

# **SOCIETATEA DE INVESTITII FINANCIARE MUNTENIA S.A.**



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

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# 1 GENERAL INFORMATION

## 1.1 PRESENTATION OF THE GROUP

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

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

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

1. Individual financial statements, prepared in accordance with the provisions of the **Financial Supervisory Authority Rule no. 39/2015** (hereinafter referred to in tables as R39 and in the text Rule 39) for the approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority of the Financial Instruments and Investments Sector.
2. Consolidated financial statements, prepared in accordance with the provisions of the FSA Rule no. 39/2015. The consolidated financial statements for the year 2017 include SIF Muntenia and its subsidiaries. In accordance with the requirements of the FSA Rule no. 39/2015, the Board of Directors of SIF Muntenia, as a mother company of the Group, has the obligation to elaborate **the consolidated report of the administrators**, showing the development and performance of the activities and the position of the entities included in the consolidation, viewed as a whole. The consolidated financial statements present comparative information with prior periods, being presented for use by the Group, its shareholders and the FSA and do not generate changes in dividend shareholders' rights.

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

## 1.2 DESCRIPTION OF CORE ACTIVITY

The core activities of the Group are:

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

## 1.3 CONSOLIDATION PERIMETER

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

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

On 31 December 2017, SIF Muntenia held control over 14 companies. Details of these are presented in the chapter "Presentation of subsidiaries".

All subsidiaries of the Company are headquartered in Romania on 31 December 2017 and 31 December 2016. For them, SIF Muntenia's holding in the share capital of the company is not different from the percentage of the votes held.

There were no changes in the consolidation perimeter, acquisitions or sales of subsidiaries in 2017.  
At 31 December 2017 and 31 December 2016, the Company does not have interests in associates.

## 2 PRESENTATION OF SIF MUNTENIA

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



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

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 an undertakings for collective investment company 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. Regulation no. 9/2014 regarding the authorization and functioning of the investment management companies, UCITS and the depositary of UCITS, FSA Regulation no. 10/2015 on the management of alternative investment funds, NSC Regulatio no. 1/2006 on issuers and transactions with securities.

SIF Muntenia was registered in the FSA Register for instruments and financial investments under the section investment companies of alternative or closed end 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. The most important operations, both in terms of value and in terms of impact on the portfolio structure, were those in the sub-portfolio of shares.

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

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

#### THE STRATEGIC OBJECTIVES FOR 2017 WERE:

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

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

SIF Muntenia reported a total value of the certified assets increased by 14% in 2017, a total increase of 21.1% compared to 31.12.2015. NAV and NAV per SHARE increased by 16% in 2017 (29.6% as of the end of 2015). 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 RON	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 net asset discount dropped 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 - regular market representing only 4.43% of the total number of shares).

<b>FINANCIAL RESULTS- RON</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
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

Shareholders' equity increased by 17.59% amid a debt decrease of 8.98%.  
Compared to the net profit of 2016, there was an increase of 1.23% in 2017.

<b>Financial ratios</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Net profit/FSA 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%

#### Transition to the organizational form as alternative investment fund

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

### 3 PRESENTATION OF SUBSIDIARIES

In the presentation tables of each subsidiary described in this chapter, the values of equity, income and profit are those presented in the financial statements prepared on 31.12.2016 and 31.12.2017 by each subsidiary according to the accounting regulations applicable to each of them (RAS, IFRS) and the quota held by SIF Muntenia within the company is the direct holding.

**If the subsidiaries had**

- Branches, work points;
- Research and development activities;
- Acquisition of own shares operations;
- Transactions with the company's shares in 2017 carried out by SIF Muntenia;
- Merger or significant reorganization in 2017.

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

The order of presentation of the subsidiaries is alphabetical.

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

Denomination	Address	CITY	Fiscal Code	Trade Registry number
AVICOLA SA BUCURESTI	16, SPLAIUL UNIRII, DISTRICT 4	BUCHAREST	1551768	J40/12/1991
BIOFARM SA BUCURESTI	99, LOGOFATUL TAUTU ST	BUCHAREST	341563	J40/199/1991
BUCUR SA BUCURESTI	25, VISINILOR SECTOR 2 ST.	BUCHAREST	1584234	J40/392/1991
CASA DE BUCOVINA-CLUB DE MUNTE S.A.	18, PIATA REPUBLICII	GURA HUMORULUI	10376500	J33/718/1998
CI-CO SA BUCURESTI	5, CAMPUL MOSILOR ALLEY	BUCHAREST	167	J40/472/1991
FIROS S.A BUCURESTI	100, TIMISOARA BVD	BUCHAREST	434492	J40/14598/91
FONDUL ROMAN DE GARANTARE A CREDITELOR PENTRU INTREPRINZATORII PRIVATI - IFN S.A.	46, MATASARI ST.	BUCHAREST	3682077	J40/7657/1993
GECSATHERM SA	82, ARMATEI ST.	TIRNAVENI	22409260	J26/1628/2007
MINDO SA DOROHOI	45, HERTA ST.	DOROHOI	622003	J07/125/91
MUNTENIA MEDICAL COMPETENCES SA	2A, PICTOR NICOLAE GRIGORESCU	PITESTI	23553484	J03/668/2008
SEMROM MUNTENIA SA BUCURESTI	28-30 ARISTIDE PASCAL ST.	BUCHAREST	351290	J40/895/1991
SEMROM OLTENIA SA CRAIOVA	7, EUGENIU CARADA ST.	CRAIOVA	10610146	J16/556/1998
UNISEM SA BUCURESTI	57, MIHAIL EMINESCU ST.	BUCHAREST	302	J40/14/1990
VOLUTHEMA PROPERTY DEVELOPER SA	16, SPLAIUL UNIRII, ROOM 508	BUCHAREST	23207014	J40/1945/2008

### 3.1 AVICOLA S.A. BUCURESTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	99.40%	99.40%
Listing market and symbol	BVB- AERO-AVBW	BVB- AERO-AVBW
Equity	54,679,323	57,849,999
Total revenues, lei	62,869,573	61,814,804
Net profit, lei	165,047	106,635
Average number of employees	170	176
Board of Directors	Claudiu Petrescu, Liliana Iancu, Remus Iliuță	Claudiu Petrescu, Liliana Iancu, Remus Iliuță
General Manager	Terez Zarug	Terez Zarug

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

Avicola Bucuresti S.A. holds 30.89% of Voluthema Property Developer SA, a subsidiary of SIF Muntenia.

Production activity was conducted on the following directions (NACE Code 0147, raising of poultry):

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

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

The activity takes place within 3 branches:

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

The market share on sales of consumption eggs is 4.8% at national level. On the market segment, the production of egg consumption ranked in 2017, on volume, among the top 5 producers in Romania.

In the year 2017 import and export activities were carried out with EU and Moldovan partners (eggs - export 18 mil eggs, import 1 mil eggs, chickens, export 0.5 mil pieces).

The company pursues a complex strategy of development, consisting of attracting European funds for the modernization of the existing technology, for additional investments and for the diversification of the fields in which it operates. In 2017 the Liquid egg factory was finalized, with European funds.

**Research and Development.** In 2017, two projects have been continued: "The use of Atmospheric Pressure Cold Plasmas to Destroy Microorganisms on the Area of the Consumption Eggs, in order to Increase Food Safety", "Obtaining Low Cholesterol Consumption Eggs, new product on the Romanian Market" and another research project was launched, on consumption eggs as enriched functional foods or carotenoids and microelements.

The increase in the profitability of Avicola Bucureşti is closely related to the retechnologisation of parts of the technological flow.

### 3.2 BIOFARM S.A BUCURESTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	50.98	50.98
Listing market and symbol	BVB-BIO	BVB-BIO
Equity	197,146,499	216,422,844
Total revenues, lei	152,121,117	170,232,296
Net profit, lei	29,477,747	36,027,723
Average number of employees	388	389
Board of Directors	Dănuț Vasile, Andrei Hrebenciuc, Dragoș George Bîlteanu, Najib El Lakis, Bogdan Alexandru Drăgoi	Dănuț Vasile, Andrei Hrebenciuc, Dragoș George Bîlteanu, Najib El Lakis, Bogdan Alexandru Drăgoi
General Manager	Dănuț Vasile	Dănuț Vasile

BIOFARM S.A. was established by GO 1224 as of 23.11.1990. Biofarm has as main activity the production and marketing of medicinal products for human use, NACE code 2120 "Manufacture of pharmaceutical products". The company owns the plots of land located in Bucharest, Bd. Iancu de Hunedoara, no. 42-44, Bucharest, Gura Bădicului Street, no. 202-232. The land in use located in Bucharest, Logofat Tăutu St. no. 99 is not included in the financial statements due to the fact that the ownership documents were not obtained, existing notices according to Law no. 10/2001.

The company has the following work points:

- București, Iancu de Hunedoara Bld., no. 42-44, sector 1, sole registration code 14008268.
- București, Gura Bădicului str, no. 202-232, warehouse for distribution of finished goods, sole registration code 30037915.
- Cluj-Napoca, Traian Vuia str., no. 206, sole registration code 26585871, warehouse for distribution of finished goods.
- Craiova, Decebal Bld., no.. 120 A, warehouse for distribution of finished goods.
- Arad, Câmpul Liniștii, no.1, warehouse for distribution of finished goods.
- Constanța, Interioară str., no..1, warehouse for distribution of finished goods.
- Iași, str. Aurel Vlaicu, nr. 78, corp C1, hala 1, Iași County, warehouse for distribution of finished goods.

Biofarm S.A. Bucharest is one of the first active sellers on the Romanian market of medicines and dietary supplements, having a portfolio of over 200 products. In the last seven years, the company has managed to double its sales. Biofarm retained its position among the top 10 Romanian producers, in terms of sales in commercial units, achieving a market share reported by Cegedim Romania of 3.5% of the total units sold to patients on the Romanian pharmaceutical market. In 2017, Biofarm S.A managed to maintain its upward trend in terms of profitability.

In 2017, exports accounted for 8% of sales; the company intends to increase the value of exports in the future years. Exports were mostly directed to Russia (50%), the Republic of Moldova 30%, and as for the rest, to most of the countries in the ex-Soviet space.

The production activity of the company was achieved in 2017 on production flows GMP certified (Good Management Practice), namely the flow of solid forms (coated and coated tablets), soft capsule flow, liquid flow (solutions and syrups), dietary supplements flow - chewables.

Biofarm S.A continued its investment program in 2017, mainly destined to the plant that the company is currently finalizing in the Gara Cățelu area in Bucharest. In the period 2015-2017, the investments in the new factory amounted to EUR 13.4 million. For the year 2018, the investment plan totals 8 million euros. The investments are made from own financing sources.

In the SGOA dated 07.11.2017, the Board of Directors of the company was re-elected for a four-year term.

### 3.3 BUCUR S.A BUCUREȘTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	67.98%	67.98%
Listing market and symbol	BVB- AERO-BUCV	BVB- AERO-BUCV
Equity	107,605,922	105,844,833
Total revenues, lei	23,295,582	21,131,001
Net profit, lei	325,810	685,870
Average number of employees	50	38
Board of Directors	Scripcaru Corneliiu Cătălin, Vasilica Uță, Emilia Iulia Blîndu	Scripcaru Corneliiu Cătălin, Mihailov Sergiu, Blîndu Iulia
General Manager	Scripcaru Corneliiu Cătălin	Scripcaru Corneliiu Cătălin

The company Bucur S.A. was founded in 1990 under the provisions of OG 1040/1990 , by transforming I.C.R.A Bucuresti. The company's object of activity is the wholesale and retail with food commodities and manufactured goods (NACE Code 4639), having as business partners both in Bucharest and in the country and services (rent, handling, storage) for producers and importers of goods. The main foods marketed by the company are: sugar, oil, canned vegetables, fruit, canned meat, milling products, dairy cheeses, food concentrates, coffee, sweets, etc.

The main markets are Bucharest, Ilfov Agricultural Sector, the cities: Cluj Napoca, Focsani, Giurgiu, Suceava, Zalau, Baia Mare, Alexandria, Bacau, Ploiesti, Brasov and Arad.

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

- Militari Complex – 41,794 m<sup>2</sup> – Bucharest, 56, Timișoara Bvd., district 6 – wholesale trade and provision of services (direct administration).
- Industriilor Complex - 32.298 m<sup>2</sup> - Bucharest, 53, Industriilor St., district 3 - wholesale trade and provision of services (direct administration).
- Rahova Complex - 14,638 m<sup>2</sup> - Bucharest, 196, Calea Rahovei, district 5 - provision services (direct administration).

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

In 2017, revenues from the sale of goods, in the amount of 14,331,271 lei, had the highest share in revenues, followed by revenues from renting of own real estate, amounting to 5,838,892 lei.

During the year 2016 the company started a company restructuring program both in terms of activity and personnel, in order to find new opportunities for efficient use of the company's assets, a program that continued in 2017. Investments were started at the Militari Complex, investments that will be completed in several stages and will make the activity of this complex more efficient. Investments were delayed as compared to the approved plan, due to Fire Fighting approvals and building permits. Construction will therefore begin in 2018.

In 2017 investments were made for the arrangement and modernization of the rental areas - mostly for the continuation of the retail park Timisoara no. 56.

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

	<b>31.12.2016</b>	<b>31.12.2017</b>
% held by SIF Muntenia	66.87%	66.87%
Listing market and symbol	BVB- BCM	BVB- BCM
Equity	35,219,308	37,258,905
Total revenues, lei	8,100,050	8,270,451
Net profit, lei	608,926	672,741
Average number of employees	78	78
Board of Administrators	Florica Trandafir, Ion Romica Tamas, Liana Marin, Mircea Constantin, Dumitru Florin Chiribucă	Florica Trandafir, Ion Romica Tamas, Liana Marin, Mircea Constantin, Dumitru Florin Chiribucă
General Manager	Ion Romică Tamas	Ion Romică Tamas

The company Casa de Bucovina –Club de Munte SA was founded in March 1998 as a private equity company with 6 private shareholders, with 6 founding shareholders, Romanian legal persons.

Casa de Bucovina -Club de Munte SA has as main activity the provision of hotel services, public catering and leisure services, sale of tourist packages, organization of conferences or events for companies from the country and abroad, etc. and according to NACE code - 5510 – the object of activity is defined as "Hotels and other similar accommodation".

The main asset of the company is a four-star hotel put into use in 2002, affiliated with the Best Western international chain located in Gura Humorului locality, Suceava county.

The hotel has the following facilities: 130 rooms / 220 seats, 2 restaurants (180 and 60 seats), 7 conference rooms with capacities from 25 to 280 seats, lobby bar (60 seats), terrace (40 seats) summer terrace, SPA area. Best Western Bucovina Hotel is still the only hotel that operates in an international franchise in the area of Bucovina monasteries, which gives it a higher degree of visibility for foreign tourists. The company also owns 175,880 square meters of land (located in Gura Humorului in the Ariniș Dendrological Park), out of which 172,392 sqm and 3,488 sqm in concession.

The services provided are in the most complete range: from basic hotel services (accommodation and catering), including packages for seminars, conferences or congresses to customized customer or group services.

By diversifying the customer base and the services offered, the company is not dependent on a single group of customers or destination, the loss of which would have a negative impact on revenues.

In 2017, revenues from services rendered accounted for 40.9% and revenues from the sale of goods accounted for 59.1% of the company's turnover. Both major segments (accommodation and food) recorded slight increases in revenues, especially on the basis of increased volume and less by raising the average tariff or selling prices.

In 2017 the company started a program to develop the relationship with local producers for the food raw materials - meat and dairy. In this way the supply of the refrigerated raw material has been achieved in a much larger proportion, thus ensuring an increase in the quality of the products offered.

For the year 2017, a series of repairs, replacements and endowments were made to ensure certain reductions in the hotel's maintenance costs or to increase the comfort level, amounting to 702,000 lei.

**3.5 CI-CO S.A. BUCURESTI**

	31.12.2016	31.12.2017
% held by SIF Muntenia	97.34%	97.34%
Listing market and symbol	BVB- AERO-CICO	BVB- AERO-CICO
Equity	56,790,999	50,225,340
Total revenues, lei	10,228,317	10,848,871
Net profit, lei	10,378,216	2,145,379
Average number of employees	41	32
Board of Directors	Pavel Avramoiu, Stoicescu Silviu Daniel, Scripcariu Corneliu Cătălin	Ion Sorin Ioneață, Sergiu Mihailov, Stefan Constantin
General Manager	Pavel Avramoiu	Ion Sorin Ioneață

The company was established on the basis of GO 1353/1990, taking over the activity of the juice manufacturer CI-CO.

The activity run by the Company had as main object Renting and Sub-renting of Own or Leased Real Estate (NACE Code 6820). In 2016, CI-CO amended its object of activity (and amended its constitutive act as a result of the approval of the SGA dated 10 October 2016) with real estate development and promotion activities, construction works, etc.).

Besides Obor Halls, CI-CO also has a working point in Bucharest, Maltopol Street, no. 23 sector 1, where no activity is run.

In 2017, an investment program was launched on the basis of the 2016 projects and rehabilitation works worth 4.5 million lei were carried out at the " Obor Main Halls ", the main asset of the company, which is included in the list of historical monuments in Bucharest.

After the SGOA of 27 April 2017, the company's profit remained undistributed, and a new SGOA dated 27.11.2017, determined the distribution of dividends of 9.967246 lei per share.

The share capital was increased in 2015 by the amount of 6.115.375 lei following the SGEA decision dated 15.01.2015. The term for the payments established by the decision of the Board of Directors of CI-CO S.A. was 3 years from the date of the publication of the SGM decision related to the increase, respectively until 16 February 2018.

**Subsequent event**

SIF Muntenia paid the contribution of 4,190,550 RON representing 1,676,220 new shares within the deadline established, thus finalizing the submission of the contribution to which it committed itself.

**3.6 FIROS S.A. BUCURESTI**

	31.12.2016	31.12.2017
% held by SIF Muntenia	99.69%	99.69%
Listing market and symbol	unlisted	unlisted
Equity	40,429,363	47,580,105
Total revenues, lei	44,804,702	54,471,784
Net profit, lei	1,635,780	2,735,803
Average number of employees	65	74
Board of Directors	Bogdan Alexandru Drăgoi, Ioana Mihaela Petrescu, Florica Trandafir	Bogdan Alexandru Drăgoi, Ioana Mihaela Petrescu, Florica Trandafir
General Manager	Daniel Pop	Daniel Pop

The company was founded on the basis of GO no. 1200 of 12 November 1990 on the establishment of joint stock companies in the industry, having as object of activity the manufacture of glass yarns and fabrics.

The company was restructured by SIF Muntenia, the majority shareholder, the new field of activity being the production and commercialization of construction materials.

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

During 2017, the company's management continued the development process of the company, started in 2013, with the main purpose of using the assets of the company and increasing the volume of production and sales so that the company gains an important place on the market it operates.

The company produced, both under its own label and under private label, more than 10% of the quantities produced in the previous year. The company's products are sold to retailers, wholesale warehouses, construction companies, other individuals and businesses.

The company managed to increase its turnover by over 17% and profit by over 65% over last year through a coherent sales policy and the establishment of a mix of products to ensure high profitability.

The investments made were closely related to the optimization of the company's operation activity, both for the mortar & adhesives plant and for the expanded cellular polystyrene plant, maintenance and repair of the infrastructure - financed from its own sources.

### 3.7 FONDUL ROMÂN DE GARANTARE A CREDITELOR PENTRU ÎNTRERINZĂTORII PRIVAȚI - IFN S.A.

	31.12.2016	31.12.2017
% held by SIF Muntenia in the company's share capital	53.60%	53.60%
Listing market and symbol	unlisted	unlisted
Equity RON	27,851,495	28.046.293
Total revenues, RON	2,802,576	3,166,726
Net profit, RON	316,690	395,535
Average number of employees	13	12
Board of Directors	Olivia Ștefănescu, Ioan Nicolescu, Diana Vereș	Olivia Ștefănescu, Ioan Nicolescu, Diana Vereș
General Manager	Sorin Coclitu	Vasile Jianu

Fondul Român de Garantare a Creditelor (FRGC) is a financial institution set up as a joint stock company with 100% private Romanian capital, which has as main activity other crediting activities (NACE code 6492) consisting of "undertaking commitments to guarantee loans and other banking products and services contracted by Romanian entrepreneurs, natural or legal persons, private and / or privately owned. "

It is the first guarantee fund created in Romania, set up in 1993, at the recommendation of the World Bank. FRGCIF IFN SA grants guarantees to commercial banks in Romania for investment loans and working capital for economic agents.

FRGC's work focuses on providing high-quality services to help:

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

Through the specifics of the activity carried out, FRGCIF IFN S.A issues guarantees to the partner banks in favor of the clients, who are the beneficiaries of the bank loans. The portfolio of guarantees issued is reflected off the balance sheet of the company, according to RCR financial statements, per client.

The revenues of the company are largely represented by income from guarantee commitments in favor of credit institutions, interest on investment securities in its own portfolio and interest on bank deposits and revenues from renting out of surplus space.

Main areas of activity for the guarantees in the FRGCIP IFN SA portfolio in 2017: Trade 33%; Industry 30%; Service provision 19%; IT 13%; Constructions 5%; Transportation 1%.

### 3.8 GECSATHERM S.A. TÂRNĂVENI

	31.12.2016	31.12.2017
% held by SIF Muntenia	50.00%	50.00%
Listing market and symbol	unlisted	unlisted
Equity	21,124,353	21,580,833
Total revenues, lei	14,858,366	14,121,922
Net profit, lei	974,118	913,511
Average number of employees	39	43
Board of Directors	Vetroconsulting S.R.L permanently represented by Mr. Mărginean Alin Cristian (Chairman), Stratan Tiberiu, Conlisa S.R.L, permanently represented by Mr. Mărginean Ciprian	Vetroconsulting S.R.L permanently represented by Mr. Mărginean Alin Cristian (Chairman), Stratan Tiberiu, Conlisa S.R.L, permanently represented by Mr. Mărginean Ciprian
General Manager	Mărginean Alin Cristian	Mărginean Alin Cristian

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

The main activity is NACE code 2314 - Manufacture of glass fibers.

The main activity of the company is the production of mineral glass wool, used for thermal and sound insulation, in particular for attics, exterior walls, floor planes, isolation of interior walls for partitioning of drywall, for metallic halls and industrial equipment. The company produces rolled mats and glass wool tablets of various thicknesses and densities, rigid and semirigid mineral wool sheets.

In a very large proportion recycled glass waste is used as a raw material, the reduction of waste from the production process being a constant concern within the company.

Gecsatherm S.A has gradually grown its market share each year, reaching a 30% market share in the domestic market in 2016. Gecsatherm remained the only independent mineral wool producer in Romania.

The capacity of the plant is 6,000 tonnes / year, which in 2016 and 2017 was fully utilized - sales were at the production capacity. Turnover and profit in 2017 were lower than in 2016, because in 2016 sales were also made from products on stock at the end of 2015.

### 3.9 MINDO S.A. DOROHOI

	31.12.2016	31.12.2017
% held by SIF Muntenia	98.02%	98.02%
Listing market and symbol	BVB- AERO-MINO	BVB- AERO-MINO
Equity	8,180,935	4,301,236
Total revenues, lei	29,231,380	33,904,674
Net profit, lei	1,421,929	1,302,620
Average number of employees	67	64
Board of Administrators	Tiberiu Stratan, Marius-Gabriel Ilie, Alexe Valentina	Tiberiu Stratan, Marius-Gabriel Ilie, Liliana Iancu
General Manager	Șerban Dragoș Căzănișteanu	Șerban Dragoș Căzănișteanu

Since 1967, Mindo S.A has been active in the mining industry (quartz sands and silex balls), initially exploiting the mine from Miorcani and then from Hudești, Botosani County. MINDO S.A Dorohoi was established by GO no. 1361 of 29 December 1990 on the establishment of joint stock companies in the industry. As a result of the involution of the Romanian glass industry, for which Mindo was a leading provider of quartz sands, the company had to expand its scope of activity by focusing on the building materials market (NACE Code 2364) by developing a dry mortar division and adhesives under the MINDOPLAST® brand. In 2012 the investment "Expanded polystyrene production" was completed.

Due to its geographical position, the not-so-efficient level of the equipment used, as well as the fact that it is not eligible for bank loans, not having valuable land and buildings, the company failed to gain profit in 2017, although sales increased in 2017, both quantitatively and in terms of value. More than 500,000 lei of the registered loss are receivables not collected for several years, for which, although recovery proceedings has taken place, there are no chances to recover the amounts because the companies are bankrupt.

In 2017, an investment was made in an automatic palletizing line (cost of equipment - 75,000 euros), plus installation and fitting out, which will be completed in 2018.

### 3.10 MUNTENIA MEDICAL COMPETENCES S.A. PITEȘTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	98.94%	98.94%
Listing market and symbol	unlisted	unlisted
Equity	-8,658,796	6,278,350
Total revenues, lei	13,825,681	16,141,445
Net profit, lei	-12,687,191	787,142
Average number of employees	120	121
Board of Directors	Maestro SPRL	Maestro SPRL
General Manager	Filimon Gabriel	Ovidiu Palea

The company was founded in 2008, with Romanian private capital, the main investor being SIF Muntenia. The construction of the clinic began in 2008 and was completed in 2010 as a specialized Ambulatory Hospital and Medical Analysis Laboratory.

Muntenia Hospital provides various **medical services**: specialized ambulatory consultations and investigations, integrated imaging platform with high-performance investigations (MRI, CT), surgical interventions and medical procedures in day and continuous hospitalization (total 45 beds), Medical Analyzes Laboratory, Recovery Laboratory, Physical Medicine and Balneology, Surgery Area. The services of the clinic can be

accessed by persons who are insured in the state system (CNAS and OPSNAJ), through a series of private insurers and by direct payment by anyone.

The **Target (the main target group of service beneficiaries)** identified for Muntenia Hospital is the population group in Pitesti and Argeş County, of both sexes, medium-high education, medium-high income, dynamic lifestyle, health concern and prevention of illnesses, with access to health information / knowledge, mostly employees. The **private medical services market** in which Muntenia Hospital operates include, besides the over 350 individual medical practices of family doctors operating in Argeş County, over 100 private medical units providing medical, imaging, ambulatory, in day or continuous hospitalization in almost all medical specialties.

The **company's turnover** also increased in 2017 as compared to 2016, continuing the upward trend over the past 5 years, and the number of patients accounted to 100,000. The achievements of 2017 are 15.7% higher than in the previous year. In descending order of achievements, the departments are presented as follows: Specialized Ambulatory, Day Hospitalization, Medical Recovery, Imaging, Laboratory and Continuous Surgical Hospitalization.

The investments made in 2017 amounted to 406,448 lei, aimed at increasing the endowment with equipment.

#### **Insolvency and judicial reorganization proceedings**

During 2017 the company was in the reorganization plan. Given that the payments were made according to the payment schedule, the reorganization plan was completed before the 3-year term, the Special Administrator proposed closing the judicial reorganization procedure and the reintegration of the company into normal economic activity.

By decision 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 December 2017, the insolvency proceedings were filed with NTRO Argeş and published in the Insolvency Bulletin.

#### **Subsequent event**

The SGM held on 16.02.2018 appointed a new Board of Directors, consisting of Ovidiu Nicolae Palea, Cristina Gabriela Gagea, Crinu Iliuță Nuță. The articles of incorporation was fully updated to comply with legislative changes and reflect the specifics of the company's business.

### **3.11 SEMROM MUNTENIA S.A. BUCURESTI**

	31.12.2016	31.12.2017
% held by SIF Muntenia	90.68%	90.68%
Listing market and symbol	BVB- AERO- SEOM	BVB- AERO- SEOM
Equity	64,634,610	61,218,193
Total revenues, lei	26,699,354	42,300,746
Net profit, lei	25,893,792	2,755,845
Average number of employees	231	173
Board of Directors	Iuliana Cernat, Ilie Marius Gabriel, Roşu Gabriela	Iuliana Cernat, Alina Constantinescu, Andrei Mihailov
General Manager	Iuliana Cernat	Iuliana Cernat

Semrom Muntenia S.A. is the successor of SEMROM S.A. Bucharest, which, through restructuring and in accordance with the ASAL program and the SGM decision as of 21.10.1997, was divided into 5 trading companies by geographical area. The basic activity consists in the contracting, production, processing and marketing of cereal seeds, technical and forage plants – NACE Code 4621 Wholesale of grain, seeds, forage and raw tobacco.

According to commercial agreements, Semrom Muntenia multiplies, conditional, treats and sells seeds of the following species: corn, sunflower, wheat, barley, rape, peas, oats, soybean, lucerne, mustard and other seed species. It also sells chemical fertilizers, pesticides and herbicides. The service rendering for agricultural producers consists of taking over, receiving, processing, treating and packing seeds as well as storing them.

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

The company faces a very strong competition environment on the seed trading market.

In 2017, turnover grew by more than 48% due to increased revenue from the sale of goods / distribution of agricultural inputs.

In the SGM held on 28.09.2017 the shareholders approved the closure of the Ciulnița seed plant and the closure of the Agrosem Slobozia Branch and their deregistration from the Trade Register Office, following the sale of the assets. At present, the main processing, conditioning and treatment plants are located in Urziceni, Braila, Calarasi and Tecuci, where seeds from corn, sunflower, lucerne, peas, wheat, barley, oats and soy are processed.

Two new directors were elected following the expiry of the mandates of the previous ones. In the SGEM as of 28.09.2017 the sale by auction of two other assets was approved. The assets of Medgidia and Fetești were sold in 2017.

### 3.12 SEMROM OLTENIA S.A CRAIOVA

	31.12.2016	31.12.2017
% held by SIF Muntenia in the company's share capital	88,50%	88,50%
Listing market and symbol	BVB- AERO- SEOL	BVB- AERO- SEOL
Equity RON	16,597,969	17,516,490
Total revenues, RON	16,046,402	17,092,501
Net profit, RON	401,124	428,398
Average number of employees	61	59
Board of Directors	Laurențiu Parghel, Corneliu Dia, Daniela Topor	Laurențiu Parghel, Corneliu Dia, Daniela Topor
General Manager	Laurențiu Pârghel	Laurențiu Pârghel

Semrom Oltenia S.A was established in 1998 by dividing SEMROM S.A. Bucharest in 5 Zonal Companies. The main activity of Semrom Oltenia S.A. is the production, processing and trading of grain seeds, technical and forage crops, but the emergence on the seeds market of a significant number of traders imposed the diversification of the company's object of activity, namely the purveyance and sale of fertilizers and pesticides, conditioning services for various seed producers, warehouse rental etc., the main activity being the cultivation of cereals (excluding rice), (NACE Code 0111) of leguminous plants and oilseed plants.

It consists of eight subunits territorially dispersed in Oltenia, called work points, as follows:

1. Argeș Work Point, located in Pitești;
2. Dolj Work Point, located in Boureni;
3. Gorj Work Point, located at Tg. Cărbunești;
4. Mehedinți Work Point, located in Șimian;
5. Olt Work Point, located in Caracal;
6. Teleorman Work Point, located in Alexandria;
7. Vâlcea Work Point, located in Drăgășani;
8. Pavaloi Farm Work Point, Bărgăști, Olt County.

Starting in 2015, as a result of a restructuring program, the company began to make profits. Due to the fact that the company has contracted loans as early as 2008, which are overdue and rescheduled loans, the restructuring program includes sales of assets, assets mortgaged at Banca Comercială Română SA. Thus, all sales of assets were made with the consent of BCR to reduce the risk of foreclosure and to pay overdue debts to the bank. Also, assets whose activity was not profitable for the company were sold. The lands and buildings sold in 2017 were in Olt Work Point, Caracal and Boureni locations.

In 2017, the volume of bank loans continued to decline as a result of the reimbursement of the installments according to the loans scheduling agreed with BCR.

In 2017, the income from the sale of the goods had a weight of 84.46%, the rental income of 6.46%, the income from the executed works 5.20% and the income from the sale of the assets 3.88%.

### 3.13 UNISEM S.A. BUCURESTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	76.91%	76.91%
Listing market and symbol	BVB-AERO UNISEM	BVB-AERO UNISEM
Equity	51,622,306	50,063,998
Total revenues, lei	13,155,824	12,454,234
Net profit/ net loss, lei	564,097	-1,875,394
Average number of employees	59	57
Board of Directors	Roșu Bogdan Nicolae, Mircea Constantin, Daniel- Silviu Stoicescu	Roșu Bogdan Nicolae, Mircea Constantin, Daniel- Silviu Stoicescu
General Manager	Roșu Bogdan Nicolae	Roșu Bogdan Nicolae

Unisem S.A. was established on the basis of Government Decision no. 1273 of 8.12.1990, by transforming into a commercial company, according to Law 15/1990 of "Întreprinderii pentru Valorificarea Semințelor de Legume și Material Săditor București".

The company carries out activities in the fields of: agricultural production, trade and services for agriculture, specializing in the production, acquisition and sale of vegetable and vegetable seeds, vegetables, flowers, forage crops and potatoes. NACE Code 4621 Wholesale of grain, seeds, forage crops and unprocessed tobacco.

The company is organized in 4 Zonal Centers: Ilfov, Neamt, Suceava, Sălaj and operates through shops for retail trade, warehouses for wholesale trade and a packing and storage unit. The company has also developed two other channels for distribution of goods, namely online sales platforms (its own website [www.proseeds.ro](http://www.proseeds.ro), emag, marketplace and [olx.ro](http://olx.ro)), direct sales through sales representatives.

In 2017, revenues from the sale of goods accounted for more than 70% of revenues, rental income 12%, and proceeds from the sale of assets 10%.

The increase in fixed assets of the company was due both to the revaluation of tangible assets at the end of 2016 and to the acquisition of new assets.

The loss recorded in 2017 was due to a cumulative decrease in assets from sales of assets from RON 5.57 mn in 2016 to RON 1.29 mn in 2017, the increase in depreciation expense as a result of the revaluation at the end of the year 2016, from RON 0.977 million in 2016 to RON 1,254 million in 2017 and the recording of expenses on provisions for depreciated goods and uncollected historical customers (RON 1,3 million in 2017 compared to RON 0,488 million in 2016).

#### Subsequent event

By the decision of the SGM dated 08.01.2018, a new Board of Directors was appointed after the expiry of the mandate of the previous one, consisting of Mircea Constantin (Chairman), Bogdan Ilie Popescu and Laurentiu Parghel. The Board of Directors appointed Mr. Andrei Nicolae Mihailov as General Manager.

### 3.14 VOLUTHEMA PROPERTY DEVELOPER SA BUCURESTI

	31.12.2016	31.12.2017
% held by SIF Muntenia	69.11%	69.11%
Listing market and symbol	unlisted	unlisted
Equity	40,665,562	55,637,265
Total revenues, lei	3,533,510	28,565,121
Net loss/ net profit, lei	-5,916,350	14,971,703
Average number of employees	21	21
Sole Administrator	Tatiana Leahu	Tatiana Leahu

Voluthema Property Developer was founded in 2008 by taking over some real estate assets owned by SIF Muntenia and Avicola Bucharest.

Thus, besides SIF Muntenia, Avicola Bucuresti, part of the SIF Muntenia group, owns 30.89% of the share capital of Voluthema Property Developer SA as a result of the contribution to Voluthema share capital of a land that could no longer be used for the company's main object of activity.

The main object of activity is "Lease and sublease of own real estate" – NACE code 6820.

The Company owns the following plots of land and buildings:

- Muntenia Business Center building, located in Bucharest, Splaiul Unirii street no. 16 (with 874.8 sqm land), commercial property of office space, built-up area 11,190 sqm, total useful area 8,530.16 sqm, with a rentable area of 5,671 sqm, built in 1996. Muntenia Business Center is a B-class office building with a GF + M + 10 floors, 4 elevators of 6 people and 2 elevators of 4 people;
- Land located in Bucharest, 2 Jandarmeriei St., sector 1 (in the Băneasa forest) with an area of 7,060 square meters, which was sold in 2017;
- Urban land located in Ciolpani commune Ilfov County, with an area of 18,591.15 sqm.

Operational revenues increased in 2017 as compared to 2016 (when rents did not change significantly, and the average occupancy of the office building in Splaiul Unirii 16 increased from 89% in 2016 to 99% in 2017) - rental income increased by about 15%.

The loss in 2016 was due to the revaluation of the Company's assets.

In 2017, Voluthema organized an open auction for the sale of the plot of land on Jandarmeriei Street. The auction ended with the sale of the land at the price of 650 eur / sqm (total price 4,589,000 euros for a land of 7,060 sqm) (trascation profit - 11.67 mil lei).

The SGM dated 26.10.2017 was decided that SIF Muntenia and Avicola Bucuresti would withdraw part of the capital contribution by reducing the company's share capital by 17 million lei to 29.3 million lei, also by amending the articles of incorporation of the company. The share capital is reduced by returning to shareholders a share of contributions reducing the number of shares.

**Subsequent event:** The decrease in the share capital was registered with the NTRO on 10.01.2018, the participation quota of the shareholders remaining unchanged.

## 4 SUMMARY OF GROUP'S CONSOLIDATED FINANCIAL DATA AS OF 31.12.2017

### 4.1 ASSUMPTIONS IN PRESENTING CONSOLIDATED STATEMENTS

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

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

The accounts of the Company's subsidiaries are maintained in RON, this being the functional currency of all companies in the Group, in accordance with Romanian Accounting Regulations ("RAS"), except Casa de Bucovina S.A. and Biofarm S.A., which prepare financial statements according to IFRS using IFRS as accounting basis, according to legal provisions in force applicable to these companies, starting with 2012.

These accounts have been restated to reflect differences in the accounts according to IFRS and RAS. Correspondingly, accounts according to RAS were adjusted, where necessary, to harmonize the financial statements, in all material respects, with IFRS as adopted by the European Union.

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

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

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

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

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

➤ **Investments held to maturity**

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

➤ **Loans and receivables**

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

➤ **Financial assets available for sale**

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

## 4.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RON	31 December 2017	31 December 2016
<b>Asset</b>		
Cash and bank deposits	137,522,874	175,842,939
Financial assets at fair value through profit or loss	103,976,353	84,736,635
Financial assets available for sale	740,304,867	561,882,211
Loans and receivables	126,583,029	113,490,441
Inventory	44,899,962	38,748,708
Fixed assets held for sale	5,852,603	9,336,953
Real estate investments	216,097,639	205,696,019
Intangible assets	69,356,476	77,860,782
Tangible assets	302,875,860	303,398,318
Other assets	38,136,377	33,500,143
<b>Total assets</b>	<b>1,785,606,040</b>	<b>1,604,493,149</b>
<b>Liabilities</b>		
Distributed and dividends reserves to be paid	57,014,924	83,804,789
Commercial liabilities and other liabilities	93,138,013	80,931,285
Loans	19,011,785	20,278,375
Liabilities on deferred income tax	65,294,440	49,494,934
<b>Total liabilities</b>	<b>234,459,162</b>	<b>234,509,383</b>
<b>Equity</b>		
<b>Equity related to the shareholders of the Company</b>		
Share capital	80,703,652	80,703,652
Hyperinflation effect - IAS 29	803,294,017	803,294,017
Reserves from revaluation of financial assets available for sale	232,358,948	148,557,349
Reserves from revaluation of tangible assets	150,371,232	142,622,659
Accumulated Gain/ loss	74,143,701	(11,778,664)
	<b>1,340,871,550</b>	<b>1,163,399,013</b>
Interests without control	210,275,328	206,584,753
<b>Total equity</b>	<b>1,551,146,878</b>	<b>1,369,983,766</b>
<b>Total liabilities and equity</b>	<b>1,786,606,040</b>	<b>1,604,493,149</b>

The difference between total assets of the consolidated financial statements of the group and SIF Muntenia's individual financial statements is of 37,43% (2016: 42.19%), representing the cumulative effect of

consolidations of subsidiaries' assets with those of SIF Muntenia and recording specific adjustments to the consolidated financial statements of eliminating transactions and outstanding balances in the group.

The Group recognizes the changes in the share capital only after their approval by the General Meeting of Shareholders and their registration with the Trade Registry. Contributions made by the shareholders, which are not yet registered with the Trade Register at the end of the year, are recognized in "Shareholders' contributions in kind, paid in advance".

#### Equity adequacy

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

The Group's equity includes the share capital, various types of reserves and the accumulated gain or loss. The equity amounted to 1,551,146,878 lei as at 31 December 2017 (31 December 2016: to 1,369,983,766 lei).

#### Other reserves include:

- Legal reserves - constituted as 5% of the profit before tax according to the individual statutory financial statements of Group companies, until the total legal reserves reach 20% of the paid-up share capital of each company in accordance with the legal provisions. These reserves are deductible in the income statement and are not distributable.
- Other reserves constituted in accordance with the legislation in force.

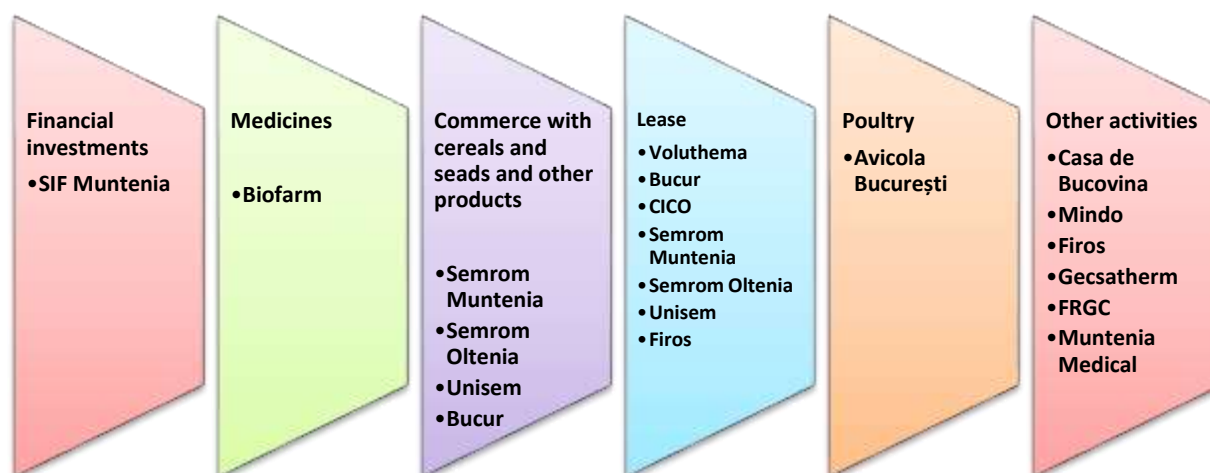
### 4.3 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER ELEMENTS OF COMPREHENSIVE RESULT

In LEI	2017	2016
<b>Operating revenues</b>	<b>487,913,184</b>	<b>441,290,089</b>
Other revenues and gains	28,873,523	15,161,549
Changes in inventories and capitalized production	(1,218,810)	(5,588,227)
Operating expenses	(381,555,101)	(344,396,496)
Loss from depreciation of assets	(5,670,097)	(24,329,868)
Other expenses	(28,447,098)	(24,649,431)
<b>Operating Profit</b>	<b>99,895,601</b>	<b>57,487,616</b>
Financing expenses	(495,927)	(645,346)
<b>Profit before tax</b>	<b>99,399,674</b>	<b>56,842,270</b>
Income tax	(14,825,648)	(11,754,016)
<b>Net Profit</b>	<b>84,574,026</b>	<b>45,088,254</b>
<b>Other elements of comprehensive result</b>		
<b>Elements which are or can be transferred to profit or loss</b>		
Net increase in the fair value of financial assets available for sale, net of deferred tax	91,503,732	23,738,086
Decrease of reserve due to the sale of financial assets available for sale	(7,657,257)	(13,791,497)
Items that can not be reclassified to profit or loss		
Changes of reserve from revaluation of tangible assets	12,591,007	12,066,095
<b>Total other elements of comprehensive result</b>	<b>96,437,482</b>	<b>22,012,684</b>
<b>Total comprehensive result</b>	<b>181,011,508</b>	<b>67,100,938</b>

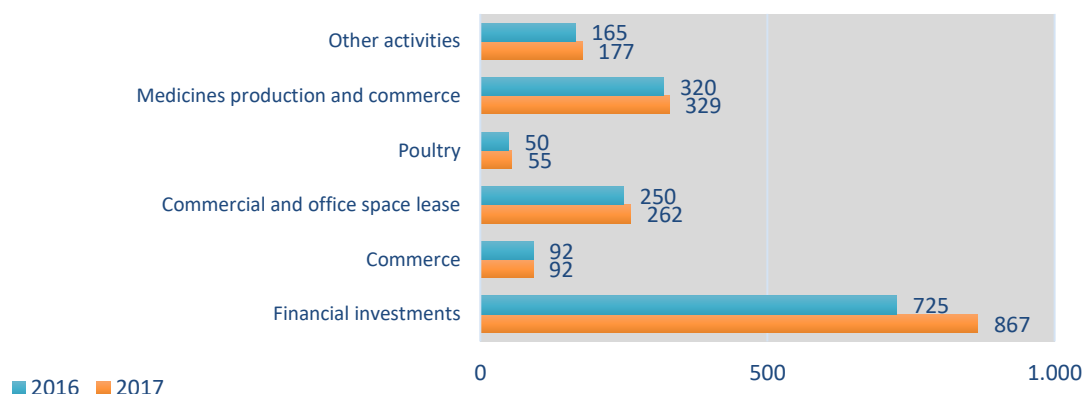
#### 4.4 REPORT BY SEGMENTS OF ACTIVITY

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

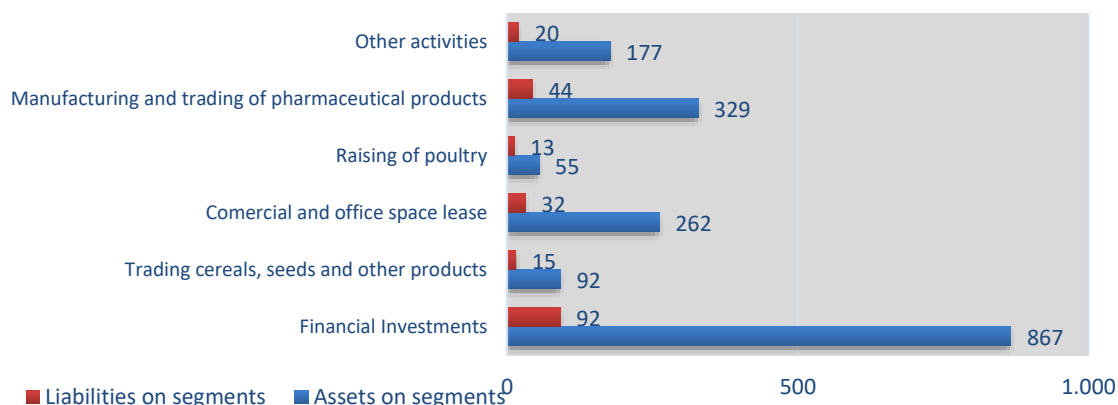
The Group comprises the following main segments of activity:



#### ASSETS BY SEGMENTS, 2017 VERSUS 2016, MN LEI



#### ASSETS AND LIABILITIES ON SEGMENTS, 31.12.2017, MN LEI



The largest growth was recorded in the Financial investments sector, by 19.5%, due to the increase in the fair value of financial instruments in SIF Muntenia's portfolio.

#### Revenues and results by segments in 2017

In LEI	Financial investments	Commerce with cereals and seeds and other products	Lease of commercial spaces and offices	Poultry	Produce and sales of medicines	Other activities	Eliminations	Consolidated
Revenues								
Third party revenues	92,288,245	76,780,146	39,961,301	48,360,550	170,007,519	89,388,946	-	516,786,707
Revenues among segments	-	235,462	219,118	-	-	17,844,302	(18,298,881)	-
<b>Total revenues</b>	<b>92,288,245</b>	<b>77,015,608</b>	<b>40,180,418</b>	<b>48,360,550</b>	<b>170,007,519</b>	<b>107,233,248</b>	<b>(18,298,881)</b>	<b>516,786,707</b>
<b>Result</b>								
Result by segments	56,363,328	(3,070,611)	20,297,433	1,725,228	30,745,990	6,055,453	(13,979,618)	98,137,203
Interest revenues	635,520	56,039	341,358	3,697	191,148	662,686	(132,896)	1,757,551
<b>Operating profit</b>	<b>56,998,848</b>	<b>(3,014,572)</b>	<b>20,638,791</b>	<b>1,728,925</b>	<b>30,937,137</b>	<b>6,718,138</b>	<b>(14,111,667)</b>	<b>99,895,601</b>
Financing expenses	-	(39,884)	(3,936)	(137,935)	(5)	(447,064)	132,896	(495,927)
<b>Profit before tax</b>	<b>56,998,848</b>	<b>(3,054,456)</b>	<b>20,634,855</b>	<b>1,590,991</b>	<b>30,937,132</b>	<b>6,271,075</b>	<b>(13,978,771)</b>	<b>99,399,674</b>
Income tax	(5,993,521)	(910,978)	(922,596)	(110,757)	(6,650,299)	(237,497)	-	(14,825,648)
<b>Net profit/(Net loss)</b>	<b>51,005,327</b>	<b>(3,965,434)</b>	<b>19,712,259</b>	<b>1,480,234</b>	<b>24,286,833</b>	<b>6,033,578</b>	<b>(13,978,771)</b>	<b>84,574,026</b>

## 4.5 USE OF FINANCIAL INSTRUMENTS

### Financial assets at fair value through profit or loss

As of 31 December 2017 and 31 December 2016 financial assets at fair value through profit or loss are represented by shares issued by companies listed on the Bucharest Stock Exchange, listed structured products, fund units.

*Further details are presented in Note 17 „Financial assets and liabilities” to the consolidated financial statements.*

In LEI	31 December 2017	31 December 2016
Financial assets held for trading - shares	560,922	16,242,205
Financial assets held for trading – structured products	98,683,282	64,226,991
Financial assets designated at fair value through profit or loss – fund units	4,732,149	4,267,439
<b>Total</b>	<b>103,976,353</b>	<b>84,736,635</b>

### Financial assets available for sale

In LEI	31 December 2017	31 December 2016
Shares evaluated at fair value	480,799,410	368,326,810
Fund units evaluated at fair value	179,731,361	112,564,460
Total financial assets available for sale – measured at fair value	660,530,771	480,891,270
Shares evaluated at cost	79,774,096	80,990,941
<b>Total</b>	<b>740,304,867</b>	<b>561,882,211</b>

### Revenues from investments

În LEI	31 December 2017	31 December 2016
Dividend income	21,036,276	46,627,576
Lease income	21,620,171	19,985,038
Interest income related to deposits and current bank accounts	1,500,726	2,162,491
Interest income related to loans and liabilities	136,095	132,672
Interest income related to investments held till maturity	120,730	115,792
Income from re-invoicing of utilities related to real estate investments	386,727	341,221
<b>Total</b>	<b>44,800,725</b>	<b>69,364,790</b>

Dividend income is registered at gross value.

**Net profit from financial instruments**

In LEI	31 December 2017	31 December 2016
Net profit from sale of financial assets available for sale	11,915,976	37,377,933
Net profit from revaluation of financial assets held for trading – shares	4,663,136	122,856
Net profit/ (Net loss) from revaluation of financial assets held for trading - structured products	34,200,471	(2,816,766)
Net loss from revaluation of financial assets designated at fair value through profit or loss – fund units	(135,290)	(6,459,309)
<b>Total</b>	<b>50,644,293</b>	<b>28,224,714</b>

Historical cost of financial assets available for sale evaluated at cost at the moment of sale was of 26,095,338 lei (2016: 48,073,794 lei) and the profit on sale amounted to 2,553,912 lei (2016: 17,796,846 lei).

Historical cost of financial assets available for sale evaluated at fair value at the time of sale was of 30,875,484 lei (2016: 55,010,070 lei) and the profit on sale was of 8,004,050 lei (2016: 7,864,631 lei).

Historical cost of financial assets evaluated at fair value by profit or loss at the moment of sale was of 30,849,695 lei (2016: 57,290,108 lei) and the net profit on sale amounted to 1,358,014 lei (2016: 11,716,456 lei).

## 5 SIGNIFICANT RISKS MANAGEMENT

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

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

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

### 5.1 SIGNIFICANT RISKS FOR THE GROUP

**Operational risk.** Operational risk events are situations which, due to internal or external factors under or out of the company's control, can generate loss. The management company pursues operational risk separately for SIF Muntenia. In 2017 there were not reported operational risk events in relation to SIF Muntenia.

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

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

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

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

**(I) Price risk**

**(Ii) Interest rate risk**

**(Iii) Foreign Currency risk**

#### **(i) Price risk**

The Group is exposed to risk associated with variation in the price of financial assets at fair value through profit or loss and financial assets available for sale. 69% of the total shares with active market held by the Group on 31 December 2017 (31 December 2016: 57%) accounted for investments in companies that were part of the BET index of the Bucharest Stock Exchange.

A positive variation of 10% in the price of the financial assets at fair value through profit or loss would lead to an increase in profit before tax of the Group of 10,397,635 lei (31 December 2016: 8,473,664 lei), a negative variation of 10% having a net equal impact of the opposite sign.

A positive variation of 10% in prices of the financial assets available for sale would lead to an increase in equity of the Group before tax with 66,053,077 lei (31 December 2016: 48,089,127 lei), a negative variation of 10% having a net equal impact of the opposite sign.

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

In LEI	31 December 2017	%	31 December 2016	%
Financial, banking and insurance	402,022,530	71.6%	336,065,818	72.2%
Real estate, renting and other services	23,417,815	4.2%	24,029,503	5.2%
Wholesale, retail, tourism and restaurants	12,501,915	2.2%	16,184,901	3.5%
Building materials industry	11,058,932	2.0%	12,798,283	2.7%
Agriculture, livestock, fishing	500	0.0%	500	0.0%
Metallic construction and metal products	38,226,931	6.8%	38,109,771	8.2%
Pharmaceutical and medical industry	953,809	0.2%	921,896	0.2%
Chemical and petrochemical industry	7,273,223	1.3%	4,082,725	0.9%
Energy industry	47,450,422	8.5%	16,989,918	3.6%
Others	18,228,351	3.2%	16,376,641	3.5%
<b>TOTAL</b>	<b>561,134,428</b>	<b>100%</b>	<b>465,559,956</b>	<b>100.0%</b>

As at 31 December 2017, the Group held mainly shares in companies operating in the banking and insurance business, accounting for 71.6% of the total portfolio, slightly decreasing from 72.2%, as registered on 31 December 2016.

Fund units held by the Group are exposed to price risk, which in their turn, have placements with different degrees of risk (bank deposits, bonds, other fixed income instruments, shares, derivatives, etc.) - see note 32. The structured products held by the Group in the amount of 98,683,282 lei (31 December 2016: 64,226,991 lei) are also exposed to the price risk, by their support assets - see note 17. from "Consolidated Financial Statements".

#### (i) Interest rate risk

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

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

The impact on the Group's net profit of a change of +/- 1.00% of the interest rate related to interest-bearing assets and liabilities denominated in other currencies in conjunction with a change of +/- 5.00% of the interest rate related to assets and liabilities bearing variable interest rate denominated in lei is of +/- 529,867 lei (31 December 2016: +/- 624,898 lei).

#### (ii) Foreign currency risk

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

The net impact on Group's profit of +/- 15% exchange rate RON / EUR together with a change of +/- 15% change in the exchange rate RON / USD on 31 December 2017, all other variables held constant, is of +/- 12,641,820 lei (31 December 2016: +/- 5,186,514 lei).

#### Credit risk

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

The Group's maximum exposure to credit risk at 31 December 2017 and 31 December 2016 is reflected in the following table:

In LEI	31 December 2017	31 December 2016
Current accounts	18,211,803	18,881,597
Bank deposits	118,505,549	156,292,949
Bonds	6,775,384	6,164,107
Trade receivables	159,536,867	144,116,827
Other receivables	27,256,207	23,498,762
Financial guarantees granted	28,474,065	33,400,016
Adjustment for impairment of loans and receivables	(66,985,429)	(60,289,255)
Provisions for impairment of financial guarantees	(622,724)	(773,189)
<b>Total</b>	<b>291,351,722</b>	<b>321,291,814</b>

### Liquidity risk

Liquidity risk is the risk of loss or loss of expected earnings resulting from the inability to honor the short-term payment obligations at any time without incurring excessive costs or losses that can not be borne by the Group.

The Group's assets and liabilities structure was analyzed based on the remaining period from the consolidated financial position date to the contractual maturity date for the financial years ended 31 December 2017 and 31 December 2016, thus

In LEI	Book value	Below 3 months	Between 3 and 12 months	More than 1 year	No pre- established maturity
<b>Financial assets</b>					
Cash and bank deposits	<b>137,522,874</b>	122,410,531	14,883,052	-	229,291
Financial assets at fair value through profit or loss	<b>103,976,353</b>	-	-	-	103,976,353
Financial assets available for sale	<b>740,304,867</b>	-	-	-	740,304,867
Loans and receivables	<b>126,583,029</b>	119,852,854	-	6,730,175	-
<b>Total financial assets</b>	<b>1,108,387,123</b>	<b>242,263,352</b>	<b>14,883,052</b>	<b>6,730,175</b>	<b>844,510,511</b>
<b>Financial liabilities</b>					
Dividend Payment	<b>57,014,924</b>	57,014,924	-	-	-
Loans	<b>19,011,785</b>	3,049,470	8,831,549	7,130,766	-
Other financial liabilities *	<b>80,562,746</b>	79,534,805	261,537	766.404	-

<b>Total financial liabilities</b>	<b>156,589,455</b>	139,599,199	9,093,086	7,897,170	-
<b>Liquidity surplus</b>	<b>951,797,668</b>	102,664,186	5,789,966	(1,166,995)	844,510,511

### Taxation risk

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

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

## 6 MARKET OF SECURITIES ISSUED BY THE GROUP

### 6.1 MARKET OF SECURITIES ISSUED BY SIF MUNTENIA

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

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

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

The shares are issued in dematerialized form and evidenced by the registration in the shareholder register, managed 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, within 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.

#### TRADING OF SHARES ISSUED BY SIF MUNTENIA

The shares issued by SIF Muntenia are listed on Bucharest Stock Exchange, the main segment, in the premium category, according to the provisions of BSE Decision no. 200/1999 and are traded on this market starting with 01.11.1999. The ISIN code of SIF Muntenia shares is ROSIFDACNOR6, and the **symbol is SIF4**.

Other share codes are:

- o Bloomberg BBGID - BBG000BMN7T6; symbol SIF4: RO

- o Reuters: SIF4.RO

- o The LEI code for SIF Muntenia, required as an entity that is involved in financial transactions in accordance with the provisions of Directive 2014/65 / EU of the European Parliament and of the Council on financial instruments markets (MiFID II), has been obtained from Bloomberg Finance LP. This symbol is 2549007DHG4WLBMAAO98.

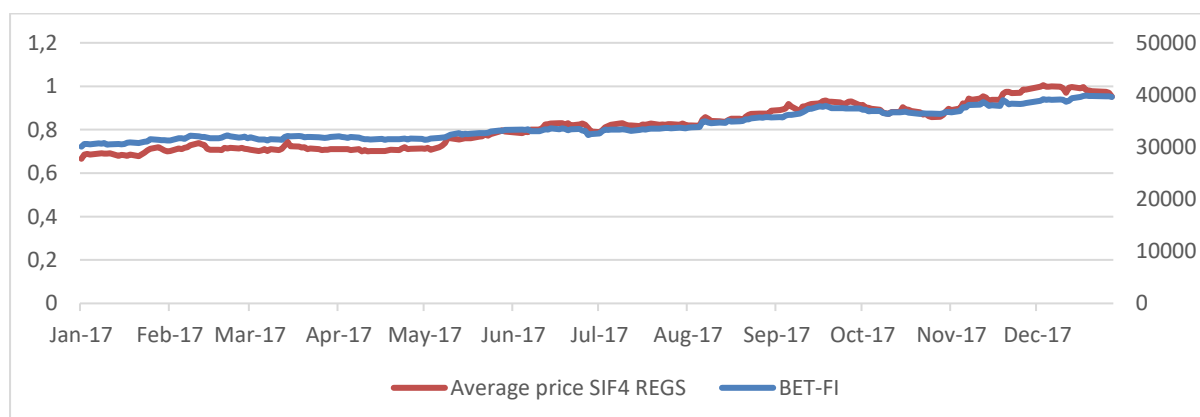
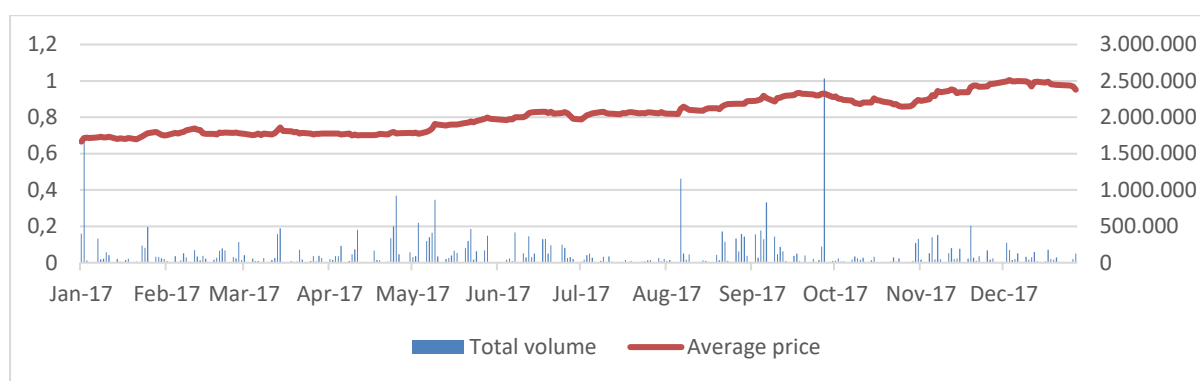
The shares are included in a series of indices calculated by the Bucharest Stock Exchange, respectively BET-FI (the index comprising SIF investment funds and Fondul Proprietatea; as at 31.12.2017 the quota of SIF4 in the index was 10.26%) as well and BET-XT-TR, BET-XT, BET-BK indices.

Trades with SIF4 shares in 2017

	DEAL	REGS	TOTAL
<b>Number of trades</b>	9	16.185	16.194
<b>Number of traded shares</b>	51,117,748	35,786,504	86,904,252
<b>% total number of traded shares</b>	6.33%	4.43%	10.77%
<b>Total value of trades RON</b>	45,348,108	29,142,110	74,490,218

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



## 6.2 MARKET OF SECURITIES ISSUED BY SUBSIDIARIES

Of the 14 subsidiaries included in the consolidation perimeter,

- Two subsidiaries are listed on the Bucharest Stock Exchange - Biofarm and Casa de Bucovina Club de Munte;
- Five subsidiaries do not have shares listed on a capital market or an alternative trading system;
- Seven subsidiaries are listed on AERO, the OTC trading system of the BSE.

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

Compliance with European legislation.

All subsidiaries, whose shares are listed on the Bucharest Stock Exchange, have complied with the European regulatory requirements by obtaining the Legal Entity Identifier (LEI) code. Also, the subsidiary FONDUL

ROMÂN DE GARANTARE A CREDITELOR PENTRU ÎNTREPRINZĂTORII PRIVAȚI - IFN S.A., an entity involved in financial transactions, obtained the LEI code (3157003AQ4Z4O7AY4968).

The LEI code is based on a global standard (ISO 17442) and uniquely identifies key information from entities involved in financial transactions, thereby helping to increase transparency and take appropriate action to reduce global risk, prevent and detect market abuse.

## 7 MANAGEMENT OF THE GROUP

### 7.1 SHAREHOLDERS GENERAL MEETINGS OF SIF MUNTENIA

The supreme governing body of SIF Muntenia is the Shareholders General Meeting (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 based on projects proposed by the Administrator and / or shareholders. SGM decisions, signed by the meeting chairperson, are reported to FSA, BSE and made public by publication in a national daily newspaper: Official Gazette Part IV, FSA Bulletin, published on the official website. SGM decisions are enforceable from the time they are adopted, unless otherwise stated in their wording or legal provision on another term to which they will become enforceable.

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

### 7.2 THE ADMINISTRATOR, SAI MUNTENIA INVEST

#### Description of the core activity

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

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

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

On 21.12.2017, the FSA certified the registration of S.A.I Muntenia Invest S.A as alternative investment fund manager with the number PJR07 1 AFIAI / 400005. From now on, SIF Muntenia has started operating 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.

According to the provisions of art. 3 point 2 of the Law no. 74/2015, as amended and supplemented, AIFM means any legal person whose principal activity is the management of one or more alternative investment funds.

According to SIF Muntenia SA's articles of incorporation as approved by the General Shareholders Assembly decision from 1997, the administration company Muntenia Invest SA concluded an administration contract with SIF Muntenia SA.

During 01.01.2017 – 31.12.2017 SAI Muntenia INVEST was employed as administrator of SIF Muntenia in accordance with the administration contract and SIF Muntenia's Administration Program for 2017.

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

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

### 7.3 AFFILIATES UNDER SPECIAL RELATIONS

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

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

SIF Muntenia operates under an administration contract signed with the Investment Administration Company Muntenia Invest S. A. The majority shareholder of the Investment Administration Company Muntenia Invest S.A. is SIF Banat-Crisana, holding 99.98% of its share capital as of 31 December 2017. The Board of Directors of SIF Banat-Crisana S.A. may change the Board of Directors of SAI Muntenia Invest S.A., Company's Administrator.

- **Group subsidiaries**

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

Company denomination	Percentage of voting rights as of 31 December 2017	Percentage of voting rights as 31 December 2016
Avicola București S.A.	99.40%	99.40%
Bucur S.A.	67.98%	67.98%
Casa de Bucovina - Club de Munte S.A.	68.93%	68.94%
CI-CO S.A.	97.34%	97.34%
Firos S.A.	99.69%	99.69%
FRGC IFN S.A.	53.60%	53.60%
Geconsa S.A.	50.00%	50.00%
Mindo S.A.	98.02%	98.02%
Muntenia Medical Competences S.A.	98.94%	98.94%
Semrom Muntenia S.A.	90.68%	90.68%
Semrom Oltenia S.A.	88.50%	88.50%
Unisem S.A.	76.97%	76.97%
Voluthema Property Developer S.A.	99.81%	99.81%
Biofarm S.A.	50.98%	50.98%

- **Key management personnel**

In 2017, the composition of the Board of Directors of SAI MUNTENIA INVEST S.A was as follows:

No. crt.	Name and surname	Position	Mandate validity (expiration date)	Period
1	Florica Trandafir	Chairman	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 authorized by the FSA through the Authorization no. 45 / 03.03.2017. Mr. Buică submitted his resignation as a member of the Board of Directors of SAI MUNTENIA INVEST S.A on the date when his authorization became effective by the FSA for the position of General Director (Authorization No 307 / 21.12.2017).
- \*\*Note: Mr. Adrian Simionescu was elected in accordance with the S.G.O.M. of SAI MUNTENIA INVEST SA dated 31.07.2017 as administrator for a four-year term, starting with 20.08.2017 and was authorized by the FSA through the authorization no. 261 / 15.11.2017
- \*\*\* Note: Mrs. Dorina Teodora Mihăilescu was elected according to the S.G.O.M. of S.A.I MUNTENIA INVEST S.A dated 27.12.2017 as Administrator for a four-year term strating with 27.12.2017 and is under authorisation by the FSA.

#### **Subsequent Event**

Mrs. Dorina Teodora Mihailescu received the authorization of FSA, as administrator of SAI Muntenia Invest SA, through Authorization no. 83 / 14.03.2018.

The transactions concluded by the Company with the parties under special relations took place in the normal course of business. The Group did not receive or provide guarantees in favor of any party under special relationships.

## **8 PERSPECTIVE ELEMENTS ON THE ACTIVITY**

### **8.1 SIF MUNTENIA OBJECTIVES AND STRATEGY FOR 2018**

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

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

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

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

#### **PRIORITY STRATEGIC OBJECTIVES FOR 2018**

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

#### **Operating directions**

- Continue alignment of SIF Muntenia's activities to national and European legislation on AIF - alternative investment funds (non-leveraged AIF, established on the basis of an articles of incorporation, whose shares are

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

also distributed to retail investors).

- Defining SIF Muntenia as an investment entity in accordance with Amendments to IFRS 10.
- Implementation of the risk management system according to AIFMD regulations.

## 8.2 MAIN DIRECTIONS OF OPERATION FOR 2018 – SUBSIDIARIES

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

SIF Muntenia continues its strategy to invest in several entities in the same industry, from the same market or geographic area, in order to take advantage of the synergies that increase the value of equity and the income from the invested entities.

**The investment process in subsidiaries, the materialization of SIF Muntenia's intentions regarding the development and economic growth of the subsidiaries.**

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

The investment processes carried out in subsidiaries - whether **productive investments**: expansion, to maintain, to modernize according to the specifics of their activity and the market context, or **non-operating investments** targeting ecological or social activities, will be followed.

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

**Improving the management quality of the affiliates** is accomplished by participating in the selection and appointment of the Boards of Directors, the management of the subsidiaries and the regular monitoring and evaluation of their performances. The management approach is based on decentralization, accountability and transparency, in an environment where there is a fundamental set of shared values, clearly defined objectives for each activity, and a comprehensive infrastructure for guiding and controlling progress and achievements. Increasing the efficiency of the activities carried out by the subsidiaries aims to strengthen their capacity to generate profit from the available resources, profit that is realized in dividends to be distributed to SIF Muntenia.

**Continue to implement corporate governance principles in subsidiaries.**

- For listed subsidiaries, there was pursued to finalize alignment with the corporate governance codes applicable to the markets they are listed on;
- There was pursued to increase shareholder transparency that corporate governance implementation implies.

## 9 IMPORTANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL EXERCISE

### SIF MUNTENIA

Mrs. Dorina Teodora Mihailescu received the authorization of FSA as administrator of SAI Muntenia Invest SA through Authorization no. 83 / 14.03.2018.

## SUBSIDIARIES

**CI-CO S.A. BUCUREȘTI** SIF Muntenia paid the contribution of 4,190,550 lei, representing 1,676,220 new shares within the deadline established, thus finalizing the submission of the contribution to which it has committed itself.

**MUNTENIA MEDICAL COMPETENCES S.A. PITEȘTI** During the SGM dated 16.02.2018, a new Board of Directors was elected, consisting of Ovidiu Nicolae Palea, Cristina Gabriela Gagea, Crinu Iliuță Nuță. The articles of incorporation was fully updated to comply with legislative changes and reflect the specificities of the company's business.

**UNISEM S.A. BUCUREȘTI** By the decision of the SGM dated 08.01.2018, a new Board of Directors was appointed after the expiry of the mandate of the previous one, consisting of Mircea Constantin (Chairman), Bogdan Ilie Popescu and Laurențiu Parghel. The BoD appointed Mr. Andrei Nicolae Mihailov as General Manager.

**VOLUTHEMA S.A. BUCUREȘTI** The decrease in the share capital was recorded at the NTRO on 10 January 2018, the quota of the shareholders remaining unchanged.

## 10 CONSOLIDATED NON-FINANCIAL STATEMENT

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

*If policies are not implemented at the level of the group in one or more of these aspects, the consolidated non-financial statement provides clear and reasoned explanations for this.*

The Company analyzed the exemptions from the preparation of consolidated financial statements, taking into account the provisions of IFRS 10 "Consolidated Financial Statements" (in force as at 01.01.2014) on investment entities, the obligations of a parent company and the definition of investment entity. Paragraph 27 of IFRS 10 provides that "A parent shall determine whether it is an investment entity".

SIF Muntenia considered that in 2017 it had not yet fulfilled the necessary conditions to be considered an investment entity and thus could not apply the exception provided by IFRS 10.

There were no relevant key non-financial performance indicators to the specific activity of SIF Muntenia and its subsidiaries.

### 10.1 BUSINESS MODEL OF THE GROUP

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

The business model of SIF Muntenia group was closer to the investment group / holding, where the parent company only deals with the management and control of the participations and will tend to be in the near future towards an organization type such as investment entity. The only role of this type of holding is to manage the investments in the operational entities, namely to decide on the new investments, as well as any withdrawals and not to carry out the commercial or administrative operations of the group. This type of holding earns only dividends and capital gains on holdings.

It should be pointed out here that, by its nature as a publicly owned company and an undertakings for collective investments in titles of securities / investment fund, SIF Muntenia is subject to special national and European regulations, it is supervised by the Financial Supervisory Authority, and investments and financial instruments in which it invests are subject to additional limitations as to a "generalist" holding.

Markets served by companies belonging to SIF Muntenia Group are presented in the chapter "Segment Reporting".

## 10.2 NECESSARY DILIGENCE PROCEDURES APPLIED

At the level of 2017, there were no integrated policies or diligence procedures specifically formulated for the SIF Muntenia Group, namely the environmental, social and personnel aspects, the respect for human rights, the fight against corruption and bribery were managed individually at SAI Muntenia Invest for SIF Muntenia and in each subsidiary.

**The Administrator's obligation of diligence** in compliance with art. 803 of the Civil Code) applicable for SIF Muntenia and its subsidiaries).

*Obligation of diligence, honesty and loyalty*

*(1) The administrator shall act with due diligence as a good owner shows in the administration of his property.*

*(2) The administrator must also act honestly and loyally in order to achieve best the interests of the beneficiary or the intended purpose.*

SAI Muntenia Invest complies with the required diligence of "know your customer " and the necessary diligence on all new operations in order to detect possible compliance or integrity issues. Such due diligence is carried out in accordance with the **basic requirements of the Anti-Money Laundering and Terrorist Financing Directives**.

Following the registration as an AIFM, SAI Muntenia Invest seeks to manage SIF Muntenia and comply with the provisions of Art. 18 and 19 of EC Delegation Regulation no. 231/2013 on **written policies and procedures on due diligence** and implements effective measures to ensure that investment decisions taken on behalf of the AIF are executed in accordance with the objectives, the investment strategy and, where appropriate, the risk limits of AIF.

## 10.3 CORPORATE GOVERNANCE OF THE GROUP

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

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

The annual individual report on the management of SIF MUNTENIA SA contains **attached** the declaration on the application of corporate governance principles for SIF Muntenia, prepared according to the Annex to Regulation 2/2016.

The Group **does not** pursue a corporate governance policy on a consolidated basis and therefore has not drawn up a consolidated corporate governance statement.

Subsidiaries listed on a capital market follow the principles of corporate governance applicable to the market on which they are listed.

#### 10.3.1.1 SIF MUNTENIA CORPORATE GOVERNANCE STRUCTURES

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

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

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

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

**The other corporate governance structures of SIF Muntenia SA are:**

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

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

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

The internal control of each Group entity in relation to the financial reporting process is performed by the Board of Directors and by the effective / executive management of each entity and is intended to ensure the achievement of the company's objectives, taking into account:

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

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

#### Internal audit

Within the Group, persons have been appointed and maintained to ensure the internal audit, as applicable, according to the applicable law.

The internal audit activity is carried out in accordance with the applicable legal requirements, internal rules and regulations of the Group entities and in compliance with the International Standards on Auditing issued by the Institute of Internal Auditors (IIA Global). International Internal Audit Standards are based on the International Professional Practices Framework (IPPF), developed and published by the Institute of Internal Auditors- IIA Global. It brings to the Management Board's attention any deficiencies noted in the execution of the internal audit contract.

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

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

### **Risk management**

Because the SIF Muntenia Group business model is an investment holding company (which manages investments in equity holdings to earn dividends and equity capital gains), management policies have not been defined, followed up and implemented environmental, social and personnel risks, respect for human rights, combating corruption and bribery at the Group level.

### **10.3.2 CORPORATE GOVERNANCE OF SUBSIDIARIES**

The purpose of using specific corporate governance tools to subsidiaries is to increase their value as well as to increase dividend income from them. This policy has been pursued on a continuous basis, reducing the degree of atomization of participations has been one of the objectives of managing the shares sub-portfolio during the last years.

Compared to the total asset calculated according to FSA regulations:

- On 31 December 2015, SIF Muntenia held a control position at 14 companies. At 31.12.2015, the total value of SIF Muntenia holdings in companies holding the position of control amounted to RON 314.16 mn, 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 control position in the same companies. The total value of the participations at the end of 2016 was of RON 388.48 mn, representing 30.4% of the total assets.
- At the end of 2017, the asset value calculated according according to FSA regulations reached RON 472.2<sup>2</sup> mn, representing 32.23% of the total assets of SIF Muntenia, confirming the multiannual growth trend of the subsidiaries' value.

As we have also presented in the MAIN DIRECTIONS FOR OPERATION FOR 2018 - SUBSIDIARIES, SIF Muntenia has used and will continue to use corporate governance tools in the years to come to increase the value of its subsidiaries.

All subsidiaries are managed in a unitary system, in compliance with the provisions of Law 31/1990 and of the Articles of Incorporation. Board of Directors consists of 3 or 5 directors, elected by the general shareholders meeting, except for Voluthema Property Developer, which has a sole administrator.

For each Subsidiary, the General Meeting of the Shareholders is the supreme governing body and is competent to decide on all the issues stipulated by the legislation in force and in the constitutive act of each Subsidiary.

The other corporate governance structures of the Subsidiaries are:

- Board of Directors members or the sole administrator (for Voluthema Property Developer);
- The General Manager of the Subsidiary.

### **Establishing clear competencies, responsibilities, rights and obligations for the BoD representatives appointed to companies**

In the process of appointing the Boards of Directors and the management of the companies listed on the BSE, as well as of those listed on the AeRO, it was taken into account that the BoD members and the executive management, as stipulated in the requirements of the applicable corporate governance codes, they must have complementary skills, experience, knowledge and independence to meet all their responsibilities. Key objectives have been identified and pursued through periodic reporting by the Boards of Directors and executive management of the economic and financial performances and of the particular issues raised in the companies' activity.

### **Exercise of the rights conferred by the law or constitutive act, by the securities held (eg dividends, receipt of free shares, voting in general meetings of companies, etc.)**

Active participation in strategic decision making at company level was pursued, in accordance with the legal

<sup>2</sup> The amount does not include 18.7 mil lei, representing the value of the participation in MEDICAL MUNTENIA COMPETENCES S.A PITEȘTI, where, at the end of 2017, there was no successful ending registration of the reorganization plan.

and statutory provisions in force, in order to increase their value, this being also one of the priorities of SIF Muntenia's administrator.

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

### 10.3.3 CORPORATE GOVERNANCE PARTICULARITIES FOR SUBSIDIARIES LISTED ON A CAPITAL MARKET

Out of the 14 subsidiaries included in the consolidation perimeter, two subsidiaries are listed on the Bucharest Stock Exchange - Biofarm and Casa de Bucovina Club de Munte, and seven subsidiaries are listed on AERO, the alternative trading system of the BSE.

At the beginning of 2016, following

- + The modification of the Corporate Governance Code of the BSE and
- + The emergence of Corporate Governance Principles for companies listed on AERO

The subsidiaries listed on the BSE made available to the stakeholders, as annexes for the annual reports, the statements regarding the compliance status with the Corporate Governance Code of the BSE.

In the individual annual reports for 2017, the subsidiaries listed on the BSE also show the status of the implementation of corporate governance in their activity.

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

The subsidiaries listed on ATS of the BSE, **AERO**, presented as annex to the annual reports for 2016 the status of compliance with corporate governance principles for AERO, which were issued by the Bucharest Stock Exchange.

In the individual annual reports for 2017, the AERO listed subsidiaries present the stage of corporate governance implementation in their activity.

## 10.4 ENVIRONMENTAL ISSUES

SIF Muntenia Group does not have an integrated environmental and social governance Policy or Procedure.

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

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

Details of how environmental issues are handled are presented in the 2017 annual reports of the directors of those subsidiaries. For some companies, there were mentioned the management systems for which certifications were obtained, applicable / pertinent to the environmental management systems used.

## SIF MUNTENIA

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

The Company did not record any obligations at 31 December 2016 and 31 December 2017 for any expected costs, including legal and consultancy fees, site studies, design and implementation of remediation plans on environmental issues. The management of the Company does not consider the costs associated with potential

environmental problems to be significant.

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

#### **Avicola S.A. București**

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

#### **Biofarm S.A. București**

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

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

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

**Gecsatherm S.A. Târnăveni.** It has the integrated environmental authorization no. 254– valid until: 27.07.2019

**FIROS S.A. București.** It has the integrated environmental authorization no. 361/ 21.06.2011 revised in 11.04.2016 valid until 2021.

**Mindo S.A. Dorohoi.** Environmental authorization no. 39/29.07.2015– Issuer BOTOSANI ENVIRONMENTAL PROTECTION AGENCY. The authorization stipulates the operation of the "Dorohoi Section" facility, valid until 29.07.2020.

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

**Semrom Muntenia S.A. București.** The company has environmental permits issued by competent authorities for all activities carried out in all branches with an impact on the environment, with validity terms that expire between 21.09.2019 and 23.01.2024.

**Semrom Oltenia S.A. Craiova** has environmental permits issued by competent authorities for all activities carried out in all branches with an impact on the environment, with validity terms that expire between 2020 and 2023.

**Unisem S.A. București** - Integrated environmental authorization – valid until 2023.

Voluthema, Fondul Român de Garantare a Creditelor, CI-CO SA Bucuresti, Bucur SA București, Casa de Bucovina Club de Munte do not carry out activities that have an impact on the environment.

## 10.5 SOCIAL RESPONSIBILITY OF THE COMPANY, SOCIAL ASPECTS, DIVERSITY

The SIF Muntenia Group does not have an Integrated Governance Policy or Procedure on social issues and diversity.

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

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

### Social aspects pursued in subsidiaries

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

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

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

Company	31-12-16	31-12-17	% women at 31.12.2017
AVICOLA	170	176	53,1%
BIOFARM	388	389	64,1%
BUCUR	50	38	50,0%
CASA DE BUCOVINA	78	78	73,8%
CI-CO	41	32	38,7%
FIROS	65	74	26,9%
FRGC	13	12	63,6%
GECSATHERM	39	43	8,9%
MINDO	67	64	7,8%
MUNTENIA MEDICAL	120	121	83,9%
SEMROM MUNTENIA	231	173	33,7%
SEMROM OLTENIA	61	59	32,2%
UNISEM	59	57	56,7%
VOLUTHEMA	21	20	63,6%
<b>SIF MUNTENIA</b>	<b>11</b>	<b>11</b>	<b>16,7%</b>
<b>TOTAL</b>	<b>1.414</b>	<b>1.348</b>	<b>51,8%</b>

Because the SIF Muntenia Group business model is an investment holding company (which manages investments in equity holdings to earn only dividends and capital gains on holdings), diversity policies have not been defined, pursued and implemented at the group level.

In the financial year 2017, there was no **formalised diversity policy** related to the administration and management bodies on issues such as age, gender or education and professional experience.

No collective dismissal occurred in 2017 either in SIF Muntenia or in the companies in the consolidation perimeter.

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

SIF MUNTENIA SA by its administrator  
S.A.I MUNTENIA INVEST S.A

General Director  
Nicușor Marian Buică

3B EXPERT AUDIT SRL

Administrator  
Adriana Anișoara Badiu