL ASSETS



From the legislation on alternative investment funds (AIFMD Directive) point of view, implemented in the Romanian legislation by Law no. 74/2015, there are a number of key elements to be presented for any alternative investment fund. **The main coordinates of the investment strategy of SIF Muntenia** as defined in Article 3 paragraph (3) letter (c) of Directive 2011/61 / EU are:

- **The main categories of assets in which SIF Muntenia may invest** are defined by the legislation applicable at the current date and are detailed in the Financial Markets and Instruments chapter where SIF Muntenia invests in the Administration Program for 2017.
- **Industrial, geographic or other sectors of the market or the specific asset classes on which the investment strategy focuses:**
 - ✓ Focus 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;
 - ✓ Under current circumstances, investments in stocks listed on organized capital markets or alternative trading systems have had and will have the largest share in the portfolio in 2017 as well.
- **A description of the loan policy or leverage policy of the AIF**
 - ✓ SIF Muntenia's Administrator expressed its intention not to use leverage in the future in the administration of SIF Muntenia

From the point of view of the classification of the AIF used by ESMA³ **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**.

2.3 TOTAL ASSETS AND NET ASSETS

CERTIFIED TOTAL ASSETS represents the value of the total assets calculated according to NSC / FSA regulations and certified by the depository. The value is calculated on the last working day of the reference period.

NET ASSET VALUE (NAV) is the net asset value calculated according to the NSC / FSA regulations and certified by the depository = Certified Total Assets - Debt.

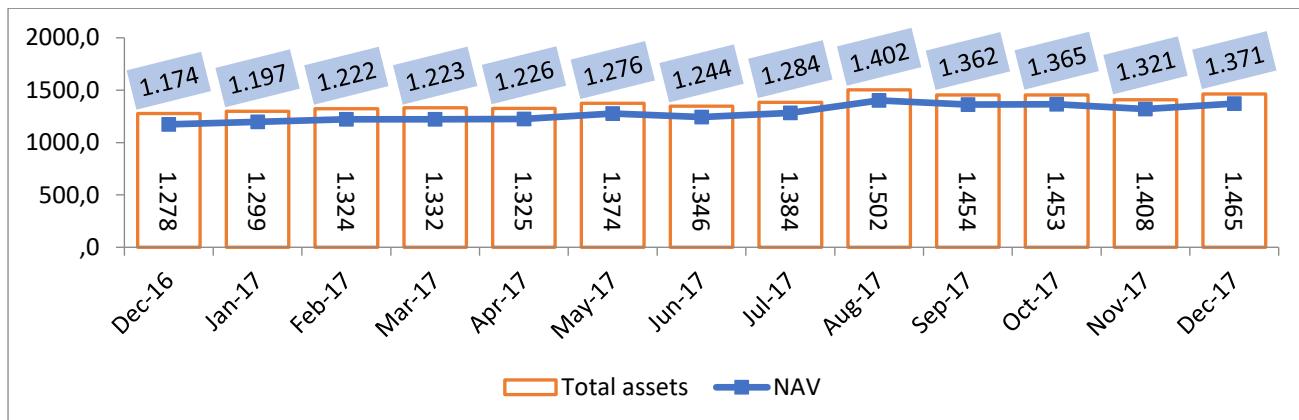
³ ESMA/2014/869EN Guidelines on reporting obligations under Articles 3(3)(d) and 24(1), (2) and (4) of the AIFMD

Net Asset Value per SHARE (NAV per SHARE) calculated according to NSC / FSA regulations and certified by the depositary = NAV / number of SIF Muntenia shares.

Monthly net asset values were published on www.sifmuntenia.ro to inform shareholders and reported according to the legal provisions to the FSA - Financial Services and Instruments Sector and Bucharest Stock Exchange (BSE), no later than 15 calendar days as of the end of the reporting month.

The Total Assets, Net Assets and Debt for the period were calculated in accordance with Regulation no. 9/2014 issued by the FSA, using accounting elements related to IFRS financial statements, and then certified by SIF Muntenia's assets depository, the Romanian Development Bank (BRD) – GSG.

SIF Muntenia's Total Assets and Net Assets Activ in 2017, million lei



For the Total Assets, Net Assets and Liabilities related to 31.12.2016 and 31.12.2015, the amounts **recalculated** on the basis of the final audited financial statements approved by the shareholders are presented and used in this report.

In LEI	2015	2016	2017
TOTAL CERTIFIED ASSETS	1,210,135,780	1,277,694,783	1,465,056,365
TOTAL LIABILITIES	152,744,209	103,985,710	94,228,406
NET ASSETS	1,057,391,571	1,173,709,073	1,370,827,959
NAV per SHARE	1.3102	1.4543	1.6986
<i>NBR EUR exchange rate</i>	4.5245	4.5411	4.6597
CERTIFIED TOTAL ASSETS expressed in EUR	267,462,876	281,362,398	314,410,019
NET ASSETS expressed in EUR at NBR exchange rate	233,703,519	258,463,604	294,188,029

In the table above, the values of the assets managed (total assets) expressed in euro at the **NBR exchange rate on the last day of the period** were presented, for continuity with the previous periodic reports, where this indicator was consistently presented. Starting with this report, the Euro / leu exchange rate of the European Central Bank (which is very similar in value but not identical to the exchange rate / euro reported by the NBR) will be used for the calculation.

The reasoning for this change is as follows:

The threshold stipulated under Article 3 paragraph (2) of Directive 2011/61 / EU:

*"The AIFM which either directly or indirectly through a company to which the AIFM is linked through joint management or control or through an important direct or indirect holding, manages portfolios of AIF whose **managed assets**, including assets obtained by using the effect of leverage, do not exceed in total a threshold of EUR 100 million;*

The AIFM which, either directly or indirectly through a company to which the AIFM is linked by joint management or control or by an important direct or indirect interest, manages portfolios of AIF whose assets under management do not

exceed a threshold of a total of 500 EUR million if the AIF portfolios are made up of non-leveraged AIF and the redemption rights cannot be exercised within five years of the initial investment in each AIF."

According to provisions of art. 3 of R 231⁴, SAI Muntenia Invest S.A. establishes, sets and applies procedures for continuous monitoring of total value of assets managed for the managed AIF.

According to applicable ESMA guidelines (*ESMA 869/2014 – Reporting guide according to art. 3 paragraph (3) letter (d) and art. 24 paragraphs (1), (2) and (4) of AIFM*), the value in euros is always indicated. In order to convert in EUR the total asset value of the managed assets for all managed AIFs, the AIFM must use **the exchange rate provided by the European Central Bank (ECB)**.

	2016	S1 2017	2017
BCE EUR exchange rate	4.5525	4.5523	4.6585
TOTAL CERTIFIED ASSETS expressed in EUR	292,487,296	295,705,672	314,491,009
NET ASSETS expressed in EUR	268,575,421	273,185,877	294,263,810

Debts decreased throughout the year 2017, both in value (lei 9.44 mn) and percentage of the total assets, from 103.99 mn lei to 94.55 mn lei at the end of the year.

- In April 2017, the following debt-related operations were carried out:
 - A decrease of 42.06 million lei based on the decision no. 4 of SIF Muntenia's SGOA of 27 April 2017, prescribing the dividends and the amounts related to unclaimed dividends for three years from the date of their eligibility.
 - An increase of 32.28 mil. lei based on the decision no. 2 of the same SGOM decision, whereby the distribution of dividends from the profit of 2016 was decided, and consequently the debt to SIF Muntenia's shareholders with the dividends to be paid was established.
- Dividends related to previous financial years were distributed between January and August. In September 2017 the distribution of dividends for the financial year 2016 began. Until 31 December 2017, 18.2 million lei were distributed as dividends.

Evolution of Debt Index/ total assets in 2017 (%)



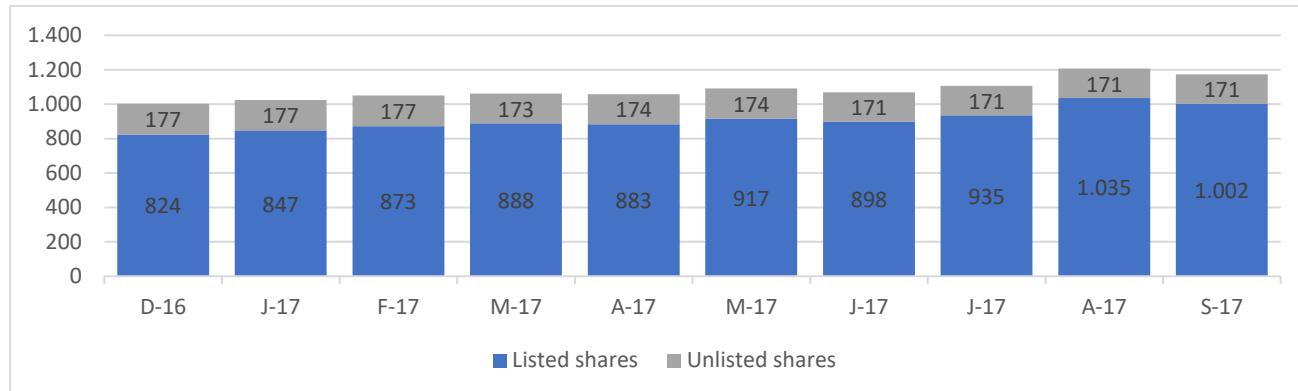
⁴ DELEGATED REGULATION (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61 / EU of the European Parliament and of the Council as regards exemptions, general conditions of operation, deposit, leverage, transparency and supervision

3 SHARES SUB-PORTFOLIO

Shares Sub-Portfolio is the most important, both in value and in terms, of SIF Muntenia's earnings. The management of this sub-portfolio pursued the achievement of the objectives set out in the strategic Administration Program approved for 2017.

3.1 NET ASSET VALUE

The contribution of the shares sub-portfolio to the total asset increased over the past year, with an increase in listed shares and a decrease of unlisted shares to the net asset value contribution and net asset value, as shown in the chart below (million RON)



In RON	2016	2017
Listed shares	824,298,718	992,239,037
- listed on BSE	508,533,869	617,297,189
- listed on SIBEX *	0	-
- listed on the ATS (SIBEX+AERO)	167,186,015	246,037,216
- listed on BSE and never traded	10,670,051	0
- listed and not traded during the last 30 days	137,908,782	128,904,632
Unlisted shares	177,076,756	170,101,775
Total	1,001,375,474	1,162,340,811

* At the end of 2017, following the merger between BSE and SIBEX, the positions of listed on SIBEX and listed on AERO SIBEX no longer exist.

BSE Sibex merger

The merger process of the Bucharest Stock Exchange (BSE) with Sibiu Stock Exchange took place throughout the year 2017 and was completed at the end of the year.

SIF Muntenia was a shareholder in all entities that are directly or indirectly affected by this merger, with the holding percentage to their share capital before the beginning of the merger process indicated in brackets - Bucharest Stock Exchange (4.32%), SIBEX Sibiu Stock Exchange (4.95%), Depozitarul Central (the Central Depository) (4%) Depozitarul SIBEX (Sibex Depository) (5.44%).

SIF Muntenia expressed its consent for the merger and remained a shareholder in the BSE after the merger and in the Depozitarul Central. At Depozitarul SIBEX, SIF Muntenia voted in favor to the proposal of the company's SGM for reducing the share capital of Depozitarul Sibex and the return of the money to the shareholders. (achieved on 2 February 2018).

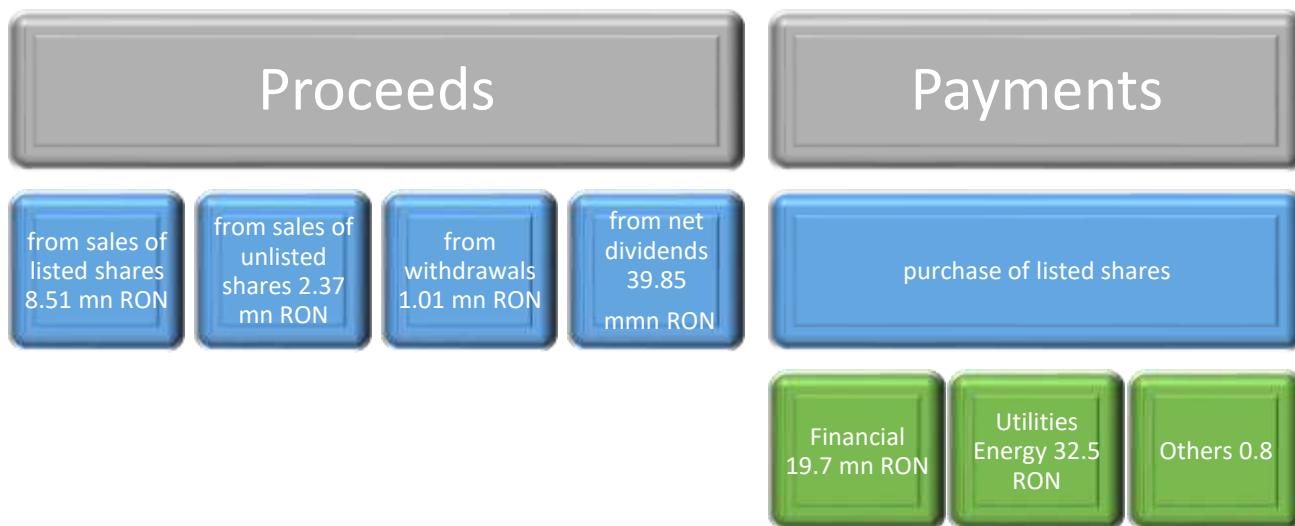
Issuers quoted on SIBEX ATS market within SIF Muntenia's portfolio: ICERP SA Ploiești (SIF Muntenia: 46.11%) and ARO Palace SA Brașov (SIF Muntenia: 10.37%) completed the transfer to the alternative trading system (ATS) of BSE - AERO.

3.2 TRANSACTIONS IN THE SHARES SUB-PORFOLIO

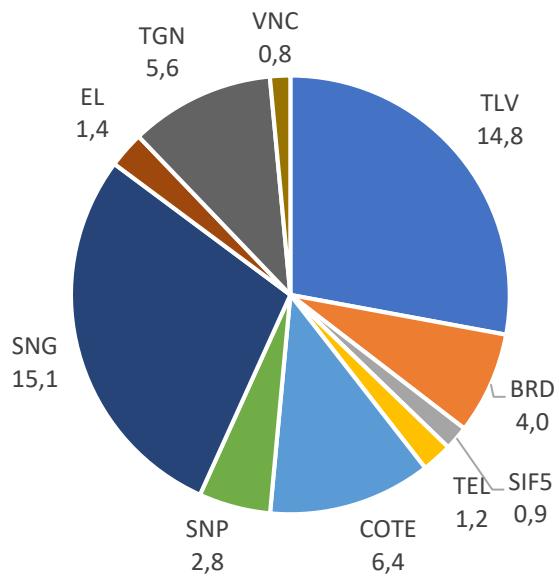
Sales and purchases of shares were conducted on the basis of the objectives and directions of action outlined in the Management Program for 2017, of which we can note:

- The orientation of the investment policy towards companies that regularly pay dividends and where the application of corporate governance ensures the compliance with SIF Muntenia's rights as a minority shareholder
- Increasing the share of participations in listed companies on regulated markets, which have a high liquidity of transactions; the reduction in the share of holdings in securities which are not traded on regulated capital markets

Cash flow in 2017 in the shares sub-portfolio



Investments in listed shares in the blue chips area have been a priority and have exceeded a few times the value of the disinvestment / sale of stock packages.

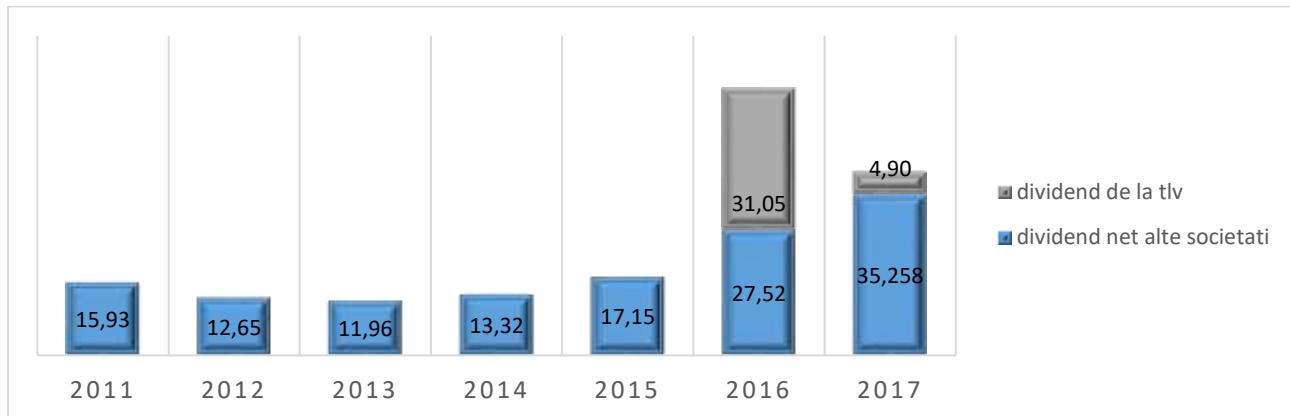


Sales of shares in 2017 represent: sales of portfolio securities such as: Cemacon S.A., SIF Oltenia S.A. (for compliance with the legal holding limits), Felix Tourism S.A., Băile Felix, Complex Savoy S.A., Mamaia, Rombeton S.A., Emat S.A., Comcereal S.A. Slobozia, Depozitarul Sibex S.A., Tipografia Cicero S.A. and de-registration of companies, such as: Navol S.A., SIN S.A.

3.3 DIVIDENDS FROM PORTFOLIO COMPANIES

Dividend income (which, according to IFRS, is recorded at gross value) in the financial statements **amounted to 41,082,068 RON** (60,581,257 RON in 2016).

Since the dividend income tax rate was different (in 2015, for example, 16% with some exceptions and 5% starting with 2016), a fair comparison over several years can only be made for **net** dividend income.



As can be noticed from the graph above, the growth trend for dividends received by SIF Muntenia from the portfolio companies during recent years has been greatly accelerated since 2016, the increase being obviously higher than the one due exclusively to the tax reduction on dividends from 16% to 5%. Thus, the net dividend income in 2016 **from companies other than Banca Transilvania** (which has exceptionally granted cash dividend for the second time in the last 20 years and from where SIF Muntenia received 31.05 million lei in dividends at net value) increased by 60.5% compared to total net dividend income in 2015.

In 2017, net dividend income amounted to 40.16 mn RON. The dividend received from Banca Transilvania was of 4.9 mn RON and the upward trend of dividends received from other companies continued.

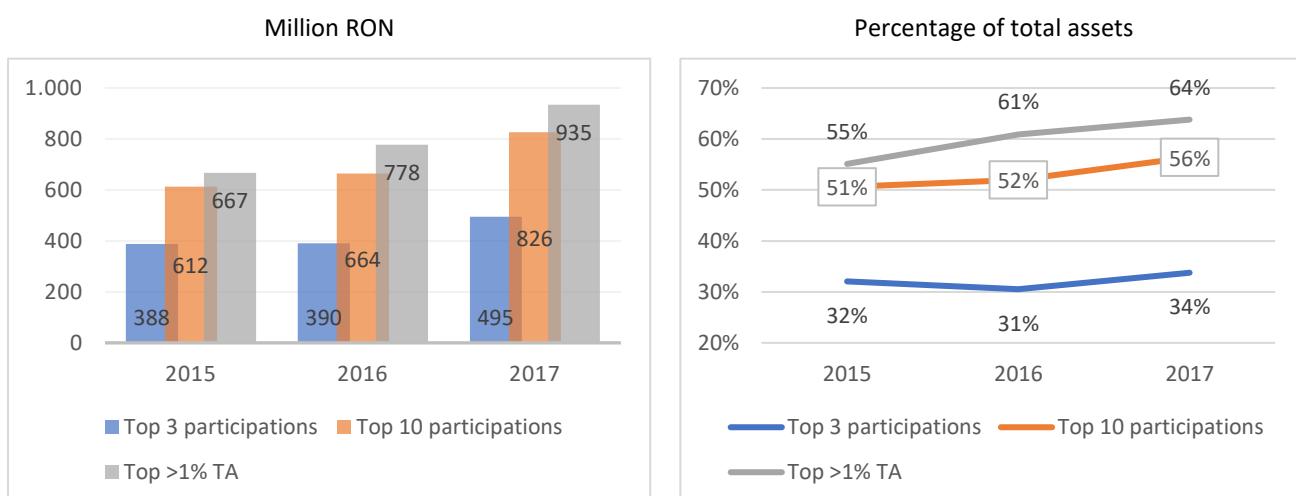
Contribution of additional dividends granted under Ordinance no. 29/2017 that were received from Conpet, Nuclearelectrica, Romgaz and Transgaza amounted to a total of 2.24 mn RON.

3.4 COMPANIES WITH MORE THAN 1% OF TOTAL ASSETS

SIF Muntenia Administration Program for 2017

"Priority management of large exposures. Continue to reduce the atomization 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".

The value and percentage increase of the significant participations also continued in 2017, both in value and as a share of the total asset, as can be seen in the graphs below.



Participations at Banca Transilvania and Biofarm S.A Bucharest represented the largest weight in the total assets during the year 2017. As at 31.12.2017, participations in shares representing more than 1% of the total assets of SIF Muntenia are presented below.

No. crt.	Denomination	Value Mn RON	% in TA of SIF Muntenia	% of the company's share capital held by de SIF Muntenia
1	BANCA TRANSILVANIA	226.68	15.47	2.45
2	BIOFARM SA BUCURESTI	146.69	10.01	50.98
3	CI-CO SA BUCURESTI	121.17	8.27	97.34
4	SIF BANAT-CRISANA	71.32	4.87	4.95
5	AVICOLA SA BUCURESTI	54.35	3.71	99.40
6	METAV SA BUCURESTI	46.78	3.19	27.78
7	BRD - GROUPE SOCIETE GENERALE	43.99	3.00	0.49
8	FIROS S.A BUCURESTI	40.30	2.75	99.69
9	SIF OLTEANIA	37.93	2.59	3.00
10	ROMAERO SA BUCURESTI	37.14	2.53	23.66
11	S.N.G.N. ROMGAZ-S.A. Medias	31.27	2.13	0.26
12	VOLUTHEMA PROPERTY DEVELOPER SA	28.10	1.92	69.11
13	BUCUR SA BUCURESTI	18.06	1.23	67.98
14	ARO PALACE SA BRASOV	15.89	1.08	10.37
15	FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTreprinzatorii PRIVATI - IFN S.A.	14.93	1.02	53.60
TOTAL mn RON		934.62	63.79	

3.5 CONTROLLED COMPANIES

The same kind of tendency of concentration / increase in the value of significant participations was also manifested for the companies controlled by SIF Muntenia.

- On 31 December 2015 SIF Muntenia held a position of control in 13 companies. The total value of SIF Muntenia holdings at 31.12.2015 was of 314.16 mn RON, representing 25.67% of the total assets (after an important leap by reaching a majority stake in Biofarm).
- At the end of 2016 SIF Muntenia held a position of control in the same companies. The total value of the participations at the end of 2016 was of 388.48 mn RON, representing 30.4% of the total assets.
- At the end of 2017, the net asset value amounted to 472.2 million RON, representing 32.23% of the total assets of SIF Muntenia, confirming the multi-annual trend of the increase in value of the subsidiaries. (*Note: The values presented above do not include the participation in Muntenia Medical Competences, for details see below*).

All companies owned by SIF Muntenia are based in Romania.

SIF Muntenia prepared consolidated financial statements under IFRS for the year 2017, in which the controlled companies were consolidated as subsidiaries.

No. crt.	Denomination	Net asset value lei	Percentage of SIF's total assets	SIF's share
1	FIROS S.A BUCURESTI	40,302,197	2.75	99.69
2	AVICOLA SA BUCURESTI	54,349,471	3.71	99.40
3	MUNTENIA MEDICAL COMPETENCES SA	0	0.00	98.94
4	MINDO SA DOROHOI	8,018,823	0.55	98.02
5	CI-CO SA BUCURESTI	121,166,760	8.27	97.34
6	SEMROM MUNTENIA SA BUCURESTI	9,334,687	0.64	90.68
7	SEMROM OLTEÑIA SA CRAIOVA	4,880,432	0.33	88.49
8	UNISEM SA BUCURESTI	7,587,691	0.52	76.91
9	VOLUTHEMA PROPERTY DEVELOPER SA	28,104,204	1.92	69.11
10	BUCUR SA BUCURESTI	18,058,235	1.23	67.98
11	CASA DE BUCOVINA-CLUB DE MUNTE S.A.	8,235,860	0.56	66.87
12	FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTreprinzatorii PRIVATI - IFN S.A.	14,927,496	1.02	53.60
13	BIOFARM SA BUCURESTI	146,694,687	10.01	50.98
14	GECSATHERM SA	10,562,177	0.72	50.00
	TOTAL	472,222,721	32.23	

On 31.12.2017, SIF Muntenia held 98.94% of the share capital of MUNTENIA MEDICAL COMPETENCES SA PITEŞTI (MMC) with activity in the specialized health care activities which undergone the reorganization plan in 2017. By sentence no. 816 / 05.12.2017 Argeş Court of Law closed the judicial reorganization procedure and decided the debtor's reintegration into the commercial activity according to art. 103 par. 1 of Law 85/2006. On 27.12.2017, the mentions referring to the closure of the insolvency proceedings were registered with Argeş Trade Registry.

Subsequent event. The related mentions from Argeş Trade Registry regarding the closure of insolvency proceedings and registration as a company under operation were registered at SIF Muntenia at the beginning of January 2018, after receiving the certificate of status from the Trade Registry as a "company under operation".

Due to procedural reasons, according to the rules for the valuation of assets in the portfolios of entities managed by SAI Muntenia Invest SA, on 31.12.2017, the value with which the participation in the company was recorded in SIF Muntenia's assets was 0, and not the fair value resulting from an evaluation report as would have been the case for such an operating subsidiary.

This 0-value record at the end of 2017 also affects weights on sectors of activity that will be presented in the next chapter, which take into account net asset values under NSC / FSA regulations. In the individual financial statements as at 31.12.2017, SIF Muntenia's share in MMC is recorded at fair value through an evaluation report prepared by an independent valuer and amounts to RON 18.4 mn.

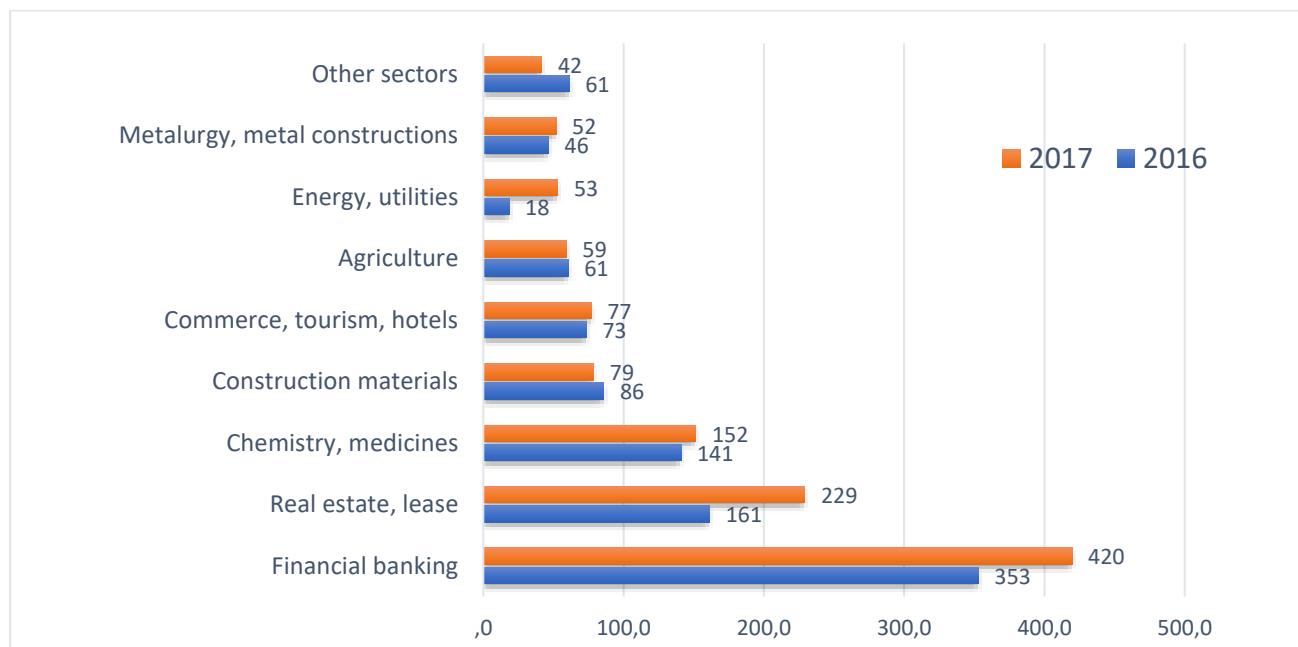
3.6 ALLOCATION ON SECTORS OF ACTIVITY

SIF Muntenia's Administration Program for 2017:

"Increase the participations in issuers active in current performant sectors. Among the sectors with performance potential at the time being from business cycle, we can mention the banking financial sector, energy – utilities, pharmaceuticals."

Shares in companies operating in the banking financial sector have continued to hold the largest weight in SIF Muntenia's total assets.

There were no significant changes in the share of the business sectors, a more notable increase in value and percentage were recorded by the banking and energy-utilities sectors, both as a result of the investment / purchase of stock packages and as a result of the increase in the trading prices of these shares on the BSE.



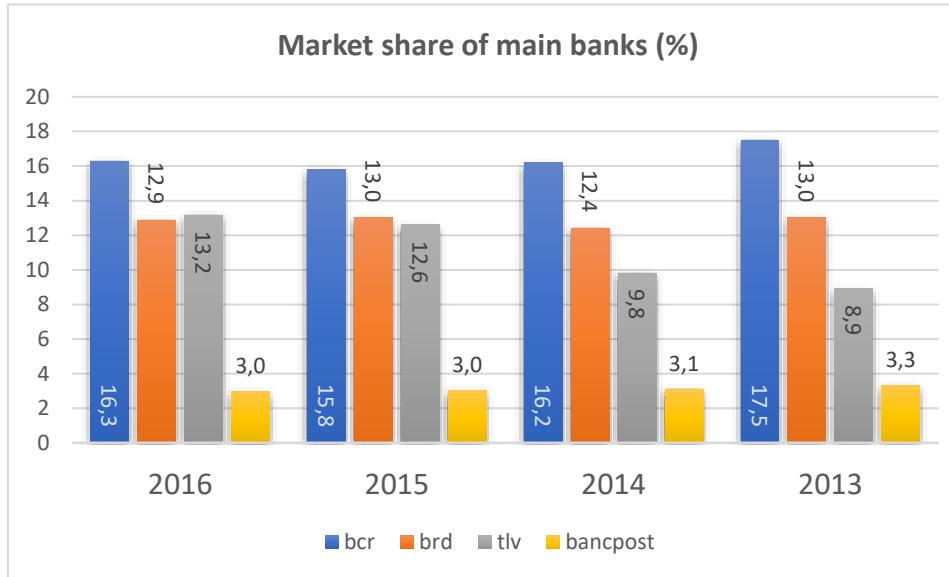
FINANCIAL BANKING



Bank).

The role of the banking⁵ sector remains dominant in the Romanian financial system, but compared to the countries in the region and the EU average and the euro area, respectively, Romania presents the lowest share of banking sector assets relative to gross domestic product. The liquidity of the banking sector is comfortable, with indicators above the regulated values and having the capacity to support the growth of lending to the real economy. The consolidation process of the banking sector continued (eg Bancpost's acquisition by Banca Transilvania, the merger between Banca Comercială Carpatica and Patria

⁵ Source of information: NBR, Report on financial stability December 2017



The profitability of the banking sector has improved, but individual banks' ability to generate profits remains heterogeneous, with the profit being polarized at the level of large banks.

Romanian banks earned a record profit of 5.6 billion lei in 2017, up 33% as compared to the previous year, 2016, reaching values higher than those of the period before the financial crisis 10 years ago (a maximum profit of 4.4 billion RON in 2008), while

being among the safest in Europe, according to the European Banking Risk Chart published by the European Banking Authority (EBA Risk Dashboard⁶).

The solvency ratio of the banking sector decreased in 2017 compared to 2016, from 19.68% to 18.86%, comfortably higher than the level imposed by the NBR, of at least 8%. The ratio of loans granted by banks to attracted deposits was 74.74% at the end of December 2017. The rate of non-performing loans continued to decrease, reaching 6.4% compared to 9.625 in 2016, according to NBR data.

SIF Muntenia's portfolio is exposed on such participations through Banca Transilvania (15.47% of total assets at the end of 2017 and BRD - GSG, 3% of the total assets at the end of 2017).

BANCA TRANSILVANIA S.A. CLUJ	31.12.2015	31.12.2016	31.12.2017
NAV mn RON	200.28	200.20	226.68
% of SIF Muntenia's total assets	16.364	15.67	15.47
% held by SIF Muntenia of the share capital	2.724	2.3022	2.4513

Banca Transilvania (TLV) is a systemic important bank in Romania, whose activity is supervised by the National Bank of Romania. Banca Transilvania (TLV) is one of the three largest banks in Romania, in terms of assets. With more than 13% market share, Banca Transilvani is the second bank in Romania. BT has over 7,000 employees, 2.2 million customers, being the market leader in the field of cards, and about 500 offices. After the acquisition of 99.15% of Bancpost's share capital, TLV may become the bank with the largest market share in Romania.

The company is listed on the Bucharest Stock Exchange, the premium category, with TLV symbol, being a very liquid issuer.

In 2017, the Bank's financial results⁷ have confirmed the excellent evolution of recent years. Total assets increased by approx. 15%, to 59.3 billion lei, a net profit of 1.2 billion lei, down 3.5% compared to 2016. The bank's solvency is 17.49%, without including the result of 2017 and 21.16% with the profit of 2017 included. The rate of non-performing exposures of Banca Transilvania, according to the European definition, is of 6%.

The Bank has as its strategy the expansion on the market, both through acquisitions and through organic growth.

⁶ <http://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>

⁷ Rezultate financiare preliminare la 31.12.17 http://www.bvb.ro/infocont/infocont18/TLV_20180215075540_Rezultate-financiare-preliminare-la-31-12-20017.pdf

- In November 2017 the transaction for the acquisition of the majority shareholding (99.15%) held by Eurobank Group in the share capital of Bancpost S.A. was performed (Bancpost ranks 9th among the banks in Romania, with almost 3% of the market and assets of 11.6 billion lei (2.5 billion euros)). Depending on obtaining regulatory approvals, the transaction would be completed in the second quarter of 2018.
- **Subsequent event.** 16.01.2018 Banca Transilvania announced that it has bought 39% of Victoriabank's shares in the Republic of Moldova. The transaction marks the first acquisition outside the domestic market for Banca Transilvania. As a result of the acquisition, Banca Transilvania and the European Bank for Reconstruction and Development (EBRD) will reach a cumulative holding of 66% of Victoriabank's share capital and will carry out a public takeover bid for the rest of the capital holdings

Banca Transilvania has ranked among the top 500 global banking brands - Brand Finance Banking 500, marketed by Brand Finance, ranked No. 486 (or 142 among European banks) with a value of 174 million USD.

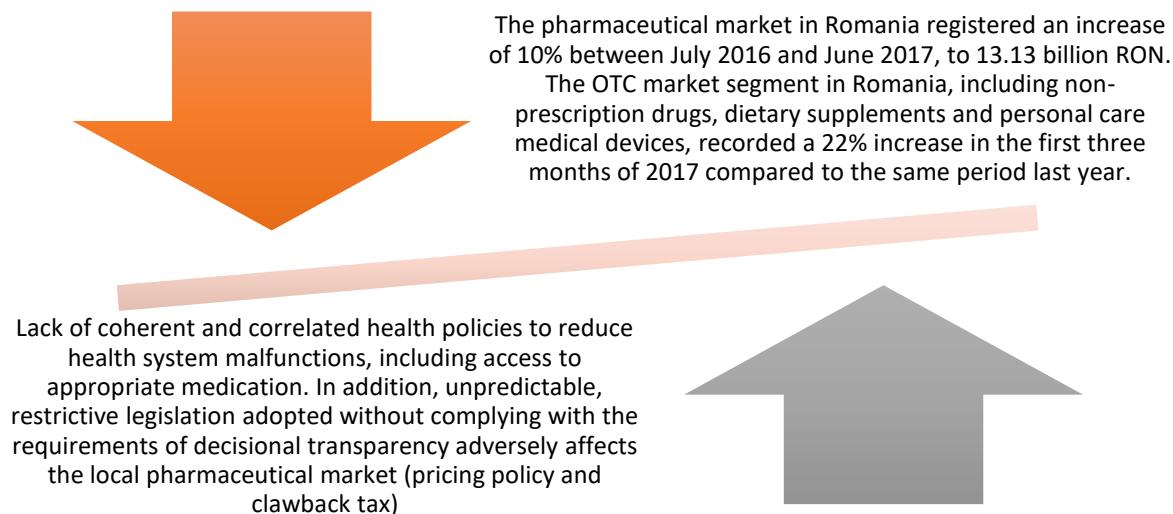
On 10 October 2017, Fitch Ratings reaffirmed Banca Transilvania's long-term Issuer Default Rating⁸ (IDR) for long-term funding to 'BB', with stable outlook and BT's VR rating, to 'bb'.

Subsequent event. 11.01.2018. Fitch Ratings appreciates that BT's acquisition of entities will not significantly affect Banca Transilvania's lending profile and its financial condition and therefore will not have an immediate impact on the bank's ratings.

In August the bank's share capital increase was implemented by incorporating the reserves from net profit of 2016 in accordance with the SGEM decision dated 26.04.2017. SIF Muntenia received 16,391,007 shares. In addition, 6,090,000 shares were purchased through BSE transactions. The net dividend received by SIF Muntenia from TLV in Q3 2017 was RON 4.9 mn.

CHEMISTRY, PHARMACEUTICALS

SIF Muntenia's main exposure to this sector is its participation in the company Biofarm SA Bucureşti, where SIF Muntenia is a major shareholder.



⁸ <http://www.bvb.ro/FinancialInstruments/SelectedData/NewsItem/TLV-Rating-Fitch-2017/135D9>

BIOFARM S.A. BUCURESTI	31.12.2015	31.12.2016	31.12.2017
NAV mn RON	141,67	135,64	146,69
% of SIF Muntenia's total assets	11,575	10,616	10,01
% held by SIF Muntenia of the share capital	50,98	50,98%	50,98%

Biofarm SA Bucuresti is one of the first companies selling on the Romanian market of medicines and dietary supplements, having a portfolio of over 200 products. By mid-2017, Biofarm maintained its position among the top 10 Romanian producers in terms of sales in commercial units, achieving a market share reported by Cegedim Romania⁹ of 3.5% of the total units sold to patients by the Romanian pharmaceutical market.

Biofarm Bucuresti achieved sales revenues of 170 million RON in 2017¹⁰, up 12%, compared to 152 million RON in 2016. Net profit increased by 23.8%, to 36.48 million RON, from 29.47 ROL million in 2016. BIOFARM managed to maintain its upward trend in profitability.

The net dividend received from Biofarm by SIF Muntenia in Q3 2017 related to 2016 financial result was of 8,54 mn RON. There were no transactions with Biofarm shares made by SIF Muntenia in 2017.

ENERGY UTILITIES

Romania currently has the most diversified energy mix in the region, both on conventional markets through the exploitation of national primary resources and in the green (especially wind) energy sector.

The legislative framework for the entire energy sector and mineral resources is in the process of redefining, with a major potential impact on the business strategies of companies, especially as the trends that are manifested are contradictory (see the royalties system, the obligativity to trade on centralized markets - where there were negative opinions issued by the European Commission, the tendency to overtax the activity of these companies). Listed companies from majority state-owned sector were obliged to distribute additional dividends granted under Ordinance no. 29/2017, which raised questions about the ability of these companies to deploy large-scale investment programs that are needed due to the emergence of a new radical energy system. Estimates of rising adoption of renewable energies show that for Europe, by 2022, the costs of autonomous generation and storage of energy will be similar to the cost of purchasing energy from a supplier.

Companies listed in this sector, with a high share of activity especially on conventional markets, have provided high return dividends. Despite the internal and external uncertainties that were reflected in the capital market in general and in the quotation prices for energy companies in particular, the average daily trading value remained high for companies in the sector. In the medium term, these companies are a viable investment alternative, which resulted in the purchase of shares of 32.5 million RON in listed companies from this sector in 2017.

A number of changes to the regulations applicable to companies in the sector are announced in the period ahead. SAI Muntenia Invest follows this process and will take the necessary measures to increase the quality of SIF Muntenia's holdings in this sector.

⁹ <http://www.universfarmaceutic.ro/rapoarte/Usoara-redresare-pe-piata-medicamentelor-la-jumatatea-anului-2017>

¹⁰ Biofarm. Rezultate financiare preliminare pentru 2017.

http://www.bvb.ro/infocont/infocont18/BIO_20180131171338_Situatii-financiare-31-12-2017.pdf

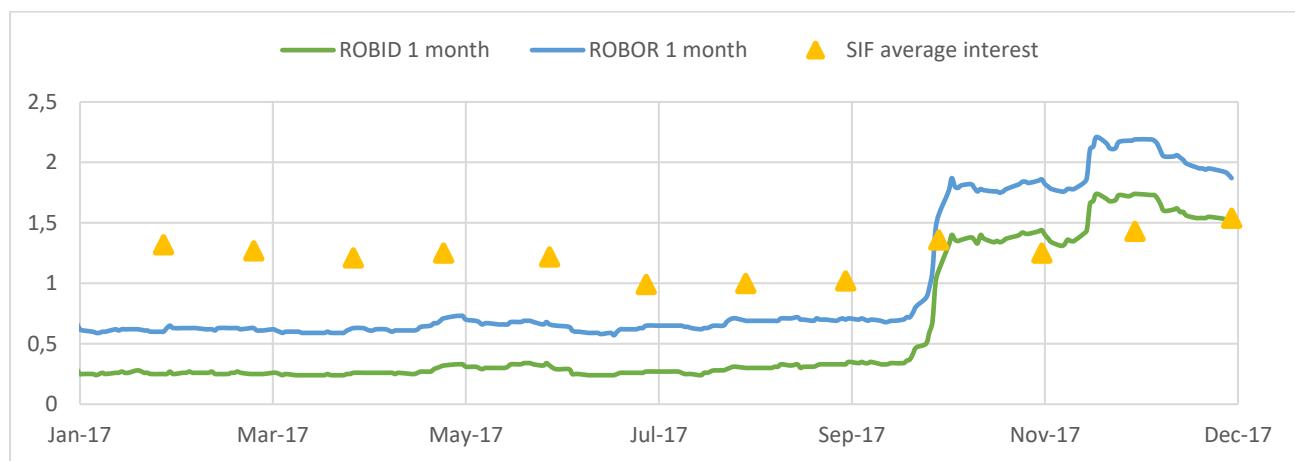
4 OTHER SUB-PORTFOLIOS

Bank deposits

Amounts held in bank deposits were kept at low levels, sized to cover dividend payments, investments in other financial instruments and operating expenses. Amounts have been invested only in bank deposits for short periods (less than one year).

In RON	2016	2017
Cash	4,486,444	5,498,622
Bank deposits	76,618,412	15,546,412

Banking interest rates remained at fairly low levels. During 2017, the average interest rate on deposits made by SIF Muntenia was for the most part of the year higher than one-month ROBID and ROBOR. At 31.12.2017, the average interest rate on SIF Muntenia deposits was 1.54%.



Bonds

IN RON	31-Dec-16	29-12-17
Listed bonds	46,765,179	83,745,681
- municipal bonds		
- corporate bonds	46,765,179	83,745,681
Unlisted bonds	1,164,294	1,194,062
- municipal bonds		
- corporate bonds	1,164,294	1,194,062,22
TOTAL	47,929,473	84,939,743

Starting August 2017, the Listed Bonds sub-portfolio increased as a result of investing EUR 6.39 million in a financial instrument similar to the one already existing in this sub-portfolio, issued by OPUS Chartered Issuances Luxembourg. In December, bonds issued by IMPACT DEVELOPER & CONTRACTOR were purchased, amounting to EUR 1 million through participation in the public offering ran through BSE.

Coupons totaling EUR 335,740.59 were received, for bonds issued by Banca Transilvania, OPUS bonds purchased in 2016 and OPUS bonds purchased in August 2017.

The payments for the purchase of bonds amounted to 4.63 mn lei, while the interest receipts related to the bonds amounted to 145,184 lei.

Fund units

In the Fund Units Sub-portfolio the restructuring process continued. As a result, fund units were redeemed at FDI Transilvania, FDI Napoca, FII Omnihedge, BT Invest1, STK Emergent, CERTINVEST PROPERTIES RO, CERTINVEST DYNAMIC, FDI TEHNOGLOBINVEST, and fund units bought at FII Optim Invest. The payments made for the acquisition of fund units amounted to 37.00 mn RON and the redemption proceeds of fund units amounted to 24.98 mn RON.

Other financial instruments

The warrant structured financial instrument issued by Merril Lynch Intl included in the sub-portfolio "Other financial instruments" has reached maturity. As a result, SIF Muntenia no longer owns such financial instruments on 31 August 2017.

Due to the IFRS recording of this type of financial instrument, the value appreciation was included in the "Net gain from revaluation of financial assets at fair value through profit or loss" in the Separate statement of comprehensive income and in the execution of the Revenue and Expenses Budget.

	In RON
Final value/ upon maturity	27,441,400
Value as at 31.12.2016	20,21,400
Appreciation (gain) warrant	6,720,000

5 LITIGATIONS - PORTFOLIO

S.A.I. Muntenia Invest, the administrator of SIF Muntenia, defends, exercises and asserts the rights of SIF Muntenia. To this end, the activity of legal services is provided by legal advisers and lawyers. As at 31.12.2017, there were 39 pending files.

The legal proceedings where SIF Muntenia is involved can be classified into the following categories:

Legal proceedings with professionals in which SIF MUNTENIA SA has the quality of claimant - have as object the annulment of shareholders general assemblies resolutions of several companies in SIF Muntenia's portfolio, by which the major shareholders have taken illegal decisions whose enforceability harm SIF Muntenia's interests. Such legal proceedings have been started with the following companies: Minerva SA Bucureşti, Cocor SA, Alexandra Turism SA etc.

Another category of disputes assigned to the litigations with professionals, where SIF Muntenia is a claimant is represented by disputes relating to the recognition of SIF Muntenia's right of withdrawal from companies under Law 151/2014, with the consequent collection of the value of shares held, namely: Gerom SA, Vulturul SA, Timpuri Noi SA, Galgros SA etc.

Civil law suits in which SIF Muntenia is a defendant - usually based on Law no. 10/2001. They concern the claims for properties owned by companies that are or have been in the portfolio of SIF Muntenia. As ancillary, the requirement of considering of absolute nullity certain share purchase agreements (issued by companies owning the properties claimed) signed between SIF Muntenia SA, as seller and ESP (Employees Shareholders Program) associations as buyers.

Civil law suits in which SIF Muntenia is guarantor (in most of the cases together with AAAS – Authority for State Assets Recovery) – Applications in these cases are filed by companies claim fallen due to the admission of the action to recover their immovable assets. Although there were situations in which the court admitted at first case such a request, until now there is no final and irrevocable sentence by which SIF Muntenia is liable to pay damages. We consider that such a situation is unlikely, being against Romanian and community legislation.

Civil law suits in which Sif Muntenia is a third party debtor. SIF Muntenia was sued as third party debtor in the files having as object forced execution of NSC as civil responsible party in the penal file related to **FNI** (National Investment Fund) **compensations**, and respectively validation requests against garnishment of SIF Muntenia as third party. In one of the cases the garnishment validation was admitted, with the consequent formation of a foreclosure case in which SIF Muntenia was executed for the amount of 1,162,608.48 lei. In 2014, the appeal filed by SIF Muntenia has been won,

enforcement was declared unfounded. SIF Muntenia filed a return enforcement which was admitted and presently there is one file of forced execution that will be recovered from those who unduly received the respective amounts.

6 RISK MANAGEMENT IN 2017

Risk management comprises all activities aimed at identifying, measuring, monitoring and controlling risks so as to ensure compliance with the general principles of risk policy. Effective risk management is considered vital in order to achieve strategic objectives and provide quality benefits to shareholders on an ongoing basis. In this context, significant risk management strategy provides a framework for identifying, assessing, monitoring and controlling these risks, in order to keep them at acceptable levels according to the risk appetite and the ability to cover (absorb) these risks.

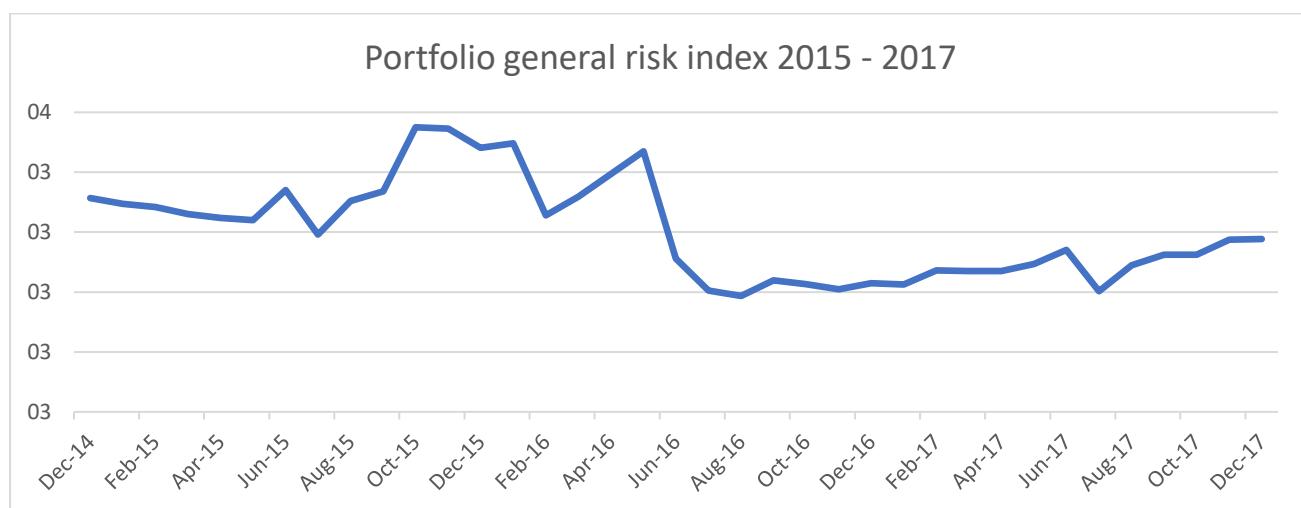
SAI Muntenia Invest SA established and maintained permanently a risk management position, operative and independent of the portfolio management of managed entities. In accordance with the legal provisions of GEO 32/2012, Article 24, since July 2013, SAI Muntenia Invest implemented in its organizational structure a permanent risk management position, covering as well SIF Muntenia's risk management.

Risk management system and its effectiveness are monitored by the Executive Management, the Audit Committee and the Board of Directors of SAI Muntenia Invest SA.

In 2017, SIF Muntenia's risk management was conducted under the legal framework defined by Regulation No. 9/2014 regarding the authorization and functioning of investment management of undertakings for collective investment in transferable securities and of depositaries of undertakings for collective investment in transferable securities and Ordinance 32/2012 regarding undertakings for collective investment in transferable securities and investment management companies as well as for amending and supplementing Law no. 297/2004 on the capital market.

On 21 December 2017, SAI Muntenia Invest SA received from the FSA the registration as an alternative investment fund (AIFM) manager. From this date, the risk management policies and procedures under the AIFMD Directive are into force.

The general risk index of the portfolio of SIF Muntenia referred to by the general management objective has been in the medium risk class (between 2 and 4) over the last three years (2015-2017).



6.1 LIMITABLE/TREATABLE APPLICABLE RISKS

According to the risk profile of SIF Muntenia, the Managing Company identified a series of **applicable risks**, which are treated or limited, using a number of techniques, instruments and measures which are to be found in the specific internal regulations.

Operational risk. Operational risk events are situations which, due to internal or external factors that can be controlled or not by the company, can generate losses. The management company monitors separately the operational risk for SIF Muntenia, classifying it in a Basel II approach.

The organizational structures of the SAI Muntenia Invest meet a number of organizational requirements related to the financial reporting process, which lead to the reduction of the operational risks related to the managed entities.

No operational risk events were reported in 2017 in relation to SIF Muntenia.

Market risk is the risk of loss for SIF Muntenia, arising from fluctuation in the market value / price of portfolio positions of the managed company, fluctuation attributable to the change in market variables such as interest rates, exchange rates, shares prices and commodity or the creditworthiness of an issuer. The value of financial instruments may fluctuate due to changes on the capital market and determined by factors specific to an issuer, industry, country or region, or the factors that influence the capital market in general, nationally or internationally. Even with a prudent diversification of the securities held in the portfolio, general market risk component can not be fought - **the systematic risk**. This is the most significant source of risk and variability in terms of portfolio value. SAI Muntenia Invest reduces risk through diversification.

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

Of the total shares with active market held by the Company, on 31 December 2017, 51% (31 December 2016: 49%) represented investments in companies that were part of the BET index of the Bucharest Stock Exchange, index weighted by the stock market capitalization and created to reflect the overall trend of prices of the ten most liquid shares traded on 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 after tax on 31 December 2017 with 8,289,396 lei (31 December 2016: 6,659,505 lei), a negative variation of 10% having an equal net impact and of opposite sign.

A positive variation of 10% in prices of financial assets available for sale would lead to an increase in equity, net of tax, with 101,153,415 lei (31 December 2016: 81,967,956 lei), a negative variation of 10 % having an equal net impact and of opposite sign.

Counterparty risk - the risk of loss for SIF Muntenia arising from the possibility that a counterparty to a transaction could not fulfill its obligations before the final settlement of the transaction's cash flow. The management company does not undertake business with a counterparty without priorly assessing its creditworthiness and without taking into account the counterparty risk properly recorded before and at the time of settlement. Creditworthiness of each counterparty to a transaction is valued following the manager's staff proposals who assesses the investment/divestment.

The management company has not made transactions with derivatives on SIF Muntenia's account, which would have led to a redefinition of the counterparty risk and other types of treatment thereof.

Liquidity risk is the risk of adverse outcome of current or future earnings and equity, caused by SIF Muntenia's inability to meet obligations at their maturity. Since SIF Muntenia is classified as UCI with a diversified policy, the shares are not, at the request of the holders, continuously redeemable, directly or indirectly; the conclusion that can be drawn is that the liquidity risk is insignificant for SIF Muntenia.

6.2 ASSUMED APPLICABLE RISKS

Foreign exchange risk. SIF Muntenia may invest in financial instruments and enter into transactions denominated in foreign currencies. It is therefore exposed to the risk that fluctuations in exchange rates can have an adverse effect on the value of net assets denominated in foreign currency. On 31 December 2017, the principal balance in foreign currency was represented by listed corporate bonds. SIF Muntenia's direct exposure of the portfolio, expressed as the ratio of asset value expressed in lei equivalent and the financial instruments whose value is denominated in currencies other than lei and the total asset value was of 5.80% at the end of 2017, falling within the limits of the average risk assumed for this parameter. During the entire period, the main exposure was on euro, exposure on other currencies (USD, GBP) being negligible.

For a variation of EUR lei exchange rate with:

- **+/- 5%, variation of total assets (sensitivity) of SIF Muntenia total assets as of 31.12.2017 is of +/- 0.29%.**
- **+/-20% variation of total assets (stress test) of SIF Muntenia total assets as of 31.12.2017 is of +/-1.16%.**

Interest rate risk is defined as the sensitivity of SIF Muntenia financial situation to changes in interest rates. On 31 December 2017 and 31 December 2016, most of the Company's assets and liabilities are not interest bearing. As a result, the Company is not directly significantly affected by the risk of interest rate fluctuations.

6.3 OTHER RISKS AND RELEVANT CONSIDERATIONS

At the level of the European Union, the most recent analyzes of the European Central Bank and the European Systemic Risk Board on the evolution of risks and vulnerabilities to financial stability show a high increase in the risks from: (i) sudden adjustment of the risk premium on the financial markets (ii) the balance sheet situation and the low profitability of financial institutions, (iii) the uncertainty of the political framework and the challenges of the public and private sector debt sustainability, and (iv) the liquidity and contagion of the parallel banking sector. An important systemic risk to financial stability in Romania, similar to that at the EU level, is the steep adjustment of the risk premium for emerging economies. The implementation of a policy mix that is conducive to maintaining macroeconomic balances is an important condition for limiting the contagion effects from international financial markets as the risk materializes for a sudden change in investor confidence in emerging economies.

Regarding **Systemic and Contagion Risk**, this is part of the National Bank of Romania's objectives of imposing additional capital requirements on institutions of systemic importance and consists in increasing their capacity to absorb losses with positive effects on the reduction of systemic risk generated by the size of the institutions, the likelihood of financial difficulties and the reduction in the severity of their potential impact.

Considering the favorable macroeconomic and financial conditions as well as the **reduction of contagion risks** on the external channel, the NBR deactivated the 1% systemic shock absorber since March 2017. This shock absorber was imposed starting January 2016 on the 10 banks classified as of systemic importance (BCR, BRD, BT, UniCredit, Raiffeisen, ING, Alpha Bank, Garanti Bank, CEC Bank and Bancpost) as well as on five small and medium-sized banks (Marfin Bank, Libra Internet Bank, Banca Romaneasca, Piraeus Bank and OTP Bank Romania).

In SIF Muntenia's portfolio, Banca Transilvania can be considered an exposure **that adds systemic risk**, mainly due to the size of the bank (the second place on the banking market in 2016 with a market share of 13.15%, up from 12.6% in 2015). The acquisition of Bancpost could bring Banca Transilvania to the first place in the banking system in Romania, surpassing BCR.

Regarding the exposure of SIF Muntenia to Banca Transilvania, we appreciate that the bank's performance, the complex assessments of the NBR and the ratings of the rating agencies lead to a permanent monitoring of the systemic risk generated by this exposure.

6.4 INCLUSION OF ASSET CATEGORIES IN THE PORTFOLIO WITHIN THE LEGAL HOLDING LIMITS

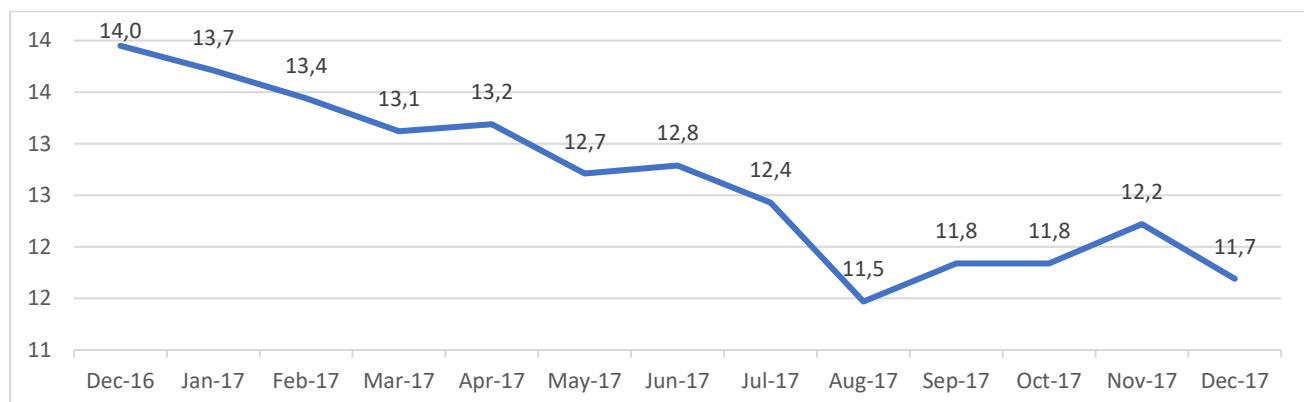
Holding limits for the portfolio of SIF Muntenia are defined by the applicable law, namely:

- Art. 188 of NSC Regulation no. 15/2004 on exposure conditions of UCI with diversified investment policy.
- FSA Rule no. 14/2013, art. 9, direct and indirect investment in promissory notes.
- Limits resulting from the provisions of Law 297/2004 on voting rights in entities supervised by the FSA.

The inclusion of asset categories in the portfolio within the legal limits of ownership for SIF Muntenia in 2017 is presented below. The participations values that are further considered are asset values under FSA regulations.

6.4.1 LEGAL LIMITS ACCORDING TO PROVISIONS OF ART. 188 OF NSC REGULATION NO. 15/2004 ON EXPOSURE CONDITIONS OF OTHER COLLECTIVE INVESTMENT UNDERTAKINGS WITH A DIVERSIFIED INVESTMENT POLICY.

SECURITIES AND MONEY MARKET INSTRUMENTS ADMITTED TO TRADING, LESS BCR <20% OF TOTAL ASSETS



SECURITIES AND MONEY MARKET INSTRUMENTS ISSUED BY THE SAME ISSUER <10% OF TOTAL ASSETS

The 10% limit may be increased to a maximum of 40%, provided that the total value of securities and money market instruments held by the company on each issuer in which it has holdings exceeding 40% does not exceed 80% of its total assets. (Art. 188 paragraph b of Regulation no. 15/2004).

The total aggregate exposure on Banca Transilvania SA and Biofarm Bucuresti (individual exposures higher than 10% of total assets) did not exceed the legal limits.

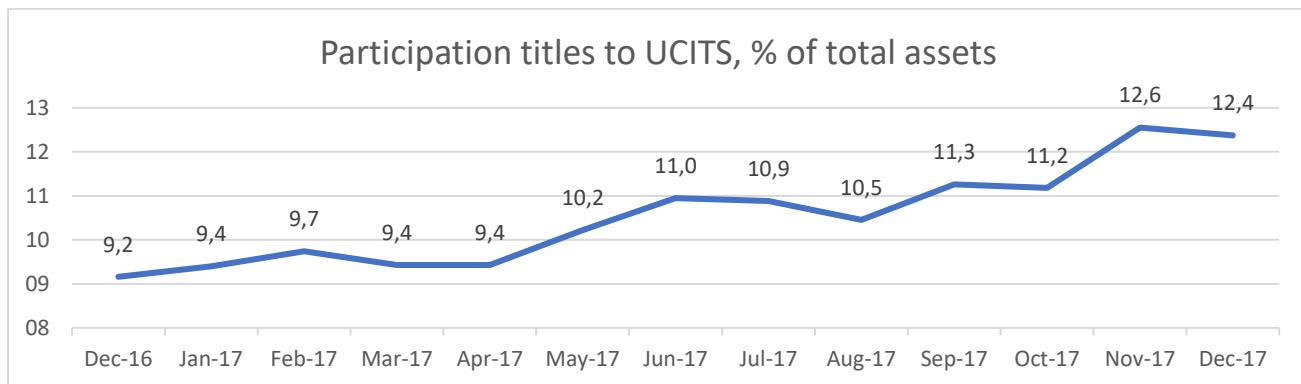
EXPOSURE ON FINANCIAL INSTRUMENTS ISSUED BY ENTITIES BELONGING TO THE SAME GROUP <50% OF TOTAL ASSETS

	31.12.2016	31.12.2017
Exposure on the issuer Banca Transilvania (shares)	15.67%	15.47%
Shares + money market instruments + bonds issued by Banca Transilvania	16.99%	15.79%
Exposure on the issuer Biofarm SA Bucureşti (shares)	10.616%	10.01%

The exposure on Banca Transilvania group did not exceed 50% of total assets.

EXPOSURE ON UCITS WHICH ARE ADMINISTERED BY THE SAME IM <50% OF TOTAL ASSETS

(which is presumed to act in concert with the managed funds). Overall, exposure on all UCITS where SIF Muntenia has holdings was less than 50% in 2017.



VALUE OF CURRENT ACCOUNTS AND CASH <10% OF TOTAL ASSETS

The value of current accounts and cash was 0.17 – 0.98% of the total assets, with an average monthly value between 0.3% and 0.5% of total assets .

BANK DEPOSITS AT THE SAME BANK <30% OF TOTAL ASSETS

Total deposits in 2017 ranged between 1.02% and 6% of total assets, with a downward evolution during the year.

PARTICIPATION TITLES TO UCI <50% OF TOTAL ASSETS

The participation titles were within the legal limit, see the chart above for the change during the year.

6.4.2 LIMITS RESULTING FROM FSA RULE NO. 14/2013, ART. 9

Direct investments in promissory notes - did not exist in SIF Muntenia's portfolio 2017.

Indirect investments in promissory notes (via exposure on the UCI participation titles held) at 31.12.2017 were not reported.

6.4.3 LIMITS RESULTING FROM LAW 297/2004 CONSOLIDATED

5% of the total voting rights of a market operator Article 129 paragraph 1	<p>Bursa de Valori Bucureşti - holdings of 4.32% as at 31.12.2016. SIF Muntenia's holdings as of 31.12.2017 was not officially communicated and, as a consequence, it was not registered, due to procedural reasons, but it will not exceed the limit of 5%.</p> <p>SIBEX Sibiu Stock Exchange – holding of 4,95% as of 31.12.2016. As of 31.12.2017, the company no longer exists.</p> <p>BSE and SIBEX were subject to a merger by absorption process during 2017, which was registered at the Bucharest Court on 29.12.2017, and at the Central Depository OEVM was issued on 19.01.2018.</p>
5% of the total voting rights of the central depository	<p>Depozitarul Central – 4% holding as at 31.12.2017</p> <p>Depozitarul Sibex – 5.44% holding as at 31.12.2017 (since 2011, resulted following a share capital increase by cash contribution)</p> <p>Subsequent event. At SIBEX Depository, SIF Muntenia voted in favour of the proposal of the SGM of the company, for the reduction of Sibex Depository's share capital and the return of the money to the shareholders. (made</p>

	<p>on 02.02.2018).</p> <p>5% of the share capital of a financial investment company (art 286 ^1 law 297/2004 updated)</p> <p>SIF Banat Crișana. The participation quota to the issuer's share capital increased passively from 4,69% at the beginning of the year to 4,95% at the end of the year, as a result of the decrease in the share capital, following the cancellation of 28,849,268 shares, in accordance with the Decision of the Extraordinary General Meeting of Shareholders of SIF Banat-Crișana SA no. 1 / 10.11.2016.</p> <p>SIF Oltenia – holding on 31.12.2016 of 2.9991%. As a result of share purchases, the shareholding reached 3,0830% in September. Following the request of the FSA, which found that, together with SIF Banat Crișana (with which SAI Muntenia Invest is presumed to act in concert) - exceeded the limit of 5%, the shares purchased in 2017 were sold for compliance with the legal limits of ownership. The holding as at 31.12.2017 returned to 2.9991%.</p>
<p>Article 18 of Law 297/2004. Any significant shareholder who intends to increase its stake in a brokerage company so that it would reach or exceed 20%, 33% or 50% of the share capital or voting rights, or intending that such SSIF become its subsidiary, shall notify in advance the FSA.</p>	<p>BRK Financial Group (former SSIF Broker Cluj) 18,47%. were no transactions in 2017.</p>

7 SHARES AND SHAREHOLDERS

7.1 SHARE CAPITAL

The subscribed and fully paid up share capital amounts to RON 80,703,515.5, divided into 807,036,515 common shares, with a face value of RON 0.1000/share.

All shares are ordinary shares, having a nominal value of RON 0.1/share.

There were no changes in the share capital in 2017, no repurchase programs or own shares held by SIF Muntenia were carried out.

The shares are issued in a dematerialized form and are evidenced by registration in the shareholder register, kept by DEPOZITARUL CENTRAL S.A. Bucuresti, a company authorized by the FSA and are traded on the Bucharest Stock Exchange.

Each share gives the right to one vote, with the limit of 5% according to Art. 286 ^ 1 of Law 297/2004. Details below in the chapter Description of Shareholders Rights.

There were no changes in the rights of the holders of securities issued by SIF Muntenia in 2017.

7.2 TRADING OF SHARES ISSUED BY SIF MUNTENIA

SIF Muntenia shares are listed on the Bucharest Stock Exchange, main segment, premium category, according to stipulations of the BSE Decision no 200/1999 and they have been traded on this market since 01.11.1999. The ISIN Code of SIF Muntenia shares is ROSIFDACNOR6, and the symbol is SIF4.

Other codes of the share are:

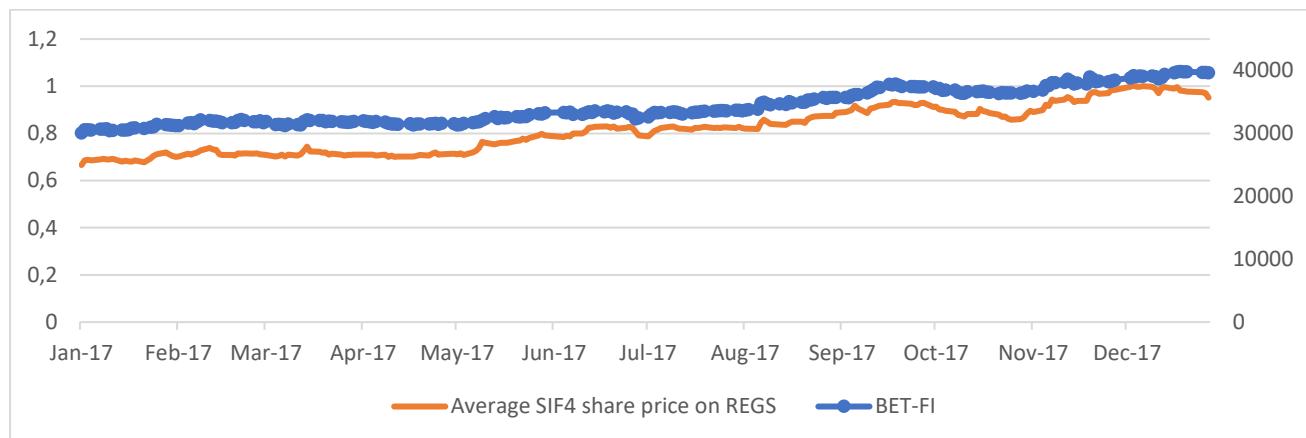
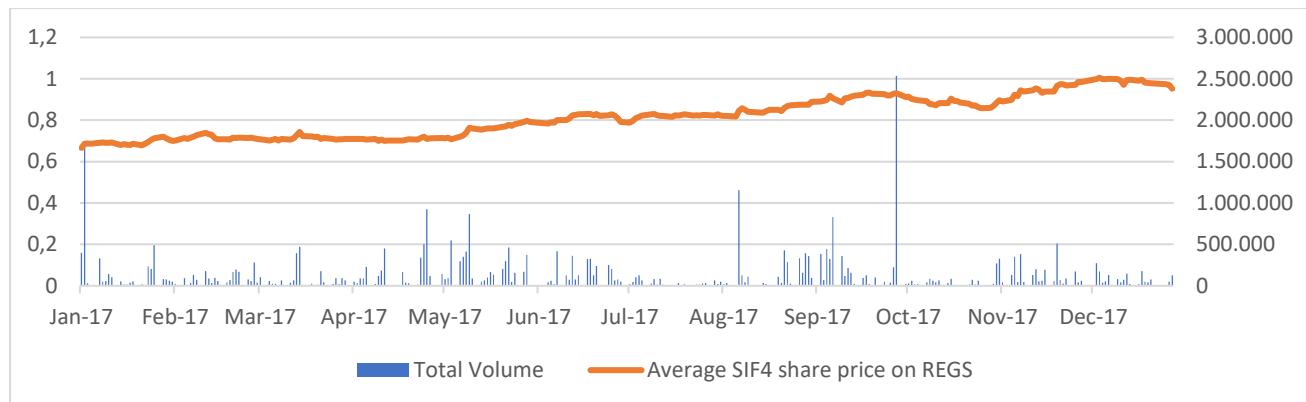
- Bloomberg BBGID - BBG000BMN7T6; symbol SIF4:RO.
- Reuters: SIF4.RO.
- The LEI Code for SIF Muntenia was obtained, equired as an entity that is involved in financial transactions in accordance with the provisions of MiFID II, Directive 2014/65/ EU of the Financial Instruments Market (MiFID II), from Bloomberg Finance LP. This is 2549007DHG4WLBMAAO98.

The shares are included in a series of indices calculated by the Bucharest Stock Exchange, respectively BET-FI (the index comprising investment funds of SIF type and Fondul Proprietatea; as at 31.12.2017 the share of SIF4 in the index was 10.26%) as well and BET-XT-TR, BET-XT, BET-BK indices.

Transactions with SIF4 shares in 2017

	DEAL	REGS	TOTAL
Number of trades	9	16,185	16,194
Number of traded shares	51,117,748	35,786,504	86,904,252
% of total number of traded shares	6.33%	4.43%	10.77%
Total value of trades RON	45,348,108	29,142,110	74,490,218

	31-12-15	31-12-16	29-12-17
Closing price REGS RON	0.744	0.656	0.980
NAV per SHARE RON	1.3102	1.4543	1.6986
Net asset discount %	43.2%	54.9%	42.3%
Market capitalization mn RON	600.44	529.42	790.90



* During the period, record / payout data for dividend payments was recorded, that is why the share price was influenced by the amount of the dividend that was distributed.

7.3 SHAREHOLDERS

The shareholding structure of SIF MUNTENIA as at 31.12.2017 was the following:

Denomination	Number of individual shareholders	Number of shares held by individuals	Number of legal person shareholders	Number of shares held by legal persons	Total number of shareholders	Total number of shares
Residents	5,952,892	481,149,820	173	279,941,794	5,953,065	761,091,614
Non-residents	1.891	3,213,035	18	42,731,866	1,909	45,944,901
TOTAL	5,954,783	484,362,855	191	322,673,660	5,954,974	807,036,515

The rights of SIF Muntenia shareholders are protected in accordance with the legislation in force. SIF Muntenia adheres to an efficient and active communication policy with its shareholders and ensures that all shareholders are treated equitably in terms of access to public information.

7.3.1 RIGHT TO INFORMATION. SHAREHOLDERS AND CAPITAL MARKET INSTITUTIONS RELATIONS

On the investor relations section of the website, updated information on corporate governance are included and provides access to the documents regulating the company's governance. Information on corporate governance are regularly reported through the corporate governance statement within the annual report and continually updated through current reports and the website.

Reporting obligations of transparency and information towards shareholders and capital market institutions were complied with and ensured by press releases distributed in national, specialized, financial newspapers by publishing periodic and continuous reports regarding the information made available by electronic means both on its own website www.sifmuntenia.ro as well as on the electronic system of the capital market where SIF Muntenia shares are listed, by the information of the NSC/FSA through written and electronic correspondence with the shareholders.

Institutional obligations of information and reporting in relation to capital market institutions:

- Periodic Reports to FSA and BSE;
- Reports and/or current communiques to FSA and continuous to BSE;

At the beginning of each financial year, the administrator of SIF Muntenia SA communicates to BSE and posts on the company's website (www.sifmuntenia.ro) information on the **financial calendar** containing at least:

- publication date of preliminary results for the previous year;
- period in which the SGM will be convened to approve the financial results for the previous financial year and to approve the distribution of the profit;
- dates on which reports will be published on the results for the first quarter, semester or third quarter of the current financial year;
- the date when the consolidated financial statements will be presented.

Financial reporting calendar was sent to the Bucharest Stock Exchange, FSA and was published on www.sifmuntenia.ro.

On SIF Muntenia's website, contact details of the shareholder relations department and the Procedure for registering, managing, solving and archiving petitions is available for consultation by investors in SIF Muntenia shares, which complies with the provisions of the FSA Regulation no. 9/2015.

Petitions

the I.M. holds and maintains at its headquarters a unique petitions register in secure electronic format, in which chronologically, in the order of receipt, all petitions are recorded, as well as the status, date and manner of their settlement. Any investor in the entities administered by SAI MUNTENIA INVEST can file petitions for free. The information regarding the procedure for solving the petitions received from the investors is made available free of charge to the SAI MUNTENIA INVEST HQ and on the SAI MUNTENIA INVEST internet page. Petitions can be submitted to the SAI MUNTENIA INVEST by the following channels: post, fax, courier, directly to the general registry at the registered office of SAI MUNTENIA INVEST, e-mail to the general address of I.M. or the address of the managed entity.

On www.sifmuntenia.ro, the Investor Information section presents the procedure for registering, administering, solving and archiving petitions.

7.3.2 RIGHT TO DIVIDEND

The policy on the annual distribution of dividends or other benefits to shareholders is presented on the SIF Muntenia site and in the Corporate Governance section of this report.

The table below shows the dividends distributed for which shareholders may demand payment

Year	Gross dividend per share	Record date	Ex dividend date	Payment date
2016	0.0400	12.09.2017	11.09.2017	28.09.2017
2015	0.0450	18.08.2016	17.08.2016	08.09.2016
2014	0.0715	28.08.2015	27.08.2015	31.08.2015

Shareholders entitled to receive dividends from the net profit realized in the financial year 2016 were those registered in the consolidated shareholders' register on 12.09.2017 - the registration date according to the decision of the General Meeting of Shareholders as of 27.04.2017.

On 19.09.2017, the dividend payment procedure for the financial year 2016 was made available to the shareholders.

Their payment commenced on 28.09.2017 - the date of payment, according to the decision of the General Meeting of Shareholders as of 27.04.2017.

Payment of dividends, in compliance with the relevant legal provisions, is performed by the Central Depository, and the paying agent designated by SIF MUNTENIA SA is Banca Comercială Română SA.

For dividends not claimed within more than 3 years from the date of the announcement, the General Shareholders' Meeting of the Company approved the transfer of the dividends into equity (retained earnings).

In RON	31 December 2017	31 December 2016
Dividends to be paid related to 2012 profit	-	42,064,246
Dividends to be paid related to 2014 profit	22,651,175	23,066,128
Dividends to be paid related to 2015 profit	16,467,894	17,063,461
Dividends to be paid related to 2016 profit	15,204,382	-
Total dividends to be paid	54,323,451	82,193,835

7.3.3 SHAREHOLDERS GENERAL MEETINGS OF SIF MUNTENIA IN 2017

According to the legislation in force, it is forbidden to acquire shares leading to a holding of more than 5% of the total share capital or of the voting rights according to the Law no. 297/2004 regarding the capital market modified by Law no. 11/2012. If a shareholder holds more than 5% of the total share capital, he will not have the right to vote for the shares held above the specified quota, but he is also entitled to receive dividends for these shares.

The supreme governing body of SIF Muntenia is the General Meeting of Shareholders (SGM). The Ordinary and Extraordinary General Meetings are convened by the SIF Muntenia administrator in accordance with the legal and statutory provisions.

The General Meeting of Shareholders adopts decisions on the basis of projects proposed by the administrator and / or shareholders. The SGM's decisions, signed by the meeting's chairperson, are reported to the FSA, BSE and made public by publication in a national circulation newspaper, Part IV of the Official Gazette, FSA Bulletin, posted on the official website. SGM decisions are enforceable (immediate enforcement) from the time they are adopted if, from their wording or according to legal provisions, no other term is provided for them to become enforceable.

SIF Muntenia Shareholders General Meeting (SGM) is convened by the Board of Directors of SAI Muntenia Invest SA in accordance with the legal provisions, of the NSC/FSA regulations and the Articles of Incorporation of SIF Muntenia SA.

For each General Meeting of Shareholders, the administrator of SIF Muntenia SA makes available for the shareholders the following information on the Company's website www.sifmuntenia.ro in a special section designated to general meetings of shareholders:

- convening notice;
- materials to be submitted for approval / the SGM attention;
- any other information regarding the items on the agenda;
- drafts of the decisions as they will be subject to SGM's approval;
- forms of voting by proxy and voting by correspondence;
- procedures for participation in the General Shareholders Meeting;
- procedures for the exercise of voting rights.

The main tasks of the general meetings of shareholders are set out in the Articles of Incorporation of SIF Muntenia, as updated, which can be found on the Company's website, Article 6. They are supplemented with the legal provisions for companies subject to common law, Law 31/1990 and the special provisions for financial companies known as undertakings for collective investment in transferable securities, subject to FSA supervision.

SAI Muntenia Invest, the Administrator of SIF Muntenia, conducted shareholders general meetings, made available and published according to legal provisions, the convocations for the SGM, materials submitted for approval, released procedures for participation to vote, made available for the shareholders special power of attorney and vote by correspondence forms and ensured all publicity ways according to legal stipulations for each issue on the agenda and the for the decisions taken by the SGM (Bursa, Official Gazette, company's website).

The FSA has reported that, following the analysis of SIF4 shareholdings at the SGOM reference date of 27 April 2017, no elements / data / information have been identified leading to the conclusion that individuals alone or with other people with whom they act concertly exceed the limit of 5% of the share capital of SIF Muntenia.

On 14 March 2017, the SGM convening notice was published, for approving the financial statements for the year 2016 and proposals for distribution of profit achieved in 2016.

On 27 April 2017, the ordinary general meeting of the shareholders of SIF Muntenia took place.

The financial statements for the financial year 2016 were approved. From the net profit for the financial year 2016 32,281,461 lei was distributed for dividends (representing a gross dividend of 0.04 lei per share, dividend distribution starting with 28.09.2017, being considered the date of payment, the shareholder bearing the distribution costs) and 18.104.723 lei were distributed to other reserves, representing the company's own sources of development.

The Administration Program and the Income and Expenditure Budget for 2017 were approved and the accounting records corresponding to the right to request the payment of unclaimed dividends for more than three years from their due date amounting to RON 42,064,241.95 were approved, reversing this amount and approving the remuneration of the Shareholders Representatives Council for the financial year 2017.

SAI Muntenia Invest SA, the administrator of SIF Muntenia, organized the general meeting of shareholders of SIF Muntenia dated 31 August 2017, made available and published in compliance with the legal regulations the convening notices of the SGM, the materials subject to approval, the participation and voting procedures, made available to the shareholders the special proxy and voting forms by correspondence and provided all forms of advertising in accordance with the legal provisions for voting results for each item on the agenda and the decisions adopted by the SGM (Bursa, Official Gazzette, the company's website).

SIF Muntenia shareholders have the opportunity to participate in general meetings of shareholders either directly or through special or general proxy representatives, or can vote by correspondence (classical mail or e-mail).

On 31 August 2017, the General Meeting of Shareholders took place, in which the consolidated financial statements for the year 2016 were discussed and approved and the appointment of KPMG Audit SRL as financial auditor for a period of 3 years starting from the 2017 financial year.

8 CORPORATE GOVERNANCE

SIF Muntenia's Administrator believes that compliance with the Corporate Governance Codes ensures the accuracy and transparency of the company's decision-making process and allows equal access for all shareholders to relevant information as a means to maintain SIF Muntenia's competitiveness in a world increasingly affected by accelerated changes.

SIF Muntenia's Administrator has decided to adhere, **where possible**¹¹, to the rules and principles of corporate governance of the BSE Corporate Governance Code starting with the annual report for the financial year 2010, presenting within the annual reports and within the "Comply or Explain" Declaration the compliance with principles of the Code and with its regulations.

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

Application of FSA Regulation no. 2/2016

The Declaration on the Application of Corporate Governance Principles, prepared in accordance with the Annex to Regulation 2/2016, was filed with the FSA within the legal timeframe. (January 2017).

Explanatory note on events relevant to the application of the provisions of Regulation 2/2016.

During 2017, there were drafted, approved by the FSA and entered into force once the registered as AIFM was obtained (see sections 15 and 16 of the declaration made pursuant to the Annex to Regulation 2/2016):

- Remuneration policy as AIFM of SAI Muntenia Invest SA;
- Avoidance of Conflict of Interests Policy as AIFM of SAI Muntenia Invest SA.

The annual report on the administration of SIF MUNTEANIA SA contains, attached, the Declaration made according to the BSE Code of Corporate Governance and the Statement drawn up according to the FSA Regulation no.2 / 2016, updated according to the Explanatory Note above.

SAI Muntenia Invest will present to SIF Muntenia **two**¹² reports of the administrator.

Corporate Governance Rules of SIF Muntenia S.A. presents corporate governance structures, decision-making rules and procedures, governance standards that ensure the application of the general management and control principles of SIF Muntenia's activity for the benefit of shareholders. It can be consulted on SIF Muntenia's website, Corporate Governance section.

The set of corporate governance rules defines the structure by which SIF Muntenia's objectives are set, the means by which they can be effectively and transparently achieved in relation to shareholders and means to monitor activity and performance.

8.1 CORPORATE GOVERNANCE STRUCTURES

SIF Muntenia SA administration is performed in an **unitary system**, in compliance with Law no. 31/1990 and Articles of Incorporation.

General Meeting of Shareholders is the supreme management body of SIF Muntenia and can decide on all matters referred to its competence by the legislation and by the Articles of Incorporation (details in Chapter 3.2. SIF Muntenia's SHAREHOLDERS GENERAL MEETINGS above).

Between the General Meetings of Shareholders (SGM), **Shareholders Representatives Council (SRC)**, supervisory body (representing the interests of SIF Muntenia in relation to SAI Muntenia Invest SA, together with the financial auditor) consisting of 11 individuals elected by the SGM for a term of 4 years, oversees the activity of SAI Muntenia Invest SA.

¹¹ Corporate governance code was built for "standard" companies - quoted UCI managed by SAI (asset management companies) such as Fondul Proprietatea or SIF Muntenia have certain peculiarities in operation and can not apply ad litteram certain provisions.

¹² Requirement according to *FSA Rule no 39/2015, art 30, para 4*

SRC duties and responsibilities are established by the Articles of Incorporation of SIF Muntenia SA, Art. 7. The current mandate of the SRC began in June 2014 (SGOM of SIF Muntenia dated 26 June 2014).

Other corporate governance structures of SIF Muntenia SA are:

- SIF Muntenia SA's Administrator (SAI Muntenia Invest SA) represented by members of the Board of Directors of the administrator (according to Law no 31/1990 and Law No. 297/2004).
- The effective management of SIF Muntenia SA's Administrator (S.AI Muntenia INVEST).
- Appointed Permanent representatives.

8.1.1 ADMINISTRATION OF SIF MUNTEANIA

SIF Muntenia SA is managed by SAI Muntenia Invest SA under the administration contract approved by NSC by Approval no. 35 / 15.06.2006. SAI Muntenia Invest SA is represented by three members of its Board of Directors and by the appointed permanent representatives. Members of the Board of SAI Muntenia Invest SA are elected by the General Meeting of Shareholders for a period of 4 years, with the possibility of being re-elected. Board members are authorized by the FSA.

There are no agreements or family arrangements according to which SAI Muntenia Invest was appointed administrator of SIF Muntenia.

SAI Muntenia Invest has no shares in SIF Muntenia or in companies controlled by SIF Muntenia.

Duties and limits of competence of the Administrator of SIF Muntenia SA are set forth in the administration contract and the Articles of Incorporation of SIF Muntenia SA:

- (a) to carry out management activities for the collective investment portfolio of SIF Muntenia in accordance with the legal provisions in force;
- (b) keep accounts of SIF Muntenia's assets, which can be delegated to specialized companies under the law and regulations;
- (c) prepare the draft budget of income and expenditures and proposals for correcting it and submit them to the Ordinary General Meeting of Shareholders of SIF Muntenia, after receiving the opinion of the Shareholders Representatives Council;
- (d) to prepare, distribute and publish yearly, half-yearly and quarterly financial statements and current reports, related to SIF Muntenia instruments, verified and certified by the auditors, according to the law; publication and dissemination will be made only after the submission of reports to SIF Muntenia's Meeting of the Shareholders Representatives Council;
- (e) prepare and submit, in accordance with the law and regulations, reports and information required by the National Securities Commission, Bucharest Stock Exchange and any authorized body; this information will be sent to the Shareholders Representatives Council of SIF Muntenia;
- (f) to legally represent SIF Muntenia in relation to financial instruments within its portfolio and operations planned for and with them, including in court;
- (g) to obtain authorization for the initiation and conduct of public offerings of SIF Muntenia, prepare and obtain authorization for the public offerings prospectuses;
- (h) to negotiate and conclude the contract with the Depositary and take all measures to comply with the depositary contract ;
- (i) to prepare, sign and submit all documents and instructions needed in order for the depositary to meet the specific depositary activities of SIF Muntenia's financial instruments and certification of the net asset value;
- (j) to organize the activity of dividends distribution to SIF Muntenia shareholders, informing the Shareholders Representatives Council of SIF Muntenia;
- (k) to order all operations through the bank accounts of SIF Muntenia;
- (l) to negotiate and sign all service contracts necessary to fulfill the objects of activity of SIF Muntenia with third parties on behalf of SIF Muntenia, complying with the legal provisions and informing SIF Muntenia on them;
- (m) to sign on behalf of SIF Muntenia any papers and documents to achieve the objects of the administration contract;
- (n) make all efforts for timely collection of all rights related to holdings of financial instruments from SIF Muntenia's portfolio;
- (o) represent SIF Muntenia at the general meetings of shareholders of the companies in SIF Muntenia's portfolio and exercise both voting rights as any other rights attached to these financial instruments in accordance with the strategy

approved by the General Meeting of SIF MUNTENIA Shareholders;

(p) to comply with the licensing procedures for SIF MUNTENIA;

(q) perform any other activities necessary for the achievement of the management contract in compliance with the laws and regulations of the National Securities Commission / Financial Supervisory Authority regulations in force.

SIF Muntenia SA Administrator's obligations and liabilities are governed by the provisions regarding the mandate and those specially provided by Law 31/1990 amended and supplemented, the capital market legislation, NSC/FSA regulations applicable, provisions of the Articles of Incorporations of SAI Muntenia INVEST SA and SIF Muntenia SA and the provisions of the Administration Contract.

The **main objectives** of the administrator are defined by annual programs on SIF Muntenia SA's management and are subject to SIF Muntenia SA's SGM approval.

During 01.01.2017 - 31.12.2017, SAI Muntenia INVEST was appointed as administrator of SIF MUNTENIA in accordance with the administration contract and SIF Muntenia Administration program for the year 2017, approved by the SGM on 27 April 2017.

SAI Muntenia Invest SA is represented by three members of its **Board of Directors**, General Manager and the registered appointed permanent representatives.

In 2017, the Board of Directors of MUNTENIA INVEST SA was composed of:

No. crt.	Name and surname	Position	Mandate validity (expiry date)	Period
1	Florica Trandafir	President	05.10.2020	01.01.2017 – 31.12.2017
2	Daniel – Silviu Stoicescu	Member	19.08.2017	01.01.2017 – 20.08.2017
3	Nicușor Marian Buică*	Member	27.12.2020	01.01.2017 – 21.12.2017
4	Adrian Simionescu**	Member	20.08.2021	20.08.2017 – 31.08.2017
5	Dorina Teodora Mihăilescu***	Member	27.12.2021	27.12.2017 – 31.12.2017

*Note: Mr. Nicușor Marian Buică was authorised by the FSA by Authorisation no. 45/03.03.2017. Mr. Buică renounced by resignation at his position as a member of the Board of Directors of SAI MUNTENIA INVEST SA at the date when his authorization by the FSA for the position of General Manager became effective (Authorization No 307 / 21.12.2017).

**Note: Mr. Adrian Simionescu was appointed on 31.07.2017 as Administrator according to the S.G.O.M. decision of SAI MUNTENIA INVEST SA for a four-year term strating with 20.08.2017 and was authorized by the FSA by the Authorization no. 261 / 11.15.2017.

***Note: Ms. Dorina Teodora Mihăilescu was appointed according to the A S.G.O.M. decision of SAI MUNTENIA INVEST SA from 27.12.2017 as Administrator for a four-year term starting with 27.12.2017 and is under authorization process by the FSA.

Professional Curricula Vitae of members of the Board of SAI Muntenia Invest are presented in the appendix to this report.

The persons elected to the Board of Directors fulfill the general conditions set out in the Law 31/1990, as amended and supplemented.

In addition to the above conditions such persons fulfill the conditions laid down by specific legislation and FSA Regulation no. 14/2015.

Information on the management structure of SAI Muntenia Invest SA, namely the composition of the board, the audit committee and the effective management and their CVs are available on SIF Muntenia's website www.sifmuntenia.ro and on SAI Muntenia Invest SA's website, www.munteniainvest.ro.

Number of meetings of the board of SAI Muntenia Invest during the year 2017 **in relation to SIF Muntenia** was of 35 in order to analyze the activity of SIF Muntenia and prospects for its development. The Board approves the Annual

administration program of SIF Muntenia showing prospects of SIF Muntenia for the next year and submits it to SIF Muntenia's shareholders' approval.

8.1.2 EFFECTIVE MANAGEMENT

The effective management of SIF Muntenia SA activity is ensured in accordance with legal regulations and internal regulations of SIF Muntenia SA Administrator, by the General Manager and the Directors ensuring the executive management. They are authorized by the FSA.

The effective management is empowered to lead and coordinate the daily activity of the Company and may incur liability of the Company within the mandate granted by the Board of Directors. The effective managers of the company are responsible for ensuring compliance with working procedures established by the internal regulations of SIF Muntenia SA's Administrator.

Effective management of SAI MUNTENIA INVEST SA was ensured during 2017 by at least two individual persons authorized by the FSA, as follows:

- During 01.01.2017 – 20.08.2017: Ms. Gabriela Grigore – General Manager (FSA authorisation no. 6/14.01.2016), ms. Florica Trandafir – Corporate Administration Director (FSA authorisation no. 245/20.11.2015) and Mr. Mircea Constantin – Strategy Director (FSA authorisation no. 192/21.12.2016);
- During 21.08.2017 – 21.12.2017: Ms. Florica Trandafir – Corporate Administration Director (FSA authorisation no. 245/20.11.2015) and Mr. Mircea Constantin - Strategy Director (FSA authorisation no. 192/21.12.2016);
- During 22.12.2017 – 31.12.2017: Mr. Nicușor Marian Buică – General Manager (FSA authorisation no. 307/21.12.2017), Ms. Florica Trandafir – Corporate Administration Director (FSA authorisation no. 245/20.11.2015) and Mr. Mircea Constantin - Strategy Director (FSA authorisation no. 192/21.12.2016).

8.1.3 CONFLICTS OF INTEREST

SAI Muntenia Invest SA does not own holdings that enter into conflicts of interest with SIF Muntenia. Members of the Board of SAI Muntenia INVEST can take office only after obtaining the approval of the FSA.

FSA documentation submitted by each member of the Board for an approval includes declarations from which arise potential conflicts of interest.

Internal Rules and Procedures of SAI Muntenia Invest SA and the Corporate Governance Regulation contain regulations to avoid conflicts of interest in the administration of SIF Muntenia, rules of professional ethics to be respected by their own employees so that the decisions taken by the directors/effective management, the implementation of these decisions should be done with priority respecting the interest of the shareholders of SIF MUNTENIA SA.

In the event of a conflict of interest among the directors, they shall inform the Board of Directors thereof and shall refrain from debating and voting on the matter in question in accordance with the relevant legal provisions; these situations are recorded in the minutes of the meeting of the Board of Directors.

It is forbidden to use privileged information related to the investment policy of SIF Muntenia by the members of the Board of Directors, the effective management of the company, as well as any person with whom SAI MUNTENIA INVEST SA/SIF Muntenia has concluded a labor /mandate/services contract, when they make transactions with financial instruments in their own portfolio.

It is forbidden to disseminate information about the transactions that SIF Muntenia intends to carry out with the financial instruments in its portfolio by the members of the Board of Directors, the managers of the company as well as any persons with whom SAI Muntenia Invest SA/SIF Muntenia has concluded a work/mandate/services contract.

8.2 DESCRIPTION OF THE MAIN CHARACTERISTICS OF COMPLIANCE AND RISK MANAGEMENT SYSTEMS

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

- the effectiveness and efficiency of operations;
- the reality 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.

8.2.1 COMPLIANCE

Compliance department supervises compliance by SAI Muntenia Invest SA / SIF Muntenia and their staff with the legislation concerning the capital market, regulations and internal procedures.

The compliance representative is subject to the FSA authorization and it is registered in the public register of the FSA. In performing the assigned tasks, the compliance department representative reports directly to the Board of Directors of SIF Muntenia's Administrator.

8.2.2 INTERNAL AUDIT

Within the administration company, there have been appointed and maintained persons responsible for the internal audit position for both its own activity and for the managed entities (such as SIF Muntenia). The internal audit position is separate and independent from other positions and activities. For SIF Muntenia, the internal audit position is outsourced.

Internal audit services for SAI MUNTENIA INVEST SA were performed between 01.01.2017 – 31.12.2017 by the company MZ FINANCE ADVISORY AND ASSURANCE SRL, according to the internal audit control contract no. 1175/65796/15.11.2016, valid starting with 01.12.2016 for a two-year period.

The internal auditor has the following responsibilities:

- a) establishing, implementing and maintaining an audit plan to assess and examine the effectiveness and adequacy of SAI Muntenia Invest's systems, internal controls and administrator's procedures;
- b) verifying the compliance with work rules and procedures approved by the Board of Directors of SAI Muntenia INVEST;
- c) preparation, according to contractual terms, written reports on the themes specified in the internal audit plan, submitted to the Board of Directors of SAI Muntenia Invest and/or to the Shareholders Representatives Council;
- d) issue recommendations based on the result of activities carried out in accordance with paragraph a);
- e) verify the compliance with the recommendations provided in paragraph c).

The internal audit activity is conducted in accordance with applicable legal requirements, internal company rules and regulations and in compliance with International Standards on Auditing issued by the Institute of Internal Auditors (IIA Global). International standards of internal audit is based on the framework (conceptual) of Professional Practices (International Professional Practices Framework - IPPF) developed and published by the Institute of Internal Auditors - IIA Global - informing the Board of Directors on any deficiencies noted during the internal audit contract.

The internal audit activity for SIF Muntenia in 2017 was conducted 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.

The responsibilities of the internal audit in relation to the financial reporting process include:

- a) verifying the compliance of the company's activities with the policies, programs and its management, in accordance with the legal provisions;
- b) assessing the adequacy and application of the financial and non-financial controls arranged and executed by the management of the SIF Muntenia administrator in order to increase the efficiency of the economic entity's activity;
- c) assessing the adequacy of the data / financial and non-financial information for the management to know the reality of the audited entity / SIF Muntenia;
- d) protecting the balance sheet and off-balance sheet items and identifying methods for preventing frauds and losses of any kind.

8.2.3 AUDIT COMMITTEE

The Audit Committee was established in order to assist the Board of Directors of SAI Muntenia Invest in risk management and financial reporting processes.

The Audit Committee had the following members during 2017:

- During 01.01.2017 – 26.01.2017: Mr. Daniel-Silviu Stoicescu;

- During 26.01.2017 – 20.08.2017: Mr. Daniel-Silviu Stoicescu and Mr Nicușor Marian Buică;
- During 21.08.2017 – 21.12.2017: Mr Nicușor Marian Buică and Mr Adrian Simionescu;
- During 22.12.2017 – 31.12.2017: Mr Adrian Simionescu.

The Audit Committee met 9 times during 2017 on the administration of SIF Muntenia.

The Audit Committee has the following responsibilities:

- a. monitors the financial reporting process;
- b. provides access of the internal and external auditors to information and resources and monitors the annual financial statements and consolidated financial reporting auditing so as to be finalized as required by legal regulations and financial calendar;
- c. review and monitor the independence of the financial auditor, especially where there are additional services rendered by them for SAI Muntenia INVEST or managed entities;
- d. receives and analyzes all correspondence received from the financial auditors and the internal auditors of SAI MUNTENIA INVEST or managed entities;
- e. analyzes the reports prepared by internal or financial auditors of SAI MUNTENIA INVEST or entities managed by SAI Muntenia INVEST;
- f. conducts investigations to identify the causes that led to the irregularities highlighted in the reports prepared by the internal and financial auditors of SAI INVEST MUNTENIA or of entities managed by SAI Muntenia INVEST;
- g. prepares and submits to the Management Board of SAI Muntenia INVEST analysis and recommendations on measures to be taken to improve the financial reporting process of the SAI Muntenia INVEST or entities managed by SAI Muntenia INVEST, if applicable;
- h. verifies compliance with rules relating to compliance with business ethics;
- i. participates in the selection of internal and financial auditors of SAI Muntenia Invest and entities managed by SAI Muntenia INVEST;
- j. monitors internal control systems, internal audit and risk management within the entity and presents yearly to the Board of SAI Muntenia INVEST a report on the effectiveness of such systems;
- k. It proposes measures and makes recommendations to the Board of Directors of SAI Muntenia INVEST if it finds that the internal control systems have been deficient;
- l. ensures that analyzes and reports prepared by the internal auditors of SAI Muntenia INVEST or entities managed by SAI Muntenia INVEST comply with the audit plan approved by the Board of Directors of SAI Muntenia INVEST.

8.2.4 POSITIONS OUTSOURCED BY SAI MUNTENIA INVEST SA

SAI MUNTENIA INVEST SA is outsourcing the accounting activity to the company 3B EXPERT AUDIT SRL (NSC Approval no. 8/31.01.2006) for SIF MUNTENIA SA, according to the contract no. 432/02.04.2015 signed between 3B EXPERT AUDIT SRL and SAI MUNTENIA INVEST SA.

8.2.5 RISK MANAGEMENT

Risk management means all activities that aim at identifying, quantifying, monitoring and controlling risks so as to ensure compliance with the principles of general risk policy. Effective risk management is considered vital to achieve strategic goals and ensure the quality of shareholder benefits on an ongoing basis. In this context, the significant risk management strategy provides the framework for identifying, evaluating, monitoring, and controlling these risks in order to maintain them at acceptable levels based on risk appetite and the ability to cover (absorb) those risks.

SAI Muntenia Invest SA has established and maintained the risk management function on a permanent, operational and independent basis as of the management of the portfolios of the managed entities. In accordance with the legal provisions of GEO 32/2012 Art.24, starting with July 2013, SAI Muntenia Invest has implemented in its organizational structure the permanent risk management function, which also covers the risk management for SIF Muntenia.

The risk management system and its effectiveness are monitored by the Effective Management, the Audit Committee and the Board of Directors of SAI Muntenia Invest SA.

Risk Management Department is hierarchically subordinated to the Strategy Director and has the following duties and responsibilities:

- a. identify and assess significant risks related to SAI MUNTENIA INVEST and to each entity managed by SAI MUNTENIA INVEST (such as SIF Muntenia);

- b. monitor significant risks related to SAI MUNTEANIA INVEST and to each entity managed by SAI Muntenia INVEST;
- c. measure significant risks influence on the risk profile agreed for each portfolio of the managed entity;
- d. develop and implement risk management policies and procedures (identification, assessment, monitoring and control) for all entities managed by SAI MUNTEANIA INVEST;

Details about managing risks related to SIF Muntenia Invest by SAI Muntenia are presented in this report within the chapter Risk Management.

8.3 REMUNERATION POLICY

The remuneration policy of SAI Muntenia Invest SA for the services rendered as manager of SIF Muntenia is presented in art. 13 of the Articles of incorporation of SIF Muntenia.

"SIF Muntenia SA will pay a monthly management fee representing a share of the managed assets within the maximum limits approved by the general meeting of shareholders. Depending on how SAI Muntenia Invest SA meets the performance criteria and goals set by the annual general meeting of shareholders, SIF Muntenia SA will pay the corresponding performance fee to SAI Muntenia Invest SA. The management contract establishes the rules for calculating and paying the fees."

The administration fee of SAI Muntenia Invest related to 2017 financial year amounted to 18,707,525 lei, which represented 1.45% of the average net assets and 1.35% of the total assets of SIF Muntenia in 2017.

The remuneration policy of SAI Muntenia Invest SA was updated in 2017.

8.4 DIVIDEND POLICY

SIF Muntenia annual policy on the distribution of dividends or other benefits to shareholders was made in the process of voluntary compliance to the Corporate Governance Code of the Bucharest Stock Exchange applicable as on 4 January 2016 and presented on SIF Muntenia website, Corporate Governance section.

For details on SIF Muntenia dividends see chapter regarding Shareholders and Shares / right to dividends.

8.5 EQUALITY OF CHANCES

During 2017 financial exercise there was not a formal diversity policy applied in terms of administration and management bodies of SIF Muntenia entity on issues such as, for example: age, gender or education and professional experience.

8.6 ASSESSMENT OF ASPECTS RELATED TO THE IMPACT OF THE ISSUER'S CORE ACTIVITY ON THE ENVIRONMENT

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

The Company has not recorded any obligations as of 31 December 2016 and 31 December 2017 for any anticipated costs, including legal fees and consulting studies of site design and implementation of plans to address on elements of environment. The Company's management does not consider the costs associated with any environmental problems as significant.

There are no existing or planned disputes about violations of legislation on environmental protection.

8.7 SOCIAL RESPONSIBILITY

SIF Muntenia permanently carries out activities related to the company's social responsibility, each year supporting directly or through foundations / associations specialized disadvantaged categories in the community where it operates. The company also contributes to supporting the activities of scientific, cultural, medical, educational, national or regional events of interest.

9 FINANCIAL ACCOUNTING STATEMENT

The financial statements have been prepared in accordance with the provisions of the FSA Regulation No. 39/28 December 2015 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the FSA, Financial Instruments and Investment Sector, as sole set of **Individual financial statements**.

The financial statements are audited by the company KPMG Audit SRL, the financial auditor of the company.

9.1 INDIVIDUAL STATEMENT OF FINANCIAL POSITION

In RON	31 December 2017	31 December 2016
Assets		
Cash and current accounts	6,574,391	4,861,588
Deposits in banks	15,558,404	76,631,897
Financial assets at fair value by profit or loss	98,683,282	79,279,822
Financial assets available for sale	1,165,299,048	954,163,015
Loans and receivables	5,863,691	8,259,365
Tangible assets	165,731	223,605
Other assets	7,728,962	5,013,016
Total assets	1,299,873,509	1,128,432,308
Liabilities		
Dividends to be paid	54,323,451	82,193,835
Liabilities with deferred tax on profit	29,550,239	13,387,776
Other liabilities	10,770,267	8,404,099
Total Liabilities	94,643,957	103,985,710
Equity		
Share capital	80,703,652	80,703,652
Hyperinflation effects - IAS 29	803,294,017	803,294,017
Cumulative loss	(50,836,617)	(111,719,355)
Reserves from revaluation of financial assets available for sale	372,163,130	252,168,284
Total equity	1,205,229,552	1,024,446,598
Total liabilities and equity	1,299,873,509	1,128,432,308

ASSESSMENT OF COMPANY'S EMPLOYEES/PERSONNEL

The Company registered as at 31.12.2017 a number of 2 employees and 10 members of the Shareholders Representatives Council.

ASSETS REPRESENTING AT LEAST 10% OF TOTAL ACCOUNTING ASSETS

On 31.12.2016, the stake in Biofarm SA Bucureşti according to the book value represented 12.02% of total accounting assets of SIF Muntenia, and the stake held in Banca Transilvania represented 17.74% of total accounting assets of SIF Muntenia calculated in accordance with legal regulations.

On 31.12.2017 the shareholding in BIOFARM SA Bucureşti according to the book value represented 11.29% and the shareholding in Banca Transilvania represented 17.44% of total accounting assets of SIF Muntenia.

9.2 INDIVIDUAL STATEMENT OF PROFIT AND LOSS AND OTHER ITEMS OF COMPREHENSIVE RESULT

In LEI	2017	2016
Income		
Dividend income	41,082,068	60,581,257
Interest income	635,520	955,890
Other operational income	332,863	70,073
Income from investments		
Net loss from foreign exchange differences	(112,267)	(691,266)
Net income from the sale of assets	11,469,719	37,107,874
Net gain/(Net loss) / from revaluation of financial assets at the fair value through profit or loss	38,880,342	(8,438,880)
Expenses		
Losses from depreciation of assets	(10,850,357)	(11,421,464)
Operational expenses		
Administration fees	(18,707,525)	(17,858,250)
Expenses with the remuneration of the SRC members	(1,524,611)	(1,423,017)
Other operational expenses	(4,206,904)	(3,599,713)
Profit before tax	56,998,848	55,282,504
Tax on profit	(5,993,521)	(4,896,320)
Net profit of the period	51,005,327	50,386,184
Other elements of comprehensive result		
Elements that cannot be transferred to profit or loss		
Revaluation to fair value of financial assets available for sale, net of deferred tax	123,972,005	34,743,561
Reserve for financial assets available for sale transferred to profit or loss	(3,977,159)	(11,655,572)
Other elements of comprehensive result	119,994,846	23,087,989
Total comprehensive result of the period	171,000,173	73,474,173

9.1 INDIVIDUAL STATEMENT OF CASH FLOWS

Upon preparing the cash flow statement there have been considered as cash and cash equivalents: cash, current accounts at banks, deposits with an original maturity of less than 90 days:

In LEI	2017	2016
Operating activities		
Profit before tax	56,998,848	55,282,504
Adjustments:		
Impairment losses on financial assets available for sale and other assets	12,276,199	11,650,297
(Net gain)/Net loss from revaluation of financial assets at fair value through profit or loss	(38,880,342)	8,438,880
Dividend income	(41,082,068)	(60,581,257)
Interest income	(635,520)	(955,890)
Income for provisions for loans and receivables	(1,425,842)	(228,833)
Net loss from foreign exchange differences	112,267	691,266
Other adjustments	71,579	68,030
Changes in assets and liabilities related to operating activities		
Changes in financial assets at fair value through profit or loss	(27,397,586)	(16,375,259)
Changes in financial assets available for sale	(35,766,090)	41,200,823
Changes in loans and receivables	3,811,437	-
Changes in other assets	(7,334,677)	(4,477,262)
Changes in other liabilities	1,018,246	(101,061)
Dividends received	39,848,593	58,882,826
Interest received	804,677	1,130,936
Tax on profit paid	(3,390,515)	(10,336,829)
Net cash from operating activities	(40,970,794)	84,289,170
Investment activities		
Payments for purchases of tangible and intangible assets	(6,511)	(21,608)
Receipts from the sale of tangible assets	1,000	-
Net cash used for investment activities	(5,511)	(21,608)
Financing activities		
Dividends paid, including tax on paid dividends	(18,198,492)	(19,504,206)
Investments in deposits with maturity over three months and less than one year	62,756,000	(53,733,000)
Net cash used for financing activities	44,557,508	(73,237,206)
Net decrease in cash and cash equivalents	3,581,203	11,030,357
Effect of exchange rate changes on cash and cash equivalents	(83,400)	(24,863)
Cash and cash equivalent as of 1st January	15,576,588	4,571,094
Cash and cash equivalent as of 31st December	19,074,391	15,576,588

9.2 EXECUTION OF REVENUES AND EXPENSES BUDGET

The Revenues and expenses budget for 2017 was approved by the SGOM as of 27 April 2017, by decision no. 3.

In the separate statement of financial position under IFRS, dividend income is recorded at gross value and the related tax is included in the income tax.

In the REB execution shown below the net dividend income is presented (for comparability with approved REB). Therefore, the income tax (row 5) does not include the tax on dividends received from the companies where SIF Muntenia holds participations.

Due to the recording method under IFRS for the OPUS financial instruments held, in the financial statements the value appreciation was included in the position "Net gain from revaluation of financial assets at fair value through profit or loss".

In the implementation of the REB presented below, coupon interest income of EUR 335,740.59 for the bonds issued by Banca Transilvania, the OPUS bonds purchased in 2016 and the OPUS bonds purchased in August 2017 were recorded in paragraph 1.1.2. (as they were considered in the REB approved).

In LEI	REB 2017	R 2017	Percentage change
1. TOTAL REVENUES	65,800,000	54,104,625	-17.77%
1.1. Investment revenues	65,700,000	53,771,762	-18.16%
1.1.1 Dividend revenues	28,000,000	40,158,466	43.42%
1.1.2 Interest revenues	1,700,000	2,143,576	26.09%
1.1.3 Net revenues from trades	36,000,000	11,469,719	-68.14%
1.2 Other revenues	100,000	332,863	232.86%
2. TOTAL EXPENSES	22,800,000	24,439,040	7.19%
2.1 Administration expenses	17,400,000	18,707,525	7.51%
2.2 Third party expenses	2,300,000	2,646,173	15.05%
2.3 Portfolio management expenses	1,200,000	1,297,203	8.10%
2.4 SRC expenses	1,800,000	1,661,686	-7.68%
2.5 Other expenses	100,000	126,453	26.45%
3. Net gain from revaluation of assets		26,409,661	
4. GROSS PROFIT	43,000,000	56,075,246	30.41%
5. Current profit tax and deferred profit tax		5,069,919	
6. NET PROFIT		51,005,327	

In conclusion, SAI Muntenia invests, the SIF Muntenia administrator, achieved in 2017 a gross profit higher by 30% than that provided in the REB approved by the SGOM in April 2017.

Net gains on the revaluation of assets (including foreign exchange earnings or losses, appreciation or depreciation of long-term or short-term financial assets) are items that have not been budgeted and are related to the evolution of the markets on which financial instruments in the portfolio of SIF Muntenia are traded, the economic circumstances, the structure of the portfolio approved by the administrator and/or the regulations in force regarding the accounting methods of the financial instruments.

Net dividend income was 40,158,466 lei versus 28,000,000 lei as budgeted. Details of dividend income are shown in the Sub-Portfolio of Shares / DIVIDENDS FROM PORTFOLIO COMPANIES.

Revenues from transactions were 11,469,719 RON versus 36,000,000 lei budgeted. As detailed in the Transactions in the Shares Sub-Portfolio, the investment activity prevailed over disinvestments and share sales were kept at a low level and directed more towards restructuring the portfolio.

Administration expenses consist of 17,400,000 lei current management fee and 1,307,525 lei performance fee, calculated according to the administration contract as a result of gross profit higher by 30% than budgeted.

The profit distribution proposal is presented as a separate item on the agenda of the SGM approving the financial statements for 2017.

9.3 EFFECT OF APPLYING IFRS 9 AS OF 1 JANUARY 2018 (FSA RULE NO. 2/2018)

ESMA, in the document "PUBLIC STATEMENT EUROPEAN COMMON ENFORCEMENT PRIORITIES FOR 2017 IFRS FINANCIAL STATEMENTS" ¹³ in accordance with paragraph 31 of IAS 8, recommends issuers to disclose the effects of imminent changes in accounting policy in 2018 together with the financial statements for the year 2017.

Starting 1 January 2018, SIF Muntenia will apply IFRS 9 "Financial Instruments" which will 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.

10 SUBSEQUENT EVENTS TO THE BALANCE SHEET DATE

There were no subsequent event to the balance sheet date.

11 PROSPECTS FOR 2018

11.1 ECONOMIC ENVIRONMENT

Until 2015, the macroeconomic forecasts ("quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period: " - the definition is given by the BSE Corporate Governance Code) were presented by SAI Muntenia Invest in the introductory part of the Administration Program and substantiation of Revenues and Expenses Budget, approved in the SGM each year and included a range of forecasted values of macroeconomic indicators considered relevant for SIF Muntenia's activity.

Starting with 2016, the BSE Corporate Governance Code, point D.3. stipulates:

"Forecasts, if published, may only be part of annual, semi-annual or quarterly reports."

As a result, forecasted macroeconomic indicators presented in this chapter, for compliance with the BSE Corporate Governance Code will be those that will be used to substantiate the Administration Program of SIF Muntenia and preparation of the Revenue and Expenses Budget for the year 2018.

Romania currently has a stable macroeconomic and financial position.

Gross domestic product. For 2018-2019, due to the decreasing the magnitude of fiscal incentives, a slowdown in the economy is projected to be at an average of 3.6% GDP increase. For 2018, Romania's target is a fiscal deficit (ESA 2010) of 2.96% of GDP. Pro-cyclical fiscal relaxation and rapid wage growth outstripping productivity growth are risks to macroeconomic stability.

Country ratings for Romania issued by international rating institutions are all investment grade. Standard & Poor's rating for Romania is at BBB - with stable outlook. Moody's rating for Romania was last set to Baa3 with a stable outlook. Fitch confirmed Romania's rating at BBB- but warned that fiscal loosening is a risk to macroeconomic stability.

Financial banking sector

For the first time in the last ten years, the National Bank of Romania (NBR) has raised its key interest rate from a record low of 1.75% to 2% after inflation in October and November was higher than expected. For 2018, the average inflation rate of 3% and new increases in borrowing costs are expected.

Similarly to European developments, in Romania, the outlook is to strengthen the process of bank consolidation and reduce the number of banks in the context of the strategic decisions of some banking groups present in Romania on limiting exposure on certain markets and the existence of potential sources to improve operational efficiency by increasing the market share held.

¹³https://www.esma.europa.eu/sites/default/files/library/esma32-63-340_esma_european_common_enforcement_priorities_2017.pdf

The Effect of IFRS 9 Implementation on the Banking System. 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.

In its Financial Stability Report, December 2017, the NBR estimates that the effect on banks in Romania would be reduced, ie both implementation costs and increases in depreciation adjustments (provisioning requirements). For credit institutions in Romania, the impact would be reduced, ie the total own funds rate would decrease by 24 basis points and the Tier 1 own funds rate would decrease by 25 basis points and the expected losses would marginally rise to the current depreciation adjustment (0.5 percent).

Medicines production sector. The increase in the "claw-back" tax, which generates a double taxation on pharmaceutical production from 18.89% in the last quarter of 2016 to 23.45% in the fourth quarter of 2017, leads to additional tax on producers. There will still be pressures from drug manufacturers to raise prices, but mainly on the State health budget, which will allow both the maintenance of existing medicines on the market and the facilitation of patients' access to modern therapies. From 2018, the implementation of the European System of Medicines Verification will be launched in Romania, which will become operational in all EU countries starting with 9 February 2019. From this date, only medicines complying with the new security rules will be put into circulation on the territory of the European Union. Serializing medicines is an essential initiative for the safety and health of patients, as the danger of entering falsified medicines in the commercial chain is growing. This is the first European directive whose implementation and funding is 100% the responsibility of the private sector and the pharmaceutical industry.

Energy Sector

Companies in the energy sector will have mixed perspectives in 2018, in our opinion.

- Romania participates in a comprehensive process of energy market integration at EU level, resulting in more open competition on medium-term markets.
- It is necessary to renew the power generation capabilities - a significant part of the production capacities is approaching the end of the lifetime, are economically inefficient or in terms of environmental requirements. There is a contradiction between the need for medium and long-term investment to ensure Romania's energy security and the requirements of the state as a major shareholder for distributing most of the profit as dividends.
- The possible rise in oil prices.
- Increasing energy efficiency for both industrial and household consumers leads to a decrease in consumption and thus has a downward effect on energy companies' revenues.

Capital market

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.

The main provisions of the AIF bill are:

- o Regulating the setting up and functioning of the AIF established in Romania, depending on the specific nature of each category / class of such bodies, 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;
- o Adaptation / alignment of legislation relevant to the other UCI (AOPC) 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.

Another relevant element for the future development of the Romanian capital market is the continuation of the implementation of the 2014/65 / EU - MiFID II Directive (for the delay of its application, an infringement procedure may be triggered for Romania) will lead to increased pre and post transparency trading, but also an increase in transaction costs.

Implementation of IFRS 9. The IFRS9 implementation process that replaces IAS 39 and was regulated by the FSA by the FSA Standard no. 2/2018 - The application of this new regulation leads to a fundamental change in the way in which the portfolio of financial instruments (both for SIF Muntenia and for the banking companies that represent a significant part of the portfolio) is recorded in the accounting and can lead to the increase of the volatility of the results and this represents a problem for all UCITS and AIFs at European level.

11.2 MAIN STRATEGIC OBJECTIVES AND ACTION GUIDELINES FOR 2018

Main strategic objectives and Action guidelines for 2018 will be presented in detail within the Administration program for 2018, followed with the proposal for Revenues and Expenses Budget that will be submitted for approval to the shareholders.

We present only a summary in the annual report.

The overall objective of administration is to maintain SIF Muntenia a balanced diversified fund, combining a balanced growth of the assets and satisfactory income at a medium risk.

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

The balanced fund 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 compose the portfolio.

MAIN STARTEGIC OBJECTIVES FOR 2018

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

Directions of action

- Continue alignment of SIF Muntenia's activity with national and European legislation on AIFs - alternative investment funds (AIF established on a articles of incorporation basis, non-leveraged, whose shares are also distributed to retail investors).
- Defining SIF Muntenia as an investment entity in accordance with Amendments to IFRS 10, IFRS 12 and IAS 27
- Implementation of the risk management system according to AIFMD regulations.

The Administrator's report on the management of SIF Muntenia was approved in the meeting of the Board of Directors of S.A.I Muntenia Invest S.A dated 15 March 2018.

Considering this report, SAI Muntenia Invest SA submits to the approval of the Ordinary General Meeting of Shareholders the Individual Financial Statements as at 31 December 2017 prepared in accordance with the provisions of the FSA Rule no. 39/28, December 2015 which includes:

- The individual statement of profit or loss and other items of comprehensive income;
- The individual statement of the financial position;
- The individual statement of changes in equity;
- The individual statement of cash flows;
- Notes to individual financial statements.

SIF MUNTENIA SA by its Administrator
SAI MUNTENIA INVEST SA

General Manager
Nicușor Marian Buică

3B EXPERT AUDIT SRL

Administrator
Adriana Anișoara Badiu

SIF MUNTEANIA. YEARLY ADMINISTRATOR'S REPORT FOR 2017

Professional CVs of SAI Muntenia Invest management on 31.12.2017

Name	Age	Qualifications	Professional experience	Position held	Period of holding this position
Florica Trandafir	51	<p>Economist, graduate of Economic Cybernetics, Statistics and Informatics, Bucharest University of Economic Studies – 1989;</p> <p>Training: Financial analysis, IRVM, 1997; Evaluation methods for trade companies, ANP, 1997; seminar Business negotiations, Pro Ideas, 2006; Executive Program in Business Administration, Temple University, Japan, 2007 and Boston College, USA, 2008)</p>	<p>May 2016 - present President of the Board of Directors</p> <p>February 2016-May 2016 – Vice-President of the Board of Directors</p> <p>November 2015 – present Director in charge with the executive management</p> <p>Nov 2012- present BoD Member of SAI Muntenia Invest</p> <p>Nov 2008- Oct 2012 Vice-President of the BoD of SAI Muntenia Invest</p> <p>2006-Oct 2008: BoD Member of SAI Muntenia Invest</p> <p>2004-2006: Director, Conselor, BoD Member of SAI Muntenia Invest</p> <p>2002-2004: Director Management System SA</p> <p>1997-2002: Expert reviewer, Management Consultant, Risk capital agent, Deputy Director SAI Muntenia Invest</p> <p>1994-1997: Expert reviewer FPP IV Muntenia</p> <p>1992-1994: Economist, Brothers Trading SRL</p> <p>1990-1991: Economist Mecanoexportimport SA</p> <p>1989-1990: Economist ICMUG Giurgiu</p>	<p>President of the Board of Directors</p> <p>Directors in charge with the executive management</p> <p>Corporate Management Director</p>	13 years

SIF MUNTENIA. YEARLY ADMINISTRATOR'S REPORT FOR 2017

Name	Age	Qualifications	Professional experience	Position held	Period of holding this position
Adrian Simionescu	45	<p>2002–2007 Law Graduate, Bioterra Bucuresti University – Law Faculty 1996–2002 Doctor in Economy (PhD) Academy of Economic Studies – Faculty of International Economic Relations</p> <p>1995–1996 Masters - Quality Management and Crisis Management Academy of Economic Studies</p> <p>1990–1995 Economist - Academy of Economic Studies</p>	<p>2017–Present Member of the Board of Directors of S.A.I MUNTENIA INVEST S.A</p> <p>1998– Present President & General Director VIENNA INVESTMENT TRUST S.A. (former Finans Securities)</p> <p>2013– Present Member of the Board of Directors of DEPOZITARUL CENTRAL S.A.</p> <p>2013– Present Preident, FSA Authorised Lecturer at CENTRUL DE PREGATIRE FINANCIARA MILLENIUM</p> <p>1995–2001 University Lecturer Academy of Economic Studies</p> <p>1994–1998 Executive Director INSTITUTUL ROMAN DE INVESTITII</p>	Member of the Board of Directors	Fsa Authorisation no. 261/ 15.11.2017
Mircea Constantin	56	Engineer, graduated in 1987 Polytechnic Institute of Bucharest, Faculty of Automatic Control, Automation and Computers	<p>December 2016- present – Strategy director</p> <p>October 2012 - December 2016 - SAI Muntenia Invest SA Director of Strategy and Net Asset Calculation Direction</p> <p>2007- 2012 Member of the Board of Directors of SAI Muntenia Invest SA</p> <p>2005 - 2007 SAI Muntenia Invest SA Advisor</p> <p>1997 - 2007 SAI Muntenia INVEST SA. Strategy Direction. Director, Deputy Director, Head Office.</p> <p>1993 - 1997 FPP IV Muntenia respectively SIF Muntenia SA (since 1995) Strategy Directorate. Head office. Expert reviewer.</p> <p>1993 - 1994 FPP IV Muntenia Privatization Directorate. Reviewer</p> <p>1992 - 1993 National Privatisatoon Agency for Small and Medium Enterprises Development Department; Expert reviewer</p> <p>1987 - 1992 Research Centre for Automation Bucharest (CCAB) respectively SIAT SA (1990) Computing Center; System engineer</p>	Director empowered with the executive management Strategy Director	Authorised by the FSA in December 2016

SIF MUNTEANIA. YEARLY ADMINISTRATOR'S REPORT FOR 2017

Name	Age	Qualifications	Professional experience	Position held	Period of holding this position
Dorina Teodora Mihăilescu	57	<p>1996 - National School of Political and Administrative Studies - Faculty of Political Science</p> <p>1995 - National Defense College</p> <p>1984 - Academy of Economic Studies - Faculty of Commerce</p>	<p>Dec. 2013 - Aug. 2014 Financial Supervisory Authority - first vice-president cabinet - counselor</p> <p>Apr. 2013 - Oct. 2013 Financial Supervisory Authority - non-executive member</p> <p>Nov. 2007 - Apr. 2013 National Securities Commission - Commissioner</p> <p>2011 - 2013 European Systemic Risk Board - representative of the National Securities Commission (participation in Advisory Technical Committee and General Board)</p> <p>April 2008 - US SEC - International Institute for Securities Market Development - Washington D.C.</p> <p>June 2005 - Nov. 2007 National Securities Commission – Vice-President</p> <p>Dec. 2004 - May 2005 Parliament of Romania - Chamber of Deputies - Committee on Budget, Finance and Banks - deputy</p> <p>2001 - 2004 Government of Romania - Department for Institutional and Social Analysis - State Secretary</p> <p>1998 - 2000 Parliament of Romania - Chamber of Deputies - Counselor to the Cabinet of the Vice-President of the Chamber of Deputies</p> <p>Apr. 1997 - Sept. 2001 SIF 4 Muntenia - censor</p> <p>1993 - 1996 Government of Romania - General Secretariat of the Government - European Integration Directorate - Government Expert</p> <p>Septem. 1990 - 1992 Parliament of Romania - Chamber of Deputies - Deputy, member Economic Commission</p> <p>June - Sept. 1990 President of Romania - Director of the Head of the Department of Political Analysis</p> <p>1984 - 1990 ICSM Huedin, Cluj County – Economist</p>		Under authorisation

SIF MUNTEANIA. YEARLY ADMINISTRATOR'S REPORT FOR 2017

Name	Age	Qualifications	Professional experience	Position held	Period of holding this position
Nicușor Marian Buică	42	<p>Subengineer, in 1997 graduated Mechanics, Specialty Materials and Destructive Polytechnic University of Bucharest.</p> <p>Economist, graduated in 2003 University of Craiova, Faculty of Economics</p> <p>MBA, graduated from City University in 2005, State of Washington, USA</p>	<p>Dec 2017 - General Manager</p> <p>Dec 2016 – Dec 2017 Member of the Board of Directors of SAI Muntenia Invest</p> <p>Jun 2016 – 07 Dec 2016 Member of the Board of Directors of Swiss Capital S.A.</p> <p>May 2016 – Oct 2016 Director Romenergo</p> <p>Oct 2015 - Apr 2016 – State Secretary, European Funds Ministry</p> <p>Aug 2014- Dec 2014 – Councilor to the Delegated Ministry for Budget, Ministry of Public Finance</p> <p>March 2013 – March 2014 - State Secretary, Transportation Ministry</p> <p>June 2012 – November 2012 – Councilor to the State Secretary, Environment and Climate Ministry</p> <p>July 2010 – June 2012, President of the BoD of Dunapref S.A.</p> <p>January 2008 – May 2009, Commercial Director of Apolodor Com Impex</p> <p>February 2004 - July 2009 Compliance Officer SSIF Active International S.A.,</p> <p>Oct 2001- dec 2005 – Elpreco SA Craiova – development manager, executive manager, member of the BoD</p> <p>Jan 1998 – sept 2001- investment broker SSIF Active International</p>	<p>General Manager</p> <p>Member of the Board of Directors</p>	<p>General Manager (Authorisation no.307/21.12.2017).</p>

Statement regarding the application of corporate governance principles
For SIF Muntenia SA
according to the provisions of Annex to Regulation no. 2/2016

	Rules for corporate governance principles application	Conformity		If NO, explain
		YES	NO	
1	The regulated entity has stated in its Articles of Incorporation, the basic responsibilities of the council regarding the implementation and abidance by the corporate governance principles.		NO	SIF Muntenia SA is managed by SAI Muntenia Invest SA under the provisions of special legislation. SAI Muntenia Invest SA take over the functions of corporate governance and the Council of Shareholders Representatives has specific responsibilities set forth in the Articles of Incorporation
2	The corporate governance structures, positions, competencies and responsibilities of the Board and executive management/ higher management are stated in internal policies and/or internal regulations.	YES		By administrator SAI Muntenia Invest SA
3	The annual report of the regulated entity is accompanied by an explanatory note which describes relevant events in connection to the application of corporate governance principles, recorded during the financial year.	YES		
4	The regulated entity has drafted a communication strategy with the interested parties in order to insure proper information.	YES		By administrator SAI Muntenia Invest SA
5	The structure of the council insures, depending on the case, a balance between the executive and non-executive members so that no individual or close group of individuals can influence the decisionmaking	YES		By administrator SAI Muntenia Invest SA

	process			
6	The council meets at least once every three months in order to monitor the way the activity of the regulated entity is carried out.	YES		Both the Council of Shareholders Representatives and Board of Directors of SAI Muntenia Invest SA
7	The Board or executive/ higher management, depending on the case, regularly examines the policies regarding financial reporting, internal control and the risk administration/management system adopted by the regulated entity	YES		By administrator SAI Muntenia Invest SA
8	In its activity, the Board has the support of consultative committees that issue recommendations regarding various issues that are the object of the decision-making process	YES		By administrator SAI Muntenia Invest SA
9	Consultative committees submit the Board materials/reports regarding issues entrusted by these.	YES		By administrator SAI Muntenia Invest SA
10	In the internal procedures/policies/regulations are provisions regarding the selection of nominations for the individuals in the executive/higher management, the appointment of new individuals or extending the mandate of those already existent.	YES		By administrator SAI Muntenia Invest SA
11	The regulated entity makes sure that the members of the executive management/ higher management receive professional training so that they can fulfill their attributions efficiently.	YES		By administrator SAI Muntenia Invest SA
12	The key positions are set in such a way so that they are proper for the organizational structure of the regulated entity, and according to the regulations applicable to it.	YES		By administrator SAI Muntenia Invest SA
13	The Board regularly analyze the efficiency of the internal control system of the regulated entity and the updating method, in order to insure a rigorous management of the risks the regulated entity is exposed to.	YES		By administrator SAI Muntenia Invest SA
14	The audit committee makes recommendations to the Board, regarding the selection, appointment, name and replacement of the financial auditor, as well as the terms and conditions of its remuneration.	YES		By administrator SAI Muntenia Invest SA
15	The Board analysis, at least once a year and makes sure that the remuneration policies are consistent and have an efficient risk management.	YES		By administrator SAI Muntenia Invest SA
16	The remuneration policy of the regulated entity is foreseen in internal regulations that target the implementation and abidance by the corporate governance principles.	YES		By administrator SAI Muntenia Invest SA
17	The Board has adopted a procedure for the purpose of the proper identification and solving of conflict of interest cases.	YES		
18	The executive management / higher management, depending on the case, informs the Board about	YES		By administrator SAI Muntenia Invest SA

	conflict of interest once these occur and does not participate to the decision-making process connected to the conflict state, if these structures or individuals are involved in that particular conflict state.			
19	The council analyses, at least once a year, the efficiency of the risk administration /management system of the regulated entity.	YES		By administrator SAI Muntenia Invest SA
20	The regulated entity has drafted procedures regarding the identification, evaluation and management of significant risks to which it can or will be exposed.	YES		By administrator SAI Muntenia Invest SA
21	The regulated entity has clear action plans to insure the continuity of the activity and for emergency situations.	YES		By administrator SAI Muntenia Invest SA

SIF MUNTENIA SA

Through administrator

SAI MUNTENIA INVEST SA

Nicușor Marian Buică

General Manager

**Status of compliance with the provisions of the new BSE Corporate Governance Code
as at December 31, 2017**

Code provisions	Complies	Does not comply or partially complies	Observations
SECTION A - RESPONSIBILITIES			
A.1. All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	X		SIF Muntenia is administered by SAI Muntenia Invest SA, the asset management company under the provisions of general law and the special law governing investment management companies. SAI Muntenia INVEST activity is conducted under the supervision of ASF and the rules and internal procedures which have been notified by the FSA. SAI Muntenia INVEST took over corporate governance obligations for SIF Muntenia in their own activity. The references below to the board of directors and audit committee apply to the board of directors and the audit committee of SAI Muntenia Invest SA
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	X		SAI Muntenia Invest SA does not own holdings that enter into conflicts of interest with SIF Muntenia. Members of the Board of SAI Muntenia INVEST can take office only after obtaining the approval of the FSA. FSA documentation submitted by each member of the Board for an approval includes declarations from which arise potential conflicts of interest.

ANNEX

To the Administrator's Report
For the 2017 Financial Exercise

Code provisions	Complies	Does not comply or partially complies	Observations
A.3. The Board of Directors should have at least five members.		X	SIF Muntenia is managed by a legal entity, asset management company, regulated entity authorized and supervised by the FSA, according to capital market related legislation relating to undertakings for collective investment.
A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.	X		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	X		
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	X		
A. 7. The company should appoint a Board secretary responsible for supporting the work of the Board.	X		

Code provisions	Complies	Does not comply or partially complies	Observations
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	X		
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	X		Information will be presented in the annual report to be presented to the General Shareholders Meeting
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	X		Information will be presented in the annual report to be presented to the General Shareholders Meeting
A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		X	Board of SAI Muntenia Invest assumes the task of a nomination committee, to evaluate candidates for the director which is going to propose to the general meeting of shareholders of SAI Muntenia Invest.
SECTION B - RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM			

ANNEX

**To the Administrator's Report
For the 2017 Financial Exercise**

Code provisions	Complies	Does not comply or partially complies	Observations
B.1 The Board should set up an audit committee, and at least one member should be an independent non-executive. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.		X	Administrator audit committee is composed of two independent non-executive members of the board of SAI Muntenia Invest
B.2. The audit committee should be chaired by an independent non-executive member.	X		
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	X		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	X		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	X		
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	X		

ANNEX

**To the Administrator's Report
For the 2017 Financial Exercise**

Code provisions	Complies	Does not comply or partially complies	Observations
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	X		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	X		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	X		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee.	X		
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	X		

ANNEX

**To the Administrator's Report
For the 2017 Financial Exercise**

Code provisions	Complies	Does not comply or partially complies	Observations
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	X		
SECTION C - FAIR REWARDS AND MOTIVATION			
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	X		The remuneration policy of SAI Muntenia Invest SA for the services rendered as administrator of SIF Muntenia is presented in art. 13 of the Articles of Incorporation of SIF Muntenia.
SECTION D - BUILDING VALUE THROUGH INVESTORS' RELATIONS			
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	X		
D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	X		

ANNEX

To the Administrator's Report
For the 2017 Financial Exercise

Code provisions	Complies	Does not comply or partially complies	Observations
D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	X		
D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);	X		
D.1.4. Information related to general meetings of shareholders;	X		
D.1.5. Information on corporate events;	X		
D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;	X		
D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.	X		
D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.	X		
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. The forecast policy should be published on the corporate website.	X		

ANNEX

**To the Administrator's Report
For the 2017 Financial Exercise**

Code provisions	Complies	Does not comply or partially complies	Observations
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	X		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	X		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	X		
D . 7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	X		

ANNEX

**To the Administrator's Report
For the 2017 Financial Exercise**

Code provisions	Complies	Does not comply or partially complies	Observations
D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		X	The company aims to perform all necessary actions to comply.
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.		X	The company has not a policy of supporting different forms of artistic expression and cultural, sporting, educational or scientific activities.