



**ANNUAL REPORT OF THE ADMINISTRATOR
S.A.I. MUNTENIA INVEST S.A.
ON SIF MUNTENIA S.A.'S ACTIVITY
IN 2019**

Prepared in compliance with Law no. 24/2017 F.S.A. Regulation no. 5/2018 and 15/2004,
B.S.E. Code and F.S.A. Rule no. 39/2015

Reporting date: 31.12.2019

GENERAL INFORMATION

Denumirea societății emitente	Societatea de Investiții Financiare Muntenia S.A.
Registered office	16, Splaiul Unirii, Bucharest, sector 4, code 040035, Romania
Sole Registration Code	3168735
Trade Register Registration Number	J40/27499/1992
LEI Code	2549007DHG4WLBMAAO98
FSA Register Number	PJR09SIIR/400005
Share capital	80,703,651.5 lei – subscribed and paid up share capital 807,036,515 – issued shares 784,645,201 – shares under circulation 0.1 lei – nominal value
Characteristics of the shares	Common, nominative, indivisible, dematerialized
Regulated Market on which the securities issued are traded	Bucharest Stock Exchange, main segment, premium tier, SIF4 symbol
Main object of activity	<ul style="list-style-type: none">- making financial investments in order to maximize the value of its own shares, in accordance with the regulations in force;- managing the investment portfolio and exercising all the rights associated with the instruments in which it is invested;- risk management <p>CAEN 6499- Other financial service activities</p>
Shareholding structure	100% private
Free capitalization	100%
Depository and custodian services	BRD Groupe Societe Generale
Shares and shareholders register	Depozitarul Central S.A.
Financial auditor	KPMG Audit S.R.L.
Contact	Romania, Bucharest, sector 4, 16 Splaiul Unirii, 040035 Tel: +4021-3873210; +4021- 3873208 Fax: +4021-3873265; +4021-3873209 www.sifmuntenia.ro e-mail: relatii@sifmuntenia.ro ; sai@munteniainvest.ro

CUPRINS

1	GENERAL INFORMATION	3
2	ECONOMIC FRAMEWORK IN 2019	4
3	ACTIVITY ANALYSIS	6
3.1	SHARES SUB-PORTFOLIO	9
3.2	CONTROLLED COMPANIES/SUBSIDIARIES	15
3.3	OTHER SUB-PORTFOLIOS	17
4	LITIGATIONS - PORTFOLIO	19
5	RISK MANAGEMENT IN 2019	20
6	SHARES ISSUED BY SIF MUNTEANIA	24
7	CORPORATE GOVERNANCE	27
8	FINANCIAL ACCOUNTING STATEMENT	35
9	EXECUTION OF THE BUDGET OF REVENUES AND EXPENSES	40
10	SUBSEQUENT EVENTS	41
11	PROSPECTS FOR 2020	41
11.1	ECONOMIC ENVIRONMENT	41
11.2	MAIN STRATEGIC OBJECTIVES AND DIRECTIONS OF ACTION FOR 2020	43
12	ANNEXES	44

1 GENERAL INFORMATION

SIF Muntenia S.A. (the Company) is a Romanian legal entity, constituted as a joint stock company with wholly private capital. The operation of the company is regulated both by ordinary and special legislation, applicable to financial investment companies, and by the provisions of its Articles of Incorporation.

The company is a collective investment body operating in Romania in accordance with the provisions of the Companies Law no. 31/1990, Law no. 297/2004 regarding the capital market, Law no. 74/2015 regarding the managers of alternative investment funds and Law no. 24/2017 regarding issuers of financial instruments and market operations. The company is registered in the F.S.A. Register of financial instruments and investments in the Alternative / Closed Investment Companies section.

During the year 2019 there were no reorganizations, mergers or divisions of the Company's activity.

It professionally uses financial instruments with significant effects on the valuation of assets, liabilities, financial position and profit or loss. The acquisitions and disposals of assets carried out by the Company in 2019, refer to the transactions of sale and purchase of financial securities. Details of these transactions are presented below in this Report.

During the period ended 31 December 2019, the Company continued to meet the conditions to be an investment entity, as there were no changes to the classification criteria as an investment entity.

In applying the investment policy of the Company, its administrator, S.A.I. Muntenia Invest S.A. does not perform securities financing transaction (SFT) nor does it use total return swap instruments, as defined by the EU Regulation 2365/2015.

S.A.I. Muntenia Invest S.A., as an administrator of the Company, does not intend to offer other activities related to investments, either directly or through a subsidiary.

2 ECONOMIC FRAMEWORK IN 2019

Through its specific activity, the Company refers to both the economic and legislative context in Romania and the regional/global macroeconomic framework, a series of events recorded during 2019 having direct or indirect influences on the performance it registered.

LOCAL ECONOMIC FRAMEWORK

The aggregate level of systemic risks to financial stability in Romania is increasing, similar to global developments, and the outlook for the coming years indicates that this trend will continue.

Present assessments do not indicate the existence of serious risks. However, three high systemic risks are identified:

1. tightening local macroeconomic balances,
2. reducing investor confidence in emerging economies;
3. the risk regarding the uncertain and unpredictable legislative framework in the financial-banking field.

The risk factors have been mitigated to some extent by the fact that the economic growth in Romania remained above the average of the euro area, supporting the convergence process and the growth structure has improved by increasing the contribution of investments, although their historical volatility continues to be a source of concern.

Any additional impulse that would stimulate population consumption, to the detriment of investments, could have the effect of accumulating inflationary pressures, but also deepening the current account deficit. In this sense, the implementation of a balanced fiscal policy, both on the income and on the expenditure side, can lead to the reduction of macroeconomic vulnerabilities and is likely to support an increase of the employees' incomes together with that of the labor productivity. This local risk can generate interactions with the second high systemic risk, of an external nature, respectively, reducing investor confidence in emerging economies.

The risk of non-repayment of loans contracted by the non-governmental sector remained low. The quality of bank assets has been strengthened, against a low present risk cost and a favorable economic framework. The rate of non-performing loans decreased, reaching 4.6% in September 2019, but the rate of adjustment has gradually eased over the last two years, amidst a process of cleaning up the balances. The level of the rate remains within the intermediate risk band, according to the European Banking Authority, but it is still higher than the average value registered in the European Union (3%, June 2019). This dynamic was also reflected in the structure, at the level of the companies sector, respectively of the population. The quality of the loan portfolio has remained on the upward trend in recent years, and the degree of provision of non-performing loans has grown and remains adequate, significantly higher than the European average.

The risk regarding the tension of the internal macroeconomic balances is the main element generating systemic risk to the financial stability in Romania, and for the next period the associated perspective is increasing, amid ongoing pressures generated by the worsening twin deficits¹.

FOREIGN ECONOMIC FRAMEWORK

Economic uncertainty at the international level is increasing, and the risks in the medium term remain high. The main elements that can affect the financial stability at global level are the adjustment of the risk appetite of the investors and the high degree of indebtedness, especially in the sector of the non-financial companies. The perception of possible changes in the level of lax financial conditions and the increase of geopolitical tensions, together with the uncertainties related to the exit process of the United Kingdom from the EU, can generate periods of high volatility in which the adjustment of the risk premiums in the international financial markets can take place, according to The Financial Stability Report no. 8 (18), year IV (XIV).

The dynamics of real GDP² worldwide (except for the euro area) registered a moderation in the first half of 2019, but by the end of the year signs of stabilization began to appear. The low growth rate was driven by the slowdown in the dynamics of the processing industry and of investments, which was accentuated by the growing uncertainties related to policies and politics, especially considering the escalation of trade tensions and Brexit developments. However, the latest information indicates a stabilization of global dynamics. Thus, the indices related to the survey among Purchasing Managers' Index (PMI) indicate a moderate recovery of the dynamics of production in the manufacturing industry and a certain tempering of the one in the services sector. Looking ahead, it is predicted that the recovery of the global economic activity will be marginal, against the backdrop of the growth of the developed economies and the slow recovery of some

¹ Romania is the country with the current account deficit among the highest in the EU (5%, during Q4 2018 - Q3 2019), and the outlook shows a further worsening. - Financial Stability Report no. 8 (18), year IV (XIV).

² Economic Bulletin, no. 8/2019, Central European Bank

emerging economies. Inflationary pressures worldwide are limited, and the balance of risks to global economic activity remains steep in the sense of a lower level, but the risks become less pronounced.

CAPITAL MARKET

Romania was promoted to the status of Secondary Emerging Market from the Border Market, FTSE Russell³, the global provider of indices, announced on 26 September. As part of the annual review, the FTSE Russell Advisory Committee for the Classification of Countries approved the following modification of the rating criterion:

- ✓ "Liquidity" - Market liquidity sufficient to support significant global investments - improved from "Restricted" to "Admitted".

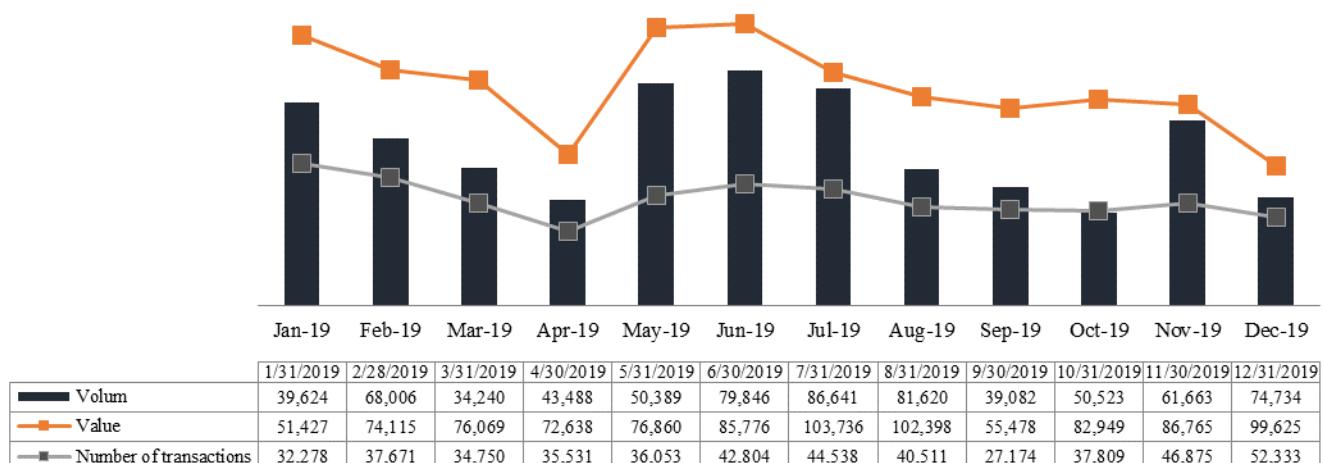
Therefore, Romania fulfills the 9 quality criteria of the FTSE for the status of Secondary Emerging Market according to the FTSE scheme for the classification of countries.

At this moment, three Romanian companies are included in the FTSE Russell indices, and another five companies still have to meet the liquidity criteria. The shares of the Romanian companies that meet the eligibility criteria to be included in the FTSE Russell indices are Romgaz, Banca Transilvania and BRD-Groupe Societe Generale. Five other companies could be included into the FTSE Russell indices if they meet the liquidity criterion in the following assessments. The five companies are: Electrica, Nuclearelectrica, OMV Petrom, Transelectrica and Transgaz.

The Romanian capital market strengthened its growth rate in 2019, after the indices of the Bucharest Stock Exchange kept their strong positive developments. The BET index, which includes the 16 most traded companies listed with the exception of SIFs, delivered a 35% yield in 2019, the highest performance of the last decade. At the level of the European Union, Romania experienced the second highest rise, being only surpassed by Greece (+ 49%). Taking into account the dividends, the companies listed on the Bucharest Stock Exchange (BSE) and included in the BET-TR index recorded an increase of 47%, according to the monthly report issued by the Bucharest Stock Exchange for December 2019.

The chart below shows the evolution of the stock market, the main segment of the BSE, in 2019.

Chart no.2.1. *Evolution of shares transactions in 2019* (in tens of thousands lei - volume / value)



Source: Bucharest Stock Exchange

³ Press release, 27 September 2019, Bucharest Stock Exchange

3 ACTIVITY ANALYSIS

The main **strategic objectives** for 2019 were:

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

The main milestones, from a financial point of view, of the evolution of the Company's assets / share, during the period 2017-2019, are presented below.

in lei	2019	2018	2017
Total Certified Asset (CA)	1,699,819,971	1,348,139,755	1,465,569,907
Net Asset Value (NAV)	1,594,382,536	1,257,619,659	1,370,925,950
Net Asset Value per Share (NAV per SHARE)	2.0320	1.5583	1.6987

Table no. 3.1. *Evolution of certified asset*

The asset certified by the Depositary, respectively BRD-Groupe-Societe Generale, is calculated according to the valuation rules⁴, approved by S.A.I. Muntenia Invest, based on the applicable legal regulations. The company reported a total value of the assets increasing by 26.1% at the end of 2019 compared to 2018, respectively by 16% compared to the same period of 2017. NAV recorded a growth with 26.8% at the end 2019 compared to the end of 2018.

in lei	2019	2018	2017
Closing price end of period	0.844	0.598	0.980
Market capitalisation (mn. lei)	662.24	482.61	790.90
Net asset discount (%)	58.5	61.6	42.3

Table no. 3.2. *SIF4 share evolution*

The closing price of the Company's shares increased by 41.1% at the end of 2019 compared to the end of 2018 and decreased by 13.9% as compared to the similar period of 2017. The liquidity of the transactions remained at low values - the total trading value of the Company's shares during 2019 was 29.3 million lei, 5.5% of the number of issued and outstanding shares as of 31.12.2019 being traded (REGS market).

in lei	2019	2018	2017
Total asset	1,680,216,426	1,345,677,683	1,299,271,852
Total liabilities	106,190,192	90,524,072	94,643,957
Equity	1,574,026,234	1,255,153,611	1,204,627,895
Gross profit	120,402,878	27,149,402	56,998,848

Table no. 3.3. *Financial results*

The total asset calculated according to the accounting regulations increased by 24.9% compared to the one recorded at the end of 2018, and the total liabilities increased by 17.3% (mainly due to the deferred income tax debt). Equity at 31.12.2019 compared to 31.12.2018 registered an increase of 25.4%, details being found in the Notes to the Financial Statements at 31.12.2019.

⁴ <http://www.sifmuntenia.ro/en/investments/net-asset-value/rules-applied-nav-calculation/>

ASSET ALLOCATION

The allocation of the Company's assets was closer to a strategic allocation, which follows a long-term target portfolio structure - within certain limits, which are defined annually by the management programs and approved by the shareholders.

The financial instruments in which it was invested belonged to the investments permitted by the legislation in force, applicable to the Romanian capital market. The Company's portfolio was within the applicable legal limits and indicative limits, defined by the Company's target portfolio of a diversified balanced fund, approved by SIF Muntenia Management Program for 2019.

Chart no. 3.1. Target portfolio for 2019, according to the Management Program

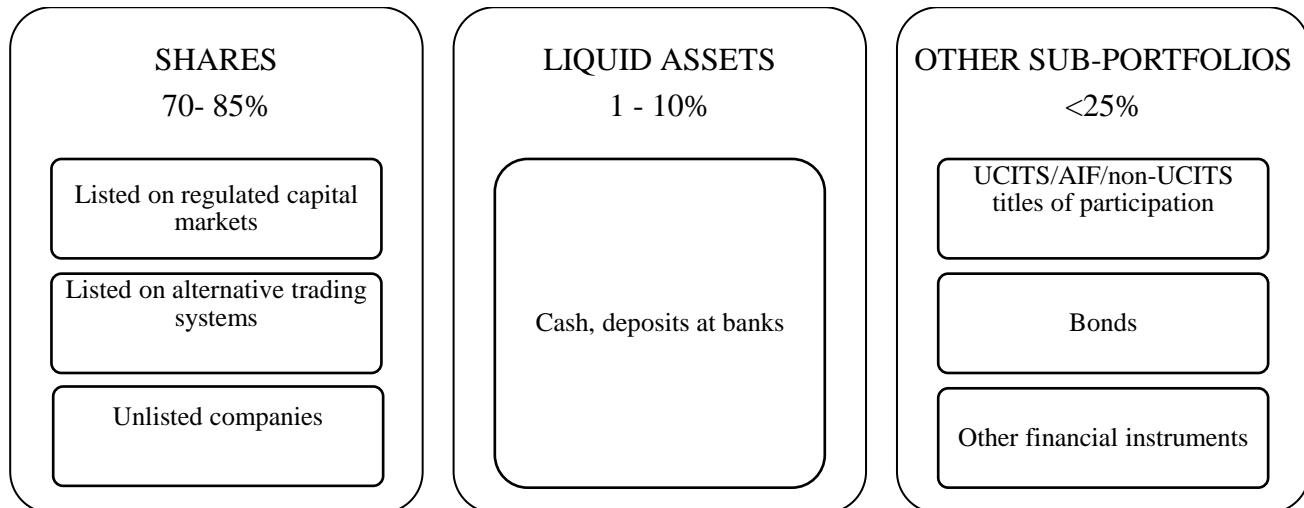
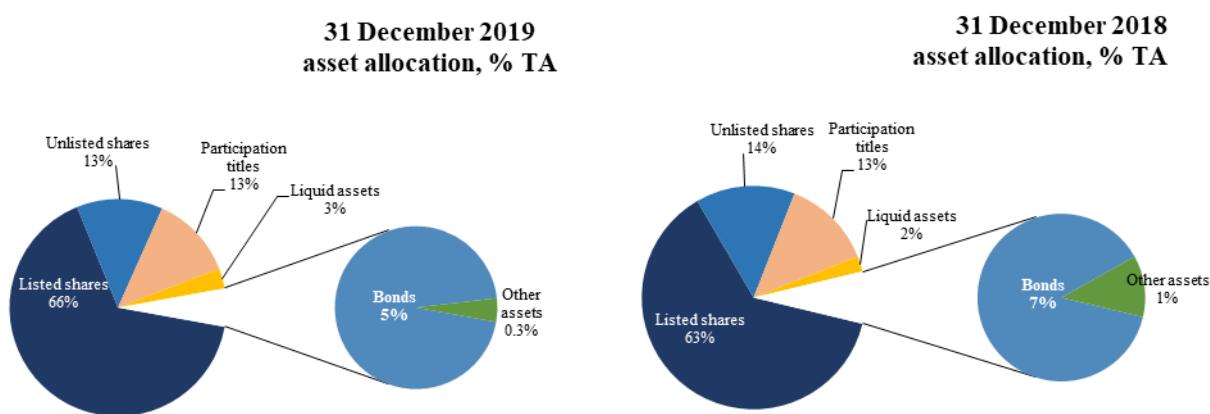


Chart no. 3.2. Allocation of assets in the Company's portfolio, 31 December 2019, as compared to 31 December 2018



The main sub-portfolios⁵ that make up the Company's portfolio are presented below, in value and percentage, of the total assets.

in LEI / %	2019	2018	2017
Listed shares	1,121,947,025	66.0%	847,312,992
Unlisted shares	218,431,969	12.9%	193,558,597
Listed bonds	85,144,957	5.0%	82,557,980

⁵ Detailed situation of SIF Muntenia investments on 31 December 2019, prepared in accordance with Annex 17 of Regulation no. 15/2004, is enclosed to this report

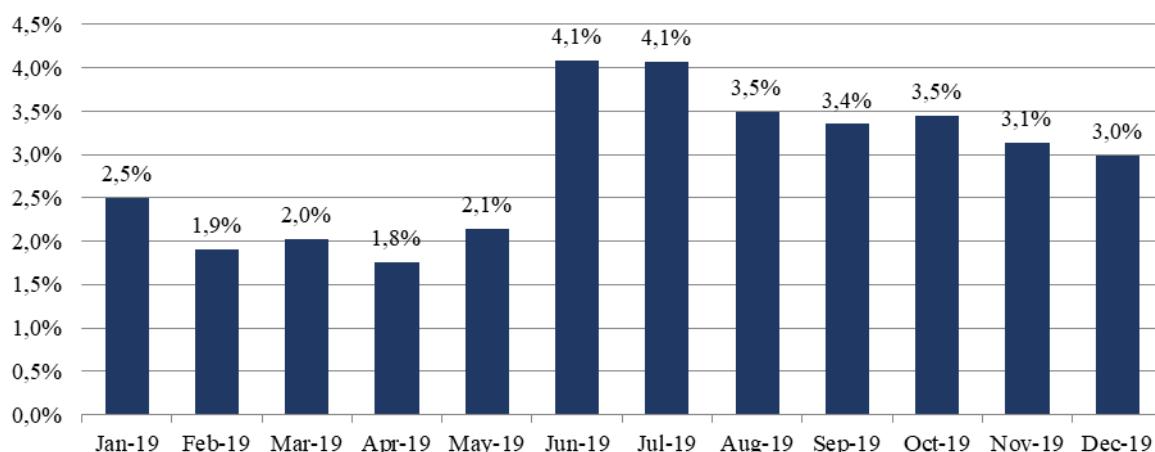
in LEI / %	2019	2018	2017
Unlisted bonds	6,676,271	0.4%	6,693,865
Cash available	2,034,533	0.1%	733,446
Bank deposits	48,818,682	2.9%	29,369,735
Participation titles	212,251,040	12.5%	175,856,515
Other assets	4,515,494	0.3%	12,056,625
TOTAL ASSETS	1,699,819,971	100%	1,348,139,755
		100%	1,465,569,907
			100%

Table no. 3.4. *SIF Muntenia Portofolio (value/percentage comparison)*

The main evolution registered in the structure of the portfolio during the year 2019 was the continuation of the investment process, especially in the shares sub-portfolio (purchases of listed shares amounted to 21.5 million lei, and sales of shares of 11.6 million lei).

The sub-portfolio of participation titles at UCITS/non-UCITS/AIF has undergone changes, participation titles amounting to 11.86 million lei being repurchased and participation tiles amounting to 1.5 million lei being purchased.

The portfolio liquidity, defined as the ratio between liquidity plus bank deposits and total assets, was within the limits required by a prudent liquidity risk management.

Chart no. 3.3. *Liquidity, 2019*

Geographic exposures in which investments are concentrated

During the year 2019, the investments performed by the Company were made in financial instruments issued and traded in Romania. As of 31 December 2019, the exposure on financial instruments whose issuers do not have fiscal residence in Romania was 6.79% of the net⁶ assets calculated according to the F.S.A. provisions (31.12.2018: 7.81%).

TOTAL ASSET AND NET ASSET

Monthly values of the net assets were published, for the information of the shareholders, on the website www.sifmuntenia.ro and reported according to the legal provisions to the F.S.A. - The Financial Instruments and Services Sector and the Bucharest Stock Exchange (B.S.E.), no later than 15 calendar days from the end of the reporting month.

The values of total assets, net assets and liabilities for the period 1 January 2019 to 31 December 2019 were calculated in accordance with Regulation no. 9/2014 issued by the F.S.A., using accounting items related to accounting reports in accordance with the F.S.A. Rule no. 39/2015.

The total assets, net assets and liabilities of the Company (lei and equivalent in euros at the ECB exchange rate) and value and percentage changes at the end of 2019 and in the last 2 years (in millions of lei) are presented below.

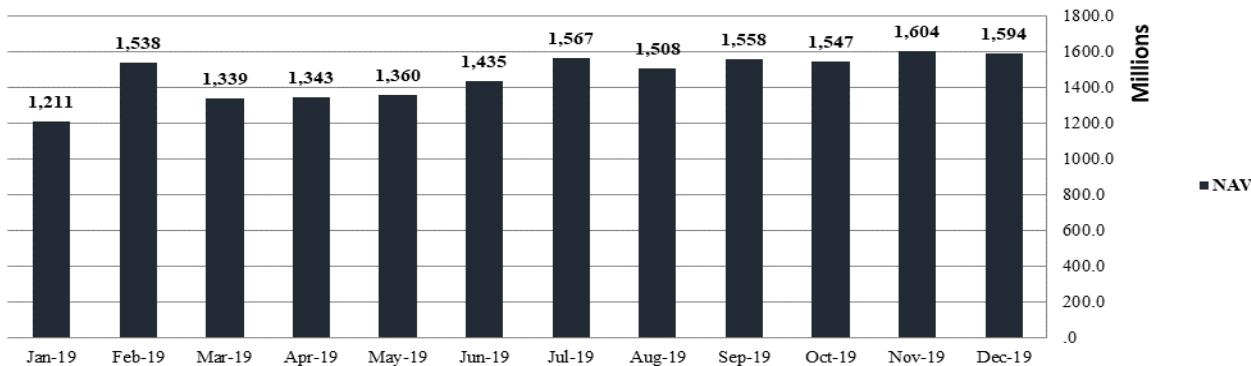
in lei	2019	2018	2017
Total certified assets	1,699,819,971	1,348,139,755	1,465,569,907
Total liabilities	105,437,435	90,520,096	94,643,957

⁶ According to Article 3 para. (3) lett. (d) and article 24 of Directive 2011/61/UE.

Net assets	1,594,382,536	1,257,619,659	1,370,925,950
Net asset value per share	2.0320	1.5583	1.6987
<i>ECB Eur exchange rate</i>	4.7830	4.6635	4.6585
Total certified assets expressed in EUR	355,387,826	289,083,254	314,601,247
Net Asset expressed in EUR	333,343,620	269,672,919	294,284,845

Table no. 3.5. *Total assets and net assets (value comparison)*

The chart below shows the evolution of the net assets between January 2019 and December 2019.

Chart no. 3.4. *NAV evolution during January 2019 – December 2019 (mn. lei)*

3.1 SHARES SUB-PORTFOLIO

Investments in shares, especially those in shares listed on organized markets and alternative trading systems, remained the most important, both in terms of value and revenue in the Company's portfolio.

The administration of this sub-portfolio aimed at achieving the objectives presented in the Management Program approved for 2019.

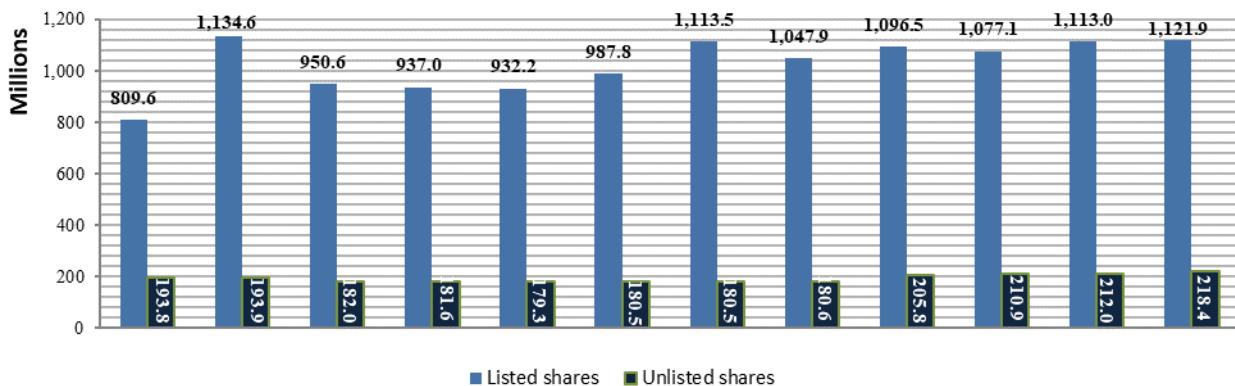
The table below shows the evolution of the shares sub-portfolio, over a period of 3 years from the date of the report.

in lei	2019	2018	2017
Listed shares:	1,121,947,025	847,312,992	992,239,037
- BSE	855,305,528	647,312,413	617,297,189
- ATS	266,641,497	200,000,579	374,941,848
Unlisted shares	218,431,969	193,558,597	170,101,775
TOTAL	1,340,378,994	1,040,871,589	1,162,340,812

Table no. 3.6. *Value Evolution of the shares sub-portfolio on its main components*

One can notice the appreciation of the shares value in each presented category, the listed shares having an increase by 32.4%, and the unlisted ones by 12.9%, compared to the end of 2018.

Chart no. 3.5. *Evolution of listed and unlisted shares (monthly series)*



TRANSACTIONS AND OTHER EVENTS IN THE SHARES SUB- PORTFOLIO

In 2019, the Company maintained the focus of trading activity on the purchase of shares in companies listed on the B.S.E., with liquidity of transactions and dividend yields above the market average and continued the portfolio restructuring process, with the sale of non-dividend shares. In the analysis and identification of the opportunities for the acquisition of shares, it was pursued to respect the directions of action in the management of the shares sub-portfolio, mentioned in the Company's Management Program, for the year 2019.

During 2019, the following operations were registered regarding the shares sub-portfolio:

- Shares listed on organized markets amounting to 21.5 million lei were bought (mainly BRD - Groupe Societe Generale S.A., Banca Transilvania S.A.);
- Listed shares amounting to 11.6 million lei were sold (mainly, S.N. Nuclearelectrica S.A., Banca Transilvania S.A. and S.N.G.N. Romgaz-S.A. Mediaş);
- The shares of Minerva S.A. (5.85 million lei), Galeriile Victoria S.A. Bucureşti (0.63 million lei), Chimopar S.A. Bucureşti (1.65 million lei), Tubal Metalica S.A. Bucureşti (0.65 million lei) and Tubal Com S.A. Bucureşti (0.57 million lei) were sold in full;
- The withdrawal from the company Camexip S.A. Băicoi was registered (company delisting; for the amount of 0.14 million lei, respectively 4.23 lei / share).
- The amount of 1.14 million lei was received, representing the value of the shares held by SIF Muntenia at ICERP S.A. Ploieşti (publication of liquidation report and distribution of amounts).
- Share capital increases were registered of Banca Transilvania S.A. and Teraplast S.A. Bistrita, free of charge, carried out by increasing the number of shares, increases to which the Company received a number of 10,452,762 shares, respectively 826,216 shares;
- Share capital increase with cash contribution was registered, carried out by increasing the number of shares at Societatea Energetică Electrică S.A. and at ICPE S.A. Bucureşti⁷;
- The companies Foraj Sonde Bucureşti Internaţional S.A., Transchim S.A. Bucureşti Con-Dem S.A. and Bankcoop S.A. were deregistered

According to the exit strategies mentioned in the Company's Management Program for 2019, the administrator continued the activity of restructuring the portfolio by selling the participations in which the Company holds shares below 49%, with accounting losses, which have not distributed dividends in recent years or which do not have a transparent communication policy with minority shareholders. Thus, at the end of 2019, the Company had a portfolio of 131 companies as compared to 141 companies at the end of 2018.

DIVIDENDS

In 2019, dividends of 50.4 million lei were collected from the companies in the portfolio.

The **gross income** from dividends in 2019 amounted to 52.42 million lei (2018: 56.97 million lei).

În anul 2019 au fost încasate dividende în sumă de 50,4 milioane lei de la societățile din portofoliu.

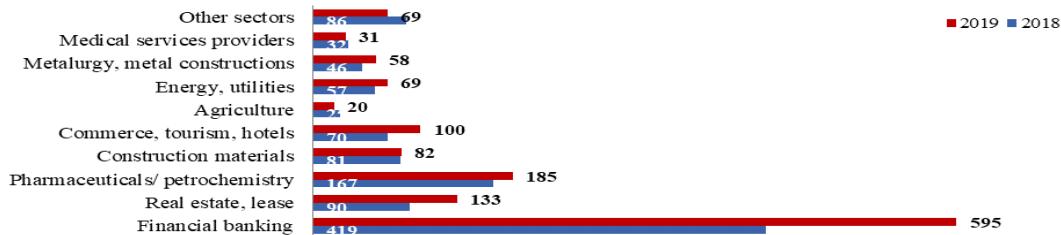
According to the Valuation Rules used to evaluate the financial securities in the Company's portfolio, the dividends are recorded in the assets of the entities managed on the first day when the investors who buy the shares no longer benefit from the dividend or on the first day when the investors who buy the shares can no longer participate to the share capital increase.

⁷ by contribution to the share capital increase, the Company becomes a major shareholder of ICPE S.A.

STRUCTURE ON SECTORS OF ACTIVITY

The shares in companies with activity in the financial-banking sector continued to hold the largest share in the total assets of the Company.

Chart no. 3.6. *Sectors of activity in which the Company has participations in shares (2019 vs. 2018, asset values, lei million)*



TOP 10 PARTICIPATIONS IN THE COMPANY'S PORTFOLIO

As of 31 December 2019, the first 10 holdings, with a total value of 992.94 million lei, represent a share of 58.41% in the total assets of the Company (31 December 2018: 738.44 million lei, 54.77%).

	I	II	III	IV	V
1.	Banca Transilvania S.A.	Financial - banking	352.98	20.77	2.61
2.	Biofarm S.A.	Pharmaceutical industry	182.36	10.73	50.98
3.	CI-CO S.A.	Real estate, renting	92.19	5.42	97.34
4.	BRD - Groupe Societe Generale	Financial - banking	90.94	5.35	0.82
5.	SIF Banat-Crișana	Other financial intermediation	70.29	4.14	4.98
6.	FIROS S.A	Construction materials industry	46.28	2.72	99.69
7.	SIF Oltenia	Other financial intermediation	44.54	2.62	3.00
8.	S.N.G.N. Romgaz-S.A. Mediaș	Energy - utilities	43.13	2.54	0.30
9.	Romaero S.A. București	Manufacture of air and spacecraft	37.46	2.20	23.24
10.	ICPE S.A. București	Research	32.76	1.93	50.32
	TOTAL		992.93	58.42	

Table no. 3.7. *Top 10 participations in shares as at 31.12.2019*

Legend

I- Denomination

II- Field of activity

III- Value of the participations, in million lei, calculated according to the F.S.A. regulations

IV- % in the total asset of the Company

V- % of the company's share capital held by the Company

1. Banca Transilvania (preliminary, individual statements)

in mn. lei	2019 preliminary	2018	2017
Operating income	4.031	3.594	2.675
Total assets	87.438	74.119	59.302
Net profit of the exercise	1.621	1.219	1.186

Table no. 3.8. *Financial results Banca Transilvania (value comparison)*

Banca Transilvania registered a net profit increasing by 32.9% in 2019, of 1.62 billion lei, and at the Group level, the consolidated result was of 1.85 billion lei, increasing by approximately 46.6% compared to the previous year. The operating profit for the year 2019 was 2,131.87 million lei, increasing by 18.3% as compared to the previous year (1,801 million lei), based on operating revenues increasing by 12.2% and some operating expenses higher by 6%.

The total value of the assets of Banca Transilvania increased by 18% in 2019 compared to the value of the assets at the end of 2018, reaching 87,438 million lei. The Bank's total liabilities amounted to 78,941 million lei in 2019, 18.3% above the level at the end of the previous year. Customer deposits increased by 18.9%, also due to the Bank's merger with Bancpost. The Bank's equity increased by 14.7% in 2019, reaching 8.5 billion lei.

The cost / income ratio is kept at a comfortable level of 47.1%. The rate of exposures of non-performing loans is 4.36% as of 31 December 2019. The degree of coverage with total provisions of non-performing exposures is 94%. If the guarantees are considered, the coverage rate is 128%. The Bank's solvency is 21.28%.

The annual tax on assets was 103.6 million lei.

In 2019, the Company received dividends totaling 20.60 million lei (2018: 14.46 million lei), for the shares held in the portfolio, on 5 June 2019, the registration date.

On 27.02.2020, the date of preliminary results publication, the Board of Directors of Banca Transilvania announced that it decided, at the meeting of 26 February, to propose to the General Meeting of Shareholders from April this year to distribute cash dividends from the 2019 profit of approximately 60% of the 2019 profit available to be distributed.

2. Biofarm S.A. București (preliminary financial results)

In mn. lei	2019 preliminary	2018	2017
Sales revenues	202.79	184.38	170.23
Total assets	347.01	285.46	262.38
Net profit of the exercise	50.81	38.42	36.03

Table no. 3.9. *Financial results Biofarm S.A. (value comparison)*

Established in 1921 in Romania, the company is among the first producers specialized in this field and is the only company that produces soft gelatin capsules. It has developed internationally as well, its products, covering almost 61 therapeutic areas, being present in 10 countries, including Russia, Ukraine and Hungary. The company has its own laboratories and modern equipment.

At the end of 2019, Biofarm registered, according to the preliminary audited financial results, sales revenues of about 203 million lei, 10% higher than the revenues realized in 2018.

Thus, the preliminary profit is 50.8 million lei, 32% higher than in 2018 and 22% higher than the one envisaged in the Budget of revenues and expenses for 2019 (41.40 million lei).

Important events:

- The Company received on 05.09.2019 (payment date) dividends amounting to 5.02 million lei (2018: 9.55 million lei).
- The SGOM of 11.12.2019 approved the supplementation of the gross dividend / share for the financial year 2018 with 0.010 lei per share. Thus, the amount existing at the position "Reserves" in the balance sheet, constituted according to the decision of the Shareholders General Ordinary Meeting of 23 April 2019, decreased by the amount of 9.85 million lei, necessary to grant the additional dividend of 0.010 lei / share (25.03.2020 is the payment date).
- Reception of the building destined for the production from 202-232 Drumul Gura Badicului street.

3. CI-CO S.A. București

in mn. lei	Q3 2019	2018	2017
Operating income	8.74	10.52	10.62
Operating Profit	2.48	2.28	2.49
Net profit of the exercise	2.32	1.85	2.14

Table no. 3.10. *Financial results Ci-CO S.A. (value comparison)*

In the first 9 months of 2019, the company achieved operating revenues of 8.74 million lei, representing 78% of the budgeted value for 2019 (11.25 million lei).

The net profit, amounting to 2.32 million lei, exceeded by 14% the estimated amount for the whole year 2019 mainly due to the increase of the revenues from the services provided for the tenants and the registration of some expenses with the depreciation below the forecasted level (the volume of investments made on 30.09.2019 was lower than the budgeted value).

On 04.06.2019 (payment date), the Company received a net dividend for the year 2018 amounting to 1.68 million lei (2018: 2.09 million lei).

In the first quarter of 2019, shares in three companies with similar profile were acquired (of 6.09 million lei): UNICOM Buzau S.A., COMTEX S.A. Arad and ROMANA S.A. Alba Iulia.

4. BRD – Groupe Societe Generale (preliminary financial statements)

in mn. lei	2019 preliminary	2018	2017
Operating income	3,170	2,981	2,641
Total assets	55,853	54,089	53,491
Net profit of the exercise	1,529	1,546	1,380

Table no. 3.11. *Financial results BRD-Groupe Societe Generale* (value comparison)

The profitability of the Bank continued to improve in 2019, according to preliminary financial results. Thus, total assets increased by 3.26% in 2019, reaching 55.853 million lei, while the Bank's equity increased by 7.75% year / year. The Bank's total liabilities increased by 2.56% in 2019 compared to their value at the end of 2018, amid the slight increase in customer and interbank deposits.

The net operating profit increased by 0.57% to 1,590 million lei. The net profit of the Bank reached 1,529 million lei in 2019, compared with 1,546 million lei in 2018, due to the increase of revenues and the solid risk profile.

The cost / income index reached 46.8%, stable compared to 2018. BRD's equity position remained robust in 2019. The solvency rate was 20.1% at the end of December 2019.

The Board of Directors of BRD has decided to propose a level of gross dividend / share similar to the one granted in 2019 (1.64 lei / share), subject to its approval within the SGM. In 2019, the Company received dividends totaling 8.54 million lei (2018: 5.65 million lei).

5. SIF Banat Crișana (preliminary financial results)

in mn. lei	2019 preliminary	2018	2017
Income	121.54	114.88	84.93
Gain/(Loss) from investments	75.95	(-16.05)	3.31
Total assets	2,926.68	2,452.94	2,488.15
Net profit of the exercise	159.49	77.19	69.55

Table no. 3.12. *Financial results SIF Banat-Crișana* (value comparison)

According to the report on the preliminary financial results as of 31.12.2019, SIF Banat-Crișana recorded revenues from dividends, interest and other revenues amounting to 121.5 million lei, 5.8% higher than the previous year (114.88 million lei), mainly as a result of the increase of income from dividends. The company recorded a profit from investments amounting to 75.95 million lei, compared to a loss of 16.05 million lei recorded in 2018, as a result of the recognition in revenues of the fair value increases related to the financial assets measured at fair value through profit or loss account.

Thus, in 2019 SIF Banat-Crișana registered a net profit of 159.49 million lei, increasing by 106.6% compared to the result of 2018 (77.19 million lei).

6. Firos S.A. București

in mn. lei	H1 2019	2018	2017
Operating income	28.60	66.12	54.33
Operating profit	1.94	3.43	3.18
Total assets	69.47	64.28	64.85
Net profit of the exercise	1.96	3.22	2.74

Table no. 3.13. *Financial results Firos S.A.* (value comparison)

In the first half of 2019, compared to the first half of 2018, operating income decreased by 16.13%, and operating expenses decreased by 19.11%. Sales of mortars / adhesives / rubble / scraps achieved until 30.06.2019 (48,054 tonnes) exceeded by 13% the budgeted values for this period (42,500 tonnes). The sales of expanded cellular polystyrene achieved until 30.06.2019 (66,306 cubic meters) exceeded by 12.6% the budgeted values for this period (58,882 cubic meters). The sales of polystyrene had an impact on the growth of orders and sales of mortars and adhesives.

The operating profit in the first half of 2019 represented 62.75% of the total budget for 2019 (3.10 million lei). The net profit represented 66.64% of the total budget for 2019 and is 86% higher than the net profit registered in the first half of 2018 (1.05 million lei).

The Company received from Firos S.A. a net dividend of 1.4 million lei in October 2019 (1.4 million lei in October 2018).

7. SIF Oltenia (preliminary financial results)

in mn. lei	2019 preliminary	2018	2017
Income	143.86	118.64	91.26
Gain/(Loss) from investments	7.26	(1.04)	11.83
Total assets	2,389.47	1,982.61	1,816.44
Net profit of the exercise	124.13	96.26	74.30

Table no. 3.14. *Financial results SIF Oltenia* (value comparison)

For 2019, the company reported income from dividends, interest and other revenues amounting to 143.86 million lei, higher by 21.3% compared to the income achieved at the level of 2018 (118.64 million lei), as a result of the increase of the gross income from dividends by 34.7 million lei and the recording of some income from the exchange rate differences of over 6.44 million lei.

The preliminary net profit for 2019 is 124.13 million lei, higher by 28.96% compared to the value registered in 2018.

In 2019, the Company received a net dividend amounting to 2.48 million lei (2018: 1.16 million lei).

8. SNGN Romgaz S.A. Mediaș (consolidated statements)

in mn. lei	2019 preliminary	2018	2017
Tunrover	5,080.48	5,004.20	4,585.20
Total assets	8,596.10	9,134.90	10,918.59
Net profit of the exercise	1,428.29	1,366.17	1,803.63

Table no. 3.15. *Financial results SNGN Romgaz* (value comparison)

According to the preliminary consolidated annual report regarding Romgaz activity during 2019, the production of natural gas amounted to 5,276.9 million cubic meters, with 56.4 million cubic meters lower than the production achieved in the previous year (-1.06%) and by 1, 37% lower than budgeted production. The quantity of gas injected into deposits in 2019, compared to 2018, increased by 51.1%, while the quantity extracted decreased by 46.25%. Electricity production decreased in 2019 compared to the previous year by 49.4%, as a result of the investment works carried out within CTE Iernut.

The increase of the turnover achieved in 2019, of 1.52% compared to the previous year, is mainly due to the increase of the revenues from the sale of natural gas by 4.4%, the increase with 11% of the revenues from storage services, as well as the increase of the revenues from the sale of condensate by 115.7%, while revenues from the sale of electricity decreased by 50.95%.

The group recorded net losses from the depreciation of assets of 391.3 million lei, mainly due to abandoning certain investment projects in wells. At the same time, the value of the net losses from the depreciation of the receivables was of 116.7 million lei in 2019, compared with 19.9 million lei in 2018. The group also recorded additional expenses of 86.96 million lei, representing the tax of 2 % of the turnover achieved from the activities that are the subject to licenses granted by ANRE, introduced from 2019.

The preliminary net profit for 2019 is 1.43 billion lei, increasing by 4.55% as compared to the net profit achieved in 2018.

The value of the investments made was 891.6 million lei (of which 301.4 million lei in the new plant from Iernut), compared to 1,188.6 million lei in the previous year and represents 64.67% of the budgeted value for 2019.

On 24.06.2019, the Company received net dividends of 4.87 million lei. (2018: 7.49 million lei).

9. Romaero S.A. București

in mn. lei	H1 2019	2018	2017
Operating income	53.57	112.96	60.83
Operating result	(27.80)	(26.14)	(40.38)
Total assets	885.42	888.31	786.42
Net result of the exercise	(32.34)	(35.31)	(39.39)

Table no. 3.16. *Financial results Romaero S.A.* (value comparison)

In the first half of 2019, compared to the first half of 2018, operating income increased by 4.11%, and operating expenses increased by 33.55%.

The operating loss recorded in the first half of 2019 is 193.46% higher than the one recorded in the first half of 2018 and 77.43% higher than the value of the operating loss expected for the entire financial exercise (in the modified Budget of Revenues and Expenses for 2019 (-15, 67 million lei)).

The SGEA of Romaero S.A. from 09.07.2019 approved starting the procedure for writing off some payment obligations to the general consolidated budget, by passing to the state property of some immovable property (buildings and related land) that are in the patrimony of ROMAERO S.A.

10. ICPE S.A.

in mn. lei	H1 2019	2018	2017
Turnover	15.62	29.56	28.58
Total assets	29.62	24.01	24.28
Net profit of the exercise	1.85	2.43	1.22

Table no. 3.17. *Financial results ICPE S.A. (value comparison)*

ICPE S.A. is the subsidiary of the Company from 28.11.2019, following the completion of the share capital increase operation, after which the Company owns 50.3152% of the share capital of ICPE S.A.

ICPE resulted from the split off of the Research Institute in the field of electronic and electrotechnical industry. In 1992, by GO no. 289/1992, ICPE was reorganized as a joint stock company, and in 2007 the company was privatized.

Today, ICPE S.A. represents a complex structure that covers a wide range of innovative activities, connected by the "ELECTRIC" profile.

The main activities concern research, development, engineering, OEM manufacturing and professional services, with the main objective of offering innovative, efficient and competitive technologies and products, without negative impact on the environment.

ICPE S.A. has the object of activity according to CAEN code 7219-Research-development in other natural sciences and engineering.

The turnover on 30.06.2019 confirms the increasing trend of the company, so, as compared to the same period last year, it is 22% higher.

The net profit obtained by the company as at 30.06.2019, amounting to 1.85 million lei, is similar to the one obtained in the first half of 2018, of 1.9 million lei.

3.2 CONTROLLED COMPANIES/SUBSIDIARIES

Considering the definitions presented in Law no. 24/2017, regarding the issuers of financial instruments and market operations, on "group", "parent company" and "subsidiaries", we inform that the company holds in its portfolio, as at 31.12.2019, shares representing 50% and over 50% of the share capital of some issuers, to a number of 15 companies, all of which being operational.

During 2019, the administrator of the Company has verified if the necessary conditions regarding the quality of investment entity are fulfilled. As a conclusion of this process, the Company fulfills these conditions and therefore, it is not necessary to prepare consolidated financial statements.

Subsidiaries are analytically monitored, constantly aiming to increase their fair value by taking immediate measures, especially in the case of non-compliance with the indicators from the revenue and expenditure budgets approved by the SGM. Their growth is constantly being pursued, both in terms of the result and of the position in the market in which they operate, so that the fair value does not have negative influences on the annual result registered by the Company.

As of 31.12.2019, none of these subsidiaries holds shares issued by the Company.

All the subsidiaries are based in Romania. For them, the Company's ownership percentage in the share capital of the company is not different from the percentage of the number of votes held.

Out of the 15 subsidiaries:

- Two subsidiaries are listed on the Bucharest Stock Exchange: Biofarm S.A. (BIO), Casa de Bucovina Club de Munte S.A. (BCM);

- Six subsidiaries are listed on AERO, Bse alternative trading system: Bucur S.A. (BUCV), CI-CO S.A. (CICO), Mindo S.A. (MINO), Germina Agribusiness S.A.⁸. (SEOM), Semrom Oltenia S.A. (SEOL), Unisem S.A. (UNISEM).
- Seven subsidiaries are not listed on a regulated stock market or an alternative trading system: Firos S.A., Fondul Român de Garantare a Creditelor pentru Întreprinzătorii Privați - IFN S.A., Gecsatherm S.A., Muntenia Medical Competences S.A., Voluthema Property Developer S.A., Avicola București S.A⁹, ICPE S.A.;

In 2019, the Company received dividends from its subsidiaries amounting to 8.24¹⁰ million lei, representing 16.4% of the total dividends received in 2019.

As at 31.12.2019 the net asset value of these companies, calculated according to the FSA provisions, was 516.40 million lei (31.12.2018: 393.28 million lei), and the percentage of the total assets of the Company was 30.38 % (31.12.2018: 29.17%).

I	II	III	IV	V
1. Biofarm S.A. București	Manufacture of pharmaceutical preparations	182.36	10.73	50.98
2. CI-CO S.A. București	Renting and operating of own or leased real estate	92.19	5.42	97.34
3. Firos S.A. București	Production of mortars	46.28	2.72	99.69
4. ICPE S.A.	Research	32.76	1.93	50.32
5. Muntenia Medical Competences	Specialized healthcare activities	30.63	1.80	99.76
6. Germina Agribusiness S.A.	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	20.34	1.20	90.68
7. Avicola S.A. București*	Poultry	19.61	1.15	99.40
8. Bucur S.A.	Other retail sale in non-specialised stores	18.79	1.11	67.98
9. Voluthema Property Developer S.A.	Renting and operating of own or leased real estate	17.00	1.00	69.11
10. Semrom Oltenia S.A. Craiova	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	15.22	0.90	88.49
11. Casa de Bucovina-Club de Munte S.A.	Hotels and other similar accommodation facilities	11.24	0.66	67.17
12. Fondul roman de garantare a creditelor pentru întreprinzătorii privați - IFN S.A.	Other lending activities	10.12	0.60	53.60
13. Unisem S.A. București	Wholesale of grain, unmanufactured tobacco, seeds and animal feeds	7.89	0.46	76.91
14. Gecsatherm S.A.	Manufacture of fiber glass	7.08	0.42	50.00
15. Mindo S.A. Dorohoi	Production of mortars	4.89	0.29	98.02
TOTAL		516.40	30.38	

Table no. 3.18. List of subsidiaries and their certified net asset value at 31.12.2019

Legend

I- Denomination

IV- % in the total asset of the Company

II- Field of activity

V- % of the company's share capital held by the Company

III- Value of the participations, in million lei, calculated according to the F.S.A. regulations

TRANSACTIONS WITH AFFILIATES/LIST OF AFFILIATES

⁸The company Semrom Muntenia S.A. changed its denomination into Germina Agribusiness S.A., according to the SGEM of Semrom Muntenia no. 51/24.04.2019.

⁹The company Avicola S.A. București was delisted from the BSE market – ATS segment, according to the resolutions taken during the SGEM of 3 April 2019, starting with 27.09.2019

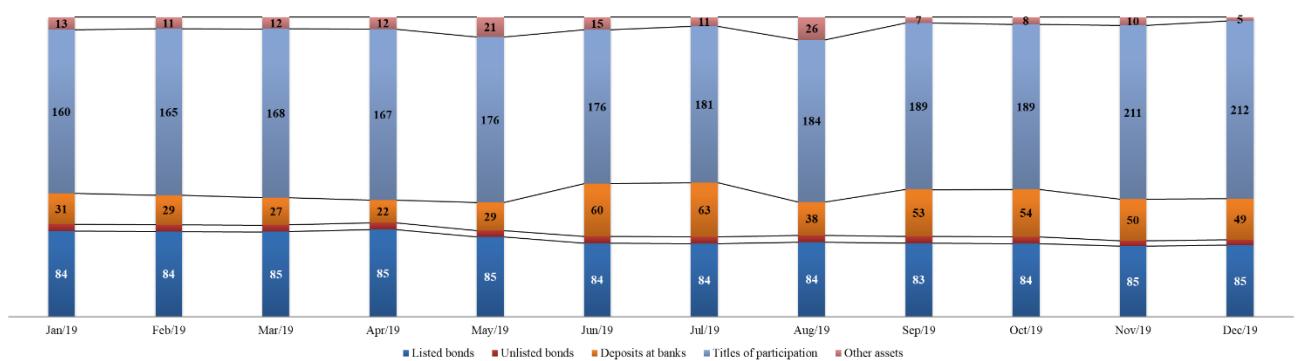
¹⁰On 11.12.2019 the shareholders of Biofarm S.A. approved the supplement of the gross dividend / share for the year 2018 with 0.010 lei / share, with the date of payment 25.03.2020. The company will receive a net dividend of 4.77 million lei.

As of 1 January 2019, the Company has recognized an asset related to the right to use the underlying asset and a lease debt arising from this contract, in accordance with IFRS 16 "Leasing contracts", as a tenant, based on the lease for the space destined for the registered office, concluded with Voluthema Property Developer SA. The total cash outflows related to the contract amounted to 142,717 lei (details in Note 15 to the Financial Statements as at 31.12.2019).

The terms of these commercial transactions were the normal ones for the activity of Voluthema Property Developer, and from a value point of view, the effect on the financial position, both of the Company and of its subsidiary was neglectable, under the limit of 50,000 euros, as defined by the applicable legislation for the reporting obligation.

3.3 OTHER SUB-PORTFOLIOS

Chart no. 3.7. Value evolution of other SIF Muntenia sub-portfolios during 2019 (mn. lei)

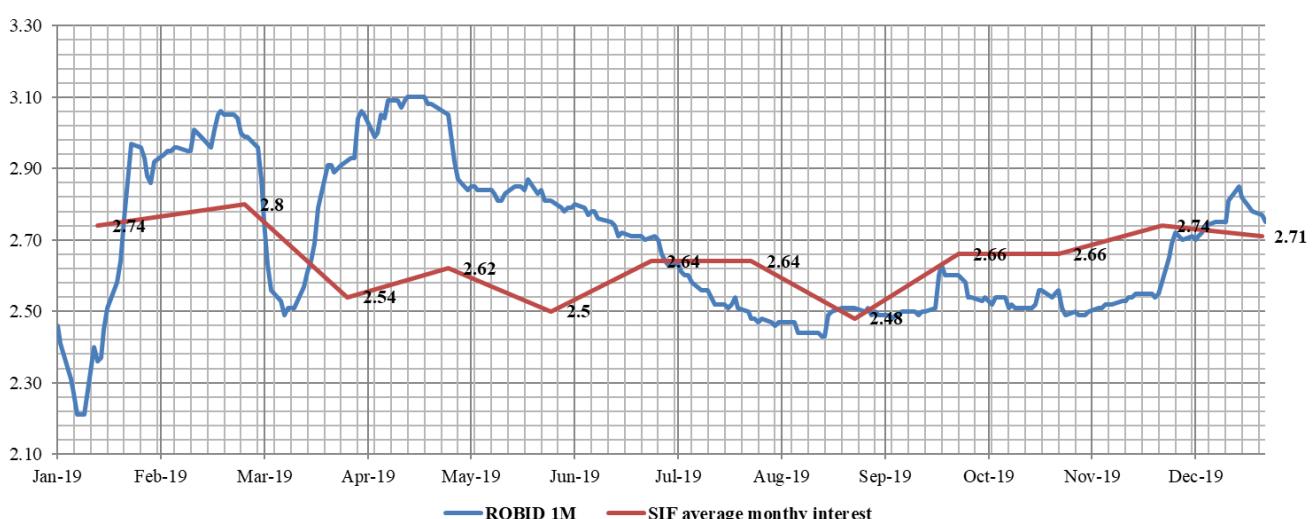


LIQUIDITY

The amounts kept in bank deposits were maintained at low levels, measured to cover dividend payments, investments in other financial instruments and operating expenses. The amounts were invested only in short term bank deposits (less than one year).

During 2019, the average interest on the deposits constituted by the Company had, for the most part of the year, values higher than ROBID 1M. At the end of 2019, the Company held, at present value, 48.82 million lei in bank deposits, representing 2.87% of the total certified assets.

Chart no. 3.8. ROBID 1 month (max. 3,10%, min. 2,21%) as compared to monthly average interest on the Company's deposits



BONDS

During 2019, a number of 10,000 unlisted bonds were purchased, with a nominal value of 100 lei, issued by Capital Leasing IFN S.A., through a private offering of bonds. The main field of activity of Capital Leasing IFN S.A. is

Financial leasing, CAEN CODE 6491. The bond issue is guaranteed, the maturity is 36 months from the date of subscription, and the interest is fixed, respectively 8.9% / year in lei. As of 12 November 2019, the bonds have been admitted to trading, according to the commitment in the issue prospectus.

During the analyzed period, coupons were received for the bonds issued by:

- Banca Transilvania S.A. – 0.07 million lei (15,157 eur),
- Medinfarm S.A. Ploiești – 0.56 million lei
- Impact Developer&Contractor S.A. – 0.27 million lei (57,500 eur)
- Capital Leasing IFN S.A. – 0.04 million lei
- Opus-Chartered Issuances S.A., - 1.55 million lei (328,200 eur)

PARTICIPATION TITLES

In 2019, the participation titles sub-portfolio has undergone changes, with the redemption of the participation titles at FII Omnitrend, for which 11.86 million lei were collected and participation titles to FIA Certinvest Actiuni were purchased, of 1.5 million lei.

4 LITIGATIONS - PORTFOLIO

S.A.I. Muntenia Invest, Administrator the Company ensures the defense, exercise and capitalization of its rights. To this purpose, the activity of legal services is provided by legal advisers and lawyers. On 31.12.2019, there were 30 files in progress.

The legal proceedings where the Company is part can be classified into the following categories:

Legal proceedings with professionals in which the Company has the quality of claimant - have as object the annulment of shareholders general meetings resolutions of several companies in the Company's portfolio, by which the major shareholders have taken illegal decisions whose enforceability harm its interests.

Another category of disputes assigned to the litigations with professionals, where SIF Muntenia is a claimant is represented by disputes relating to the recognition of the Company's right of withdrawal from companies under Law 151/2014, with the consequent collection of the value of shares held.

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

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

Civil law suits in which the Company is a third-party debtor. The Company was sued as third-party debtor in the files having as object forced execution of NSC as civil responsible party in the penal file related to FNI (National Investment Fund) compensations, and respectively validation requests against garnishment of SIF Muntenia as third party. In one of the cases the garnishment validation was admitted, with the consequent formation of a foreclosure case in which the Company was executed for the amount of 1,162,608.48 lei. In 2014, the appeal filed by the Company has been won, enforcement was declared unfounded. The Company filed a return enforcement which was admitted and at present, there are forced execution files through which some of the respective amounts were recovered from the persons who improperly received them.

5 RISK MANAGEMENT IN 2019

Risk management represents all activities that aim at identifying, quantifying, monitoring and controlling risks so as to ensure compliance with the principles of general risk policy. The Company's Risk Management System includes a set of analyzes, diversification diagrams of exposures of the financial instruments in the portfolio together with the identification and evaluation of financial risks as well as proposals for diminishing the effects of the risks related to the Company's investment and general activity.

The risk management function has developed the procedures required for the risk management activity and has developed risk profiles for the Company, which represent the risk assessment associated with its exposures and activities at a given time, using several tools and measures. Starting with 1 July 2019, the new Risk Profiles for the Company have entered into force, taking into account the following principles:

- Business strategy approved by investors / shareholders for each entity and portfolio structure;
- Establishing an optimal and prudent level for each risk;
- Compliance with the legislation in force;
- The results of the analyzes prepared by the Risk Management Department and the recommendations received from the internal auditor.

The risk profiles were defined according to the level of risk appetite associated with each significant risk category, in accordance with the declared risk appetite and the business strategy. Risk profiles are developed in a detailed system of margins / key risk indicators that support S.A.I. Muntenia Invest S.A. in its functions of risk management and control.

The risk management system and its efficiency are monitored by the Executive Management, the Audit Committee and the Board of Directors of S.A.I. Muntenia Invest S.A.

During 2019, the following categories of potential or existing risks to which the Company is exposed were analyzed and evaluated:

1. market risk, with the following sub-categories: position risk, risk related to changes in interest rates, currency risk;
2. credit risk, with the following sub-categories: credit institutions risk, credit risk related to equity securities and fund units, concentration risk and country risk;
3. counterparty risk;
4. liquidity risk;
5. operational risk;
6. strategic risk;
7. reputational risk.
8. systemic and contagion risk

1. *Market risk*

The market risk is the risk of recording losses related to the positions in the profit and loss account, in the balance sheet and off balance sheet, due to the fluctuations of the prices at which the financial securities in the portfolio are traded. These fluctuations are attributed to changes in market variables: stock prices, interest rate developments or exchange rate developments that could change the value of the financial instruments held.

According to the Market Risk Procedure, a marketable VaR is calculated for the measurement and evaluation of market risks, an indicator that expresses the maximum potential loss, with a certain probability of error, expected in a certain period of time, starting from the premise that the price evolution from the past will determine future price behavior. The calculated VaR is 2.78% with a probability of 99%, framing the fund within the limits of the low risk degree (2.01-4%), being below the limits of the average risk degree agreed by the Risk Profile.

The currency risk at the end of December 2019 was 5.34%, being calculated as the ratio between the sum of the assets in foreign currency and the total asset. It is within the limits of the average risk degree (4.01-6%) assumed by the risk profile. We mention that in the Company's portfolio there are exposures in other currencies (USD and GBP), but of very small size.

Long-term interest rate risk (due to exposure to unfavorable interest rate fluctuations): although there was a significant interest rate volatility in 2019, the Company's portfolio was not affected by these fluctuations. A bond issue of the Banca

Transilvania is registered in the portfolio, whose interest rate is automatically reset on a semester basis, depending on the interest rates in the market. Taking into account its modified duration of three months and the fact that it represents only 0.07% of the total assets of the Company (1.22 million lei), we can consider this risk as insignificant.

The Company's bank deposits are interest-bearing assets, which are generally invested at short-term interest rates (1-3 months) and are not exposed to a major risk of change. The company does not use derivative financial instruments to protect against interest rate fluctuations.

2. *Credit risk*

The risk exposure of credit institutions derives mainly from the relationships with the institutions where the available cash is deposited. In order to manage this risk, the Company chose only local credit institutions for depositing the cash available, whose financial soundness is monitored based on the available public information.

The exposure to the credit risk related to the fund units was realized by applying the following measures:

- Prior verification of the entities in which it invests, so as to ensure the existence of a sound and prudent investment strategy, correlated with the investment strategy of the Company;
- Monitoring the return on funds, as well as the individual return of their significant investments;
- Monitoring events that could indicate a reduction in the value of the fund units, such as the decline of a sector of activity corresponding to a significant sub-portfolio.

Exposure to credit risk related to equity securities is mainly due to the inability to meet the maturity obligations due to the loss of previous years, which exhausted their own equity. The part not-covered remains exclusively with the creditors and affects the wealth of the shareholders (in this case the shareholder of the Company, by diminishing down to negative values the net situation, of what constitutes the risk of insolvency assumed).

For the Company, according to the Credit Risk Procedure, the Risk Department calculates indicators that determine the value of exposures to securities issued by listed and unlisted companies in the portfolio, which present a high level of bankruptcy risk, relative to the value of equity. Thus, both the exposure rate of high-risk listed issuers and the high-risk unlisted ones are within the limits agreed by the Risk Profile. At the same time, the calculated parameters related to the Company's concentration risk fall within the degree of risk assumed by the Fund's Risk Profile.

Regarding Romania's country risk, it was assessed by the three major country risk assessment agencies and had a steady evolution in 2019, Romania being considered a country with the investment grade rating. In December 2019, the rating agency Standard & Poor's announced that it revised Romania's perspective from stable to negative, one of the reasons being that it exceeded the budget deficit target for this year, the consequences of this decision being mainly more expensive loans for Romania. As a conclusion for the entire 2019, we can say that the Company was not affected by this type of risk.

3. *Counterparty risk*

Counterparty risk - according to the Counterparty risk procedure, there is analyzed the possibility of insolvency of the institutions providing services (such as asset custody) or situations in which transactions with shares / bonds issued by issuers not listed on a regulated market or on an alternative trading system. According to the calculations made, the results frame the Company in the area of the parameters set in the Risk Profile. The lack of a portfolio of derivatives or pending transactions (not settled) places the Company in the same area of very low risk.

The counterparty risk is the risk that one of the parties to the contract will not fulfill its contractual obligations, leading to a loss for the other party. This risk comes in particular from transactions with OTC derivatives or financing transactions for financial instruments. The company did not carry out transactions with derivative financial instruments in 2019, as defined in section C, points 4 -10 of Annex I to Directive 2004/39 / EC, implemented by Articles 38 and 39 of Regulation (EC) no. 1287/2006.

According to the counterparty risk procedure, the possibility of insolvency of institutions providing financial services, such as asset custody, was considered. Thus, for the custodian bank (BRD) several indicators are calculated, based on the financial indicators of the bank. By weighting them according to the mentioned procedure, the result was in the low risk area.

4. *Liquidity risk*

The general objective of liquidity risk management is to minimize the negative impact on profits, capital and portfolio, generated as a result of the inability to meet obligations on maturity.

In accordance with the Liquidity Risk Procedure, the Risk Department monitors the liquidities available in the form of cash and very liquid assets compared to its short-term obligations. The main indicator for calculating liquidity is: "Liquid

assets / Average monthly expenses", which has a value of 20.86 and indicates that the Company can fulfill its current obligations from the liquid assets it owns. This indicator falls within very low risk, according to the Company's Risk Profile, which means that the value of cash or cash equivalents represents at least five times the value of average monthly expenses.

Another indicator of liquidity pursued is the grouping of assets in the liquidity bands specified in ESMA Guide 869/2014 (118, 119), respectively the percentage of the fund's portfolio that can be liquidated in each of the specified liquidity periods. The calculations made as at 31.12.2019 for the Company's portfolio show that it falls within the average risk degree agreed by the Risk Profile.

5. *Operational risk*

The operational risk considers the losses caused either by the use of inadequate processes, internal systems or human resources, which cannot fulfill their function properly, or by external events and actions. Legal risk is included in this category of risks. During 2019, at the end of each quarter, the functional compartments of the Company's administrator sent notifications to the Risk Department, on operational risk events (ORE) corresponding to their activities, by filling in the event file. The measurement of the operational risk level for the Company's manager was calculated by summing up the aggregate impact value of the operational risk events and framing the result in the operational risk levels to which the risk profile is reported. The value of the potential aggregate loss as a result of materializing the reported operational risks is zero lei.

6. *Strategic risk*

The strategic risk has an impact on the Company, considering that the non-fulfillment of the management plan, according to the communications to investors, can lead to the reduction of the revenues related to the management activity and the reduction of the value of the assets managed. In order to manage this risk, the administrator analyzes and monitors both the general economic framework and the financial sector one, in order to identify any changes that may affect the fulfillment of the management plans.

7. *Reputational risk*

Regarding the reputational risk, from the analyzes made, it appears that the press releases of the Company are monitored daily (through the PR firm and the portfolio managers), being communicated to the executive management and the Board of Directors, in order to take measures to manage the potential situations, if appropriate.

8. *Systemic and contagion risk*

Regarding Systemic and contagion risk, it is part of the NBR's objectives of imposing additional capital requirements on systemically important institutions (mainly banking entities) and consists in increasing their ability to absorb losses, with positive effects on risk reduction. systemically generated by the size of the institutions, respectively the probability of manifesting some financial difficulties and diminishing the severity of the potential impact.

In the same NBR material, it is emphasized that the structure and cost of financing the current account deficit and the budget deficit represent a moderate risk, while the risk of non-repayment of loans contracted by the non-governmental sector is at a low level.

With regard to external causes, the systemic risks that can be identified to the financial system are related to the increase of the risk premiums, the sustainability of the state debt, the impairment of the intermediation capacity of the banks and, last but not least, the increasing risks assumed by the non-banking financial sector.

In the Company's portfolio, the issuer Banca Transilvania can be considered as an exposure that adds systemic risk, especially due to the size of the bank - this becoming the largest bank in the Romanian system in terms of assets. The company owns 21.78% of the assets under management in the bank's assets (shares, bonds, bank deposits and current accounts).

Regarding the rating measurements, it should be noted that at the beginning of 2019, Fitch Ratings affirmed the IDR (Long-term Issuer Default Rating) rating for Banca Transilvania's long-term financing at 'BB +', with a stable outlook, as well as the viability rating level of the bank to 'bb+'. It is noteworthy that during the last year the bank has improved with one level these ratings (from BB to BB + and from bb to bb +).

Regarding the exposure of the Company in Banca Transilvania, we appreciate that the analysis of NBR complex evaluations as well as of the evaluations made by the rating agencies lead to a permanent monitoring of the systemic risk generated by this exposure.

Framing the asset categories in the portfolio within the legal holding limits

The holding limits for the Company's portfolio are defined by the applicable law, respectively:

1. Article 188 of the NSC Regulation no. 15/2004 regarding the authorization and functioning of investment management companies, collective investment undertakings and depositors - in relation to the exposure conditions of the UCITS with a diversified investment policy;
2. Art. 9 of the FSA Norm no. 14/2013 - in connection with direct and indirect investments in promissory notes;
3. Limits resulting from the provisions of Law 297/2004 on voting rights in the entities supervised by the FSA;
4. Limits referred to under art. 3 (2) of Directive 2011/61 / EU (legislation on alternative investment fund managers).

The holding limits for points (1) to (4) of the above list have been respected throughout the year 2019. We further detail the risk analysis according to the requirements provided by the legislation regarding the managers of alternative investment funds.

LIMITS REFERRED TO UNDER ART. 3 (2) OF DIRECTIVE 2011/61 / EU

The Risk Management Department calculates the total value of the assets managed, in lei, according to the valuation norms stipulated in the legislation. The Company's total assets under management at the end of 2019 were of 1,699,819,970.89 lei. Their value in Euro is 355,387,825.82 (at the ECB's 4.7830 rate on the last working day of December 2019), below the threshold of 500 million euros for which it would be necessary to apply for authorization in accordance with the relevant procedures of the Directive. 2011/61 / EU.

LEVERAGE

The policy of the Company's administrator is not to use the leverage effect in the administration process for the Company, ie not to use a method to increase the exposure of an AIF provided in Annex no. 1 of Regulation 231/2013 of the European Commission, in accordance with the Decision of the Board of Directors. From the analysis of the Company's portfolio it appears that there is no derivative financial instrument or that any method is used to increase the exposure, according to the Annex mentioned in the paragraph above.

6 SHARES ISSUED BY SIF MUNTEANIA

SHARE CAPITAL

The subscribed and paid-up share capital amounts to 80,703,651.5 lei, divided into 807,036,515 common shares, with a nominal value of RON 0.1000 / share.

MAIN CHARACTERISTICS OF THE SHARES ISSUED BY SIF MUNTEANIA

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

The Company has not issued bonds and / or other debt securities, having no such obligations. The financing of the entire activity is realized only through equity.

The shares issued by the Company are listed at the Bucharest Stock Exchange, the main segment, in the premium category, in accordance with the provisions of the BSE Decision no. 200/1999 and they are traded on this market starting with 01.11.1999.

The record of the shares and shareholders of the Company is performed by the Depozitarul Central S.A. Bucharest, company authorized by the FSA.

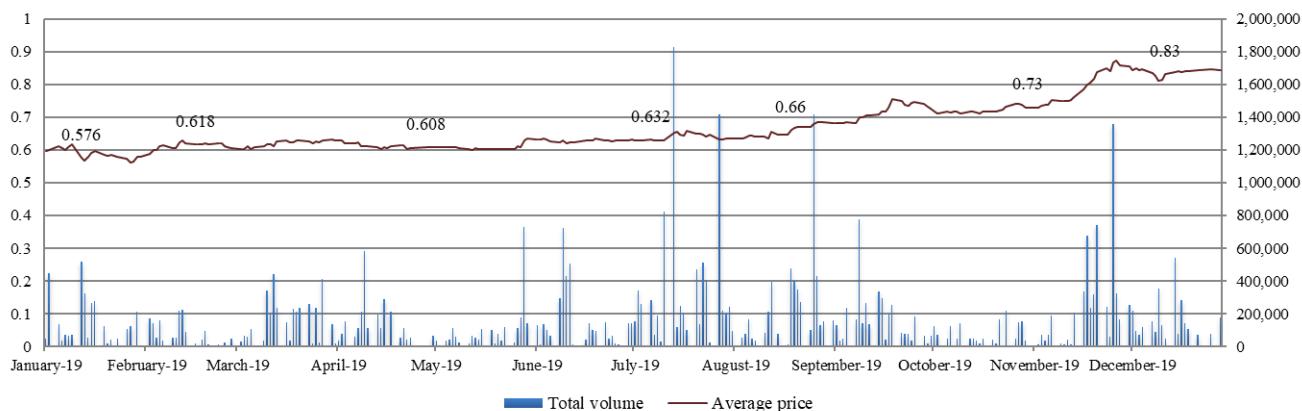
Main Market	Bucharest Stock Exchange, main segment, premium category, SIF4 symbol, ISIN ROSIFDACNOR6
Included in the Indices BET-BK BET-FI BET-XT BET-XT-TR	
	2019
Closing price REGS lei	0.844
NAV per SHARE lei	2.0320
Net asset discount (%)	58.5
Market capitalization (mn. lei)	662.24
	2018
	2017
	0.598
	1.5583
	61.6
	482.61
	0.980
	1.6987
	42.3
	790.90

Table no. 6.1. *SIF Muntenia share performance*

	REGS	POF	DEAL
Number of trades	12,537	163	3
Number of traded shares (mn. lei)	43.1	22.4	39.9
Total trading value (mn. lei)	29.3	16.1	24.3
% number of shares	5.5 ¹¹	2.77 ¹²	5.1

Table no. 6.2. *Trades with SIF Muntenia shares in 2019*

Chart no. 6.1. *Average trading price and volume of transactions on REGS in 2019*



¹¹ of the number of shares issued and outstanding as at 31.12.2019, excluding the own shares repurchased by the company

¹² of total issued shares at 31.12.2019

COMPANY SHAREHOLDERS

The table below presents the synthetic structure of the Company's shareholding, as at 31 December 2019.

	31/12/2019		
	Number of shareholders	Shares held	% held in total shares
Resident individuals	5,941,967	489,667,704	60.675
Non resident individuals	1,963	2,543,152	0.315
Resident legal entities	148	211,144,141	26.167
SIF Muntenia	1	22,391,314	2.77
Non resident legal entities	22	81,290,204	10.073
TOTAL	5,944,101	807,036,515	100%

Table no. 6.3. Shareholding structure as at 31.12.2019

Source: Depozitarul Central S.A.

The rights of the Company's shareholders are protected in accordance with the legislation in force. The company adheres to an effective and active communication policy with its shareholders and ensures that all shareholders are treated fairly in terms of access to public information¹³.

In 2019, the shareholders of the Company approved, at the Shareholders' Meeting of 22 April 2019, a share redemption program. The results of this offer are as follows:

- Number of the FSA decision approving the public tender document: FSA decision no. 1079 / 27.08.2019
- The number and percentage represented by the securities deposited within the offer: 37,036,515 shares, representing 4,5892% of the issuer's share capital
- The number of securities purchased and the total amount paid: 22,391,314 shares, totaling 16,121,746.08 lei, excluding commissions.
- Date and method of settlement of the transaction related to the public offer: 20.09.2019, through the Central Depository system
- Percentage held by the bidder following the closing of the bid: the bidder owns 22,391,314 shares, representing 2.7745% of the Company's share capital.

The policy regarding the annual distribution of dividends or other benefits for shareholders is presented on the Company's website.

In LEI	2019	2018	2017	2016
Gross dividend per share	*	Redemption of own shares	0.0347	0.040

Table no.3.3. Dividend value during the last 4 years

* Profit sharing for 2019 (the administrator's proposal for profit sharing will be subject to shareholders' approval as a separate item on the SGOM agenda.)

The payment of dividends, in compliance with the applicable legal provisions, is and will be made by the Central Depository, and Banca Comercială Română S.A. is payment agent designated by the Company. During the year 2019, net dividends were paid to the shareholders of the Company in the amount of 0.66 million. lei, dividends for 2015, 2016 and 2017.

SHAREHOLDERS AND CAPITAL MARKET INSTITUTIONS RELATIONS

The investor relations sections on the Company's website include up-to-date information on corporate governance and provide access to the documents governing the governance of the company. Corporate governance information is regularly reported through the corporate governance statement within the annual report and updated continuously through current reports and the website. In this section, the forecasting policy and the dividend distribution policy and other rights for shareholders are presented as well.

The obligations of transparency, reporting and information to shareholders and institutions of the capital market were complied with and ensured through press releases distributed in financial profile national coverage newspapers, by publishing periodic and continuous reports of information provided electronically both on the website

¹³ <http://www.sifmuntenia.ro/despre-noi/guvernanta-corporativa/documente-la-zi/>

www.sifmuntenia.ro, as well as on the electronic system of the capital market on which the shares of the Company are listed, by informing the FSA and by carrying out an activity of written and electronic correspondence with the shareholders.

At the beginning of each financial year, the administrator of the Company communicates to the BSE and posts on the company's website (www.sifmuntenia.ro) the financial calendar, according to the regulations in force.

S.A.I. Muntenia Invest, the administrator of the Company, has and maintains at its premises a unique register of petitions, in a secure electronic format, in which all the petitions, as well as their status, date and manner of settlement are recorded chronologically, in order of receipt. Any investor in the entities managed by S.A.I. Muntenia Invest can file petitions, free of charge. The information regarding the procedure regarding the settlement of the petitions received from the investors is made available to them, free of charge, at the headquarters of S.A.I. Muntenia Invest and on the website of S.A.I. Muntenia Invest. Petitions can be transmitted to the headquarters of the management company through the following channels: mailing, fax, courier, directly to the general register from the registered office of S.A.I. Muntenia Invest, electronic mail on the general address of S.A.I. Muntenia Invest or at the address of the managed entity.

The Company's contact details of the shareholder relations department are available on the Company's website and, for consultation, the Procedure regarding the registration, administration, settlement and filing of petitions, which complies with the provisions of the FSA Regulation no. 9/2015.

GENERAL MEETINGS OF THE SHAREHOLDERS OF THE COMPANY IN 2019

The highest governing body of the Company is the Shareholders General Meeting of (SGM). The Ordinary and Extraordinary General Meetings are convened by the Company's administrator, in accordance with the legal and statutory provisions.

The Shareholders General Meeting adopts decisions based on projects proposed by the administrator and / or shareholders. SGM decisions are reported to the FSA, BSE and made public by publication in a national circulation newspaper, the Official Gazette, Part IV, FSA Bulletin, posted on the official website. SGA resolutions are enforceable (of immediate application) from the moment of their adoption if, from their content or legal provisions, there is no other term for their enforceability.

The General Meeting of the Company's Shareholders is convened by the Board of Directors of S.A.I. Muntenia Invest S.A. according to the legal provisions, the NSC/FSA regulations and the Company's Articles of Incorporation.

For each General Meeting of Shareholders, the administrator of the Company makes available to the shareholders, on the company website www.sifmuntenia.ro, in a special section, dedicated to the general meetings of the shareholders, all the information necessary for the investors in relation to the items on the agenda and the way to participate / vote at the respective Shareholders General Meeting.

The main attributions of the shareholders general meetings are presented in the Articles of Incorporation of the Company, updated following the decision the SGEM of 22 April 2019, annexed to this report and which can also be consulted on the Company's website, www.sifmuntenia.ro. These are supplemented by the legal provisions regarding companies subject to the common law, Law 31/1990 and with the special provisions regarding companies of financial investments subject to the FSA supervision.

SAI Muntenia Invest SA, the administrator of the Company, published the convening notice for the Shareholders Ordinary and Extraordinary General Meetings of 22/23 April 2019, made available and published according to the legal regulations the materials submitted for approval, prepared the participation and voting procedures, made available to the shareholders the special proxy and voting forms by correspondence and provided all forms of advertising, according to the legal provisions, for the voting results for each item on the agenda and the decisions adopted by the SGM (national circulation newspaper, Official Monitor, the company's website).

On 15 March 2019, the convening notice for the SGEM was published, for approving the modification of the Articles of Incorporation of the company, according to the Annex that can be found on the company's website (<http://www.sifmuntenia.ro>), at the section dedicated to this general meeting of shareholders. The convening was completed, at the FSA request and published in the new form on 01.04.2019.

On 14 March 2019, the convening notice for the SGOM for the 2018 balance sheet and the proposals for the distribution of the profit obtained in 2018 were published.

On 22 April 2019, the Company's Shareholders General Extraordinary and Ordinary Meetings took place. The current report of 23 April 2019 is available for consultation on the company's website, www.sifmuntenia.ro, in the dedicated section.

7 CORPORATE GOVERNANCE

The Company's manager considers that compliance with the Corporate Governance Codes ensures the accuracy and transparency of the company's decision-making process and allows equal access for all shareholders to the relevant information, being a means of maintaining the Company's competitiveness in a world increasingly affected by accelerated changes.

The Company's Corporate governance regulation presents the corporate governance structures, rules and procedures for decision making, the governance standards that ensure the application of the general principles of administration and control of the Company's activity for the benefit of the shareholders. It can be consulted on the Company's website, the *Corporate Governance section*.

The set of corporate governance rules defines the structure by which the objectives of the Company are established, the means by which they can be efficiently and transparently achieved in relation to the shareholders and to monitor the activity and performance.

CORPORATE GOVERNANCE STRUCTURES

The administration of the Company is carried out in a unitary system, in compliance with the provisions of Law no. 31/1990 and the Articles of Incorporation, updated in the first part of 2019.

During the period between the Shareholders General Meetings (SGM), the activity of S.A.I. Muntenia Invest is supervised by the Shareholders' Representatives Committee (SRC), a supervisory body made up of 3 individuals appointed by the SGM, with a mandate of 4 years. The attributions and responsibilities of the SRC are established by the Company's Articles of Incorporation.

Shareholders General Meeting

The highest governing body of the Company is the Shareholders General Meeting (SGM). The general meetings are ordinary and extraordinary.

The Ordinary General Meeting shall meet at least once a year within four months as of the end of the financial year. The Extraordinary General Meeting will be convened whenever necessary.

The attributions of the SGM are specified in the Articles of Incorporation and comply with the legal provisions in force. The Articles of Incorporation are published on the Company's website, www.sifmuntenia.ro. The decisions of the general meeting are taken by open vote or by secret one. The secret vote is compulsory in the case of the appointment of the SRC members or their dismissal, the appointment or dismissal of the administrator, as well as for the appointment or dismissal of the financial auditor and for taking decisions regarding the responsibility of the members of the administrative bodies. The decisions of the SGM, taken in compliance with the law and the Articles of Incorporation, are binding for all shareholders, including those who did not attend the meeting or who voted against the respective decision.

The SGM is chaired by one of the permanent representatives appointed by the administrator of S.A.I. Muntenia Invest and registered with the Trade Register as legal representatives of the Company.

The General Meetings are convened by S.A.I. Muntenia Invest at least 30 days before the date set for holding it. The Board of Directors of S.A.I. Muntenia Invest approves procedures regarding the orderly and efficient organization and carrying out of the SGM work, in accordance with the legal provisions and FSA regulations applicable. The procedures for participation and voting in the SGM are made available to the shareholders, at the headquarters of the Company and posted on the Company's website (www.sifmuntenia.ro), together with the information and materials regarding the general meeting: SGM convening notice, information materials and documents subject to the SGMSdebates and approvals, special empowerment forms and correspondence ballots, the decisions adopted by the SGM and the voting result for each item on the agenda. The decisions taken within the SGM are reported to the FSA and BSE, they are published in a national circulation newspaper and in the Official Gazette, Part IV.

S.A.I. Muntenia Invest makes any endeavor to ensure fair treatment of all the shareholders of the Company, regardless of the number of shares held, including non-resident shareholders, by providing them with relevant and updated information.

Company's Shareholders Representatives Committee (SRC)

The SRC is a body that represents the Company's shareholders interests in relation to its administrator, based on a budget approved by the Company's SGM.

The Shareholders Representatives Committee has the following main functions:

- represents the Company in relation to its administrator;

- negotiates and concludes the administration contract;
- verifies the way in which the contractual terms and commitments assumed by the administrator are observed by the management contract and by the management program approved by the Company's Shareholders General Meeting;
- analyzes the periodic reports drawn up by the administrator regarding the way in which it exercised its attributions regarding:
 - administration of the Company;
 - exercising the rights conferred by holding the securities in the Company's portfolio;
 - defending the rights and interests of the Company before courts, arbitrators as well as any bodies with jurisdictional and administrative powers;
- calls for measures to be taken to frame the administrator's activity in the provisions of the management contract, the FSA regulations, the annual management programs, the revenue and expenditure budgets approved by the General Meeting of the Shareholders of the Company and the applicable legislation;
- verifies the conclusion of the contract with the financial auditor according to the decision of the General Meeting of the Shareholders of the Company;
- verifies the preparation of the annual financial statements by the administrator and the proposals for the profit distribution to be submitted for the approval of the Company's General Meeting of the Shareholders;
- verifies the preparation of the annual program regarding the management of the Company's portfolio;
- verifies the preparation of the project of the Revenues and Expenditure Budget of the Company, in order to present it to the Company's General Meeting of the Shareholders;
- verifies the preparation of the half-yearly and quarterly reports of the administrator in accordance with the legal provisions and the FSA regulations;
- verifies the preparation of the materials to be presented at the Company's General Meeting of the Shareholders;
- verifies the conclusion of the deposit contract, respectively of the contract with the Central Depository.

Company's Administrator

The company is managed by S.A.I. Muntenia Invest S.A. based on the administration contract approved by NSC by the Endorsement no. 35 / 15.06.2006.

S.A.I. Muntenia Invest is represented by the three members of its Board of Directors, as well as by the permanently appointed representatives. The members of the Board of Directors of S.A.I. Muntenia Invest are elected by the SGM for a period of 4 years, with the possibility of being re-elected. The members of the Board of Directors of S.A.I. Muntenia Invest must cumulatively fulfill the general conditions provided by Law no. 31/1990 on companies, supplemented with those established by Law no. 297/2004 regarding the capital market, Law no. 74/2015, Law no. 24/2017 and the regulations of the Financial Supervisory Authority (FSA). The members of the Board of Directors of S.A.I. Muntenia Invest are authorized by the FSA.

There are no family agreements or agreements by which S.A.I. Muntenia Invest was appointed administrator of the Company.

S.A.I. Muntenia Invest does not own shares of the Company or the companies in which the Company has control. At the time of preparation of this report S.A.I. Muntenia Invest has the following contractual obligations regarding the management of the Company:

- a) to manage the investments of the Company; in the management of the Company's investments, S.A.I. Muntenia Invest will carry out the following:
 - exercise, on behalf of the Company, the rights arising from the possession of financial instruments;
 - purchase financial instruments in the Company's account, using its financial resources;
 - it trades financial instruments from the Company's portfolio, with a temporary or definitive character, partially or entirely, including those through which real rights are constituted;
- b) to carry out activities regarding:
 - legal and accounting services related to the administration of the Company;
 - market research;

- evaluating the Company's portfolio and determining the value of the financial instruments issued by the Company, including fiscal aspects;
- monitoring compliance with the regulations in force;
- conclusion of a contract with a company that keeps the records of the holders of financial instruments issued by the Company;
- distribution of the revenues due to the shareholders of the Company;
- issuing shares of the Company;
- keeping the records of the Company;

c) to carry out specific activities regarding the marketing of the financial instruments issued by the Company.

d) to carry out any other activities regarding the administration of the Company, in compliance with the provisions of the legislation in force and of the NSC / FSA regulations.

Obligations and responsibilities of the administrator of the Company are regulated by the provisions regarding the mandate and those specially provided by Law 31/1990 with subsequent amendments and completions, by the legislation of the capital market, by the NSC/FSA applicable regulations, by the provisions of the Articles of Incorporation of S.A.I. Muntenia Invest S.A. and of the Company, as well as the provisions of the Management Contract.

The main objectives of the administrator are defined by the annual programs regarding the management of the Company and are subject to the approval of the SGM.

In 2019, the Board of Directors of S.A.I. Muntenia Invest S.A. was made up as follows:

Name and Surname	Position	Mandate validity (expiration date)
Florica Trandafir	President	05.10.2020
Adrian Simionescu	Member	20.08.2021
Dorina Teodora Mihăilescu	Member	27.12.2021

The professional CVs of the members of the management bodies of S.A.I. Muntenia Invest are presented in the annex to this report and can also be found on the Company's website.

The number of meetings of the Board of Directors of S.A.I. Muntenia Invest in 2019, in relation to the Company, was 26, in order to analyze the Company's activity and its development prospects. The Board of Directors approves the annual activity program of the Company which presents its development prospects for the following year and submits it to the approval of the shareholders of the Company.

Management fee due to the administrator / Remuneration policy

The price of the management contract concluded between the Company and S.A.I. Muntenia Invest is represented by the management fee.

The management fee is composed of a fixed part and a variable part (performance fee):

- the fixed part is calculated and paid monthly and is equal to 0.08% of the value of the net asset as it was certified by the Company's Depository for the last working day of the month (but not less than 1,450,000 lei);
- the variable part is calculated at the end of the year and is paid after approval by the SGM of the financial statements and is equal to 10% of the value with which the gross profit realized exceeds the gross profit provided in the Revenue and Expenditure Budget approved by the SGM, for the year for which the profit was recorded.

The management fee of S.A.I. Muntenia Invest for the financial year 2019 amounted to 26.14 million lei (of which 8.74 million lei performance fee), representing 1.78% of the average net assets, respectively 1.69% of the total average assets of the Company in 2019.

Details regarding the remuneration of AIFM staff are presented in the report of the Board of Directors of S.A.I. Muntenia Invest S.A. on 31.12.2019, which can be found on the website www.munteniainvest.ro. At the same time, the report of the Remuneration Committee is annexed to the report mentioned above, as provided in art. 49, para. 2 of Regulation no. 2/2016 regarding the application of the principles of corporate governance by the entities authorized, regulated and supervised by the Financial Supervisory Authority, with the previous modifications and completions.

The Advisory Committees of the Board of Directors of S.A.I. Muntenia Invest

Audit Committee

The audit committee was set up to provide support to the Board of Directors of S.A.I. Muntenia Invest in the field of risk management and financial reporting.

During 2019, the Audit Committee had the following composition:

- Mr. Adrian Simionescu and Mrs. Dorina Teodora Mihăilescu.

The audit committee met 12 times during 2019.

The audit committee has the following responsibilities:

- monitors the financial reporting process;
- ensures the access of internal and external auditors to information and resources and monitors the audit of the annual and consolidated financial statements, so that the financial reporting is completed according to the requirements of the legal regulations and the financial calendar;
- verifies and monitors the independence of the financial auditor, especially if there are additional services provided by them for S.A.I. Muntenia Invest or the managed entities;
- receives and analyzes all correspondence received from the financial auditors and internal auditors of S.A.I. Muntenia Invest or of the managed entities;
- analyzes the reports prepared by the financial and internal auditors of S.A.I. Muntenia Invest or of the entities managed by S.A.I. Muntenia Invest;
- conducts investigations to identify the causes that led to the irregularities highlighted in the reports prepared by the financial and internal auditors of S.A.I. Muntenia Invest or of the entities managed by S.A.I. Muntenia Invest;
- draws up and presents the Board of Directors of S.A.I. Muntenia Invest analyzes and recommendations regarding the measures to be taken to improve the financial reporting process of S.A.I. Muntenia Invest or the entities managed by S.A.I. Muntenia Invest, if applicable;
- verifies compliance with the rules regarding the observance of business ethics;
- participates in the selection of the internal and financial auditors of S.A.I. Muntenia Invest and the entities managed by S.A.I. Muntenia Invest;
- monitors the internal control / compliance, internal audit and risk management systems within the entity and presents annually to the Board of Directors of the S.A.I. Muntenia Invest a report on the efficiency of these systems;
- proposes measures and makes recommendations to the Board of Directors of S.A.I. Muntenia Invest if it finds that the internal control / compliance systems have worked with deficiencies;
- ensures that the analysis and reports drawn up by the internal auditors of S.A.I. Muntenia Invest or of the entities managed by S.A.I. Muntenia Invest are in line with the audit plan approved by the Board of Directors of S.A.I. Muntenia Invest.

Remuneration committee

The Remuneration Committee is a permanent committee, with advisory function, subordinated to the Board of Directors.

The composition of the Committee takes into account the fact that at the aggregate level, it has sufficient professional skills and experience regarding risk management and control activities, more precisely with regard to the mechanism of aligning the remuneration structure with the risk and capital profiles of the company. The remuneration committee has mainly the following responsibilities:

- makes recommendations to the Board of Directors, regarding the remuneration of the members of the management body, as well as of the staff members with the highest level of remuneration within the administrator;
- assists and advises the Board of Directors on the remuneration policies applicable within the administrator;
- monitors the implementation of the remuneration system of the administrator;
- evaluates the mechanisms adopted to ensure that the remuneration system takes due account of all types of risks and the level of liquidity and assets under management; a general remuneration policy corresponds to the strategy, objectives, values and professional interests of the administrator and the Company, as well as the interests of their investors;
- selects external remuneration consultants and makes proposals to the Board of Directors for the approval of the company providing third party consultancy or assistance, if applicable;
- directly supervises the remuneration of persons in risk management and compliance positions.

Executive management

The executive management of the Company's activity is ensured in accordance with the provisions of the legal regulations in force and of the Internal Regulations of the Company's administrator by the General Director and by the Directors authorized by the FSA.

The executive management is empowered to lead and coordinate the day-to-day activity of the company and may undertake the liability of the company within the limit of the mandate granted by the Board of Directors. The executive management of the company is responsible for ensuring compliance with the working procedures established by the Internal Regulations of the Company's administrator.

The executive management of S.A.I. Muntenia Invest S.A. was insured during the year 2019 by the following persons authorized by the FSA, as follows:

- Nicușor-Marian Buică – General Director (FSA Authorisation no. 307/21.12.2017),
- Florica Trandafir – Corporate Management Director (FSA Authorisation no. 245/20.11.2015) and
- Mircea Constantin – Strategy Director (FSA Authorisation no. 192/21.12.2016).

Information on the management structure of S.A.I. Muntenia Invest SA, respectively the composition of the Board of Directors, the audit committee, the remuneration committee and the executive management, as well as their CVs are available both on the Company's website www.sifmuntenia.ro and on the administrator's website SAI Muntenia Invest S.A., www.munteniainvest.ro.

Participation of the administrators and directors to the share capital of the Company

Name	Position	Number of SIF4 shares	% of the share capital
Florica Trandafir	BoD President-Corporate Management Director	-	-
Andrei Simionescu	Non - executive Administrator	155	0.000019
Dorina Teodora Mihăilescu	Non - executive Administrator	38	0.000005
Nicușor-Marian Buică	General Director	-	-
Mircea Constantin	Strategy Director	30	0.000004

For administrators and directors, there are no agreements, understandings or family connections between them and another person due to whom the person was appointed in that position.

Key positions

Within the manager of the Company, the persons holding key positions are the persons whose attributions have a significant influence on the achievement of the strategic objectives of the Company, which are not part of the management structure, fulfilling the attributions of:

- risk assessment and management;
- compliance;
- Internal Audit.
- the persons designated for the application of the law no. 656/2002¹⁴ for the prevention and sanctioning of money laundering, as well as for the introduction of measures to prevent and combat terrorist financing

Risk management

The risk management function is functionally and hierarchically separated from the operational units, including the portfolio management functions.

Risk management is the totality of the activities aimed at identifying, quantifying, monitoring and controlling the risks, so as to ensure compliance with the principles of the general risk policy. Effective risk management is considered vital in order to achieve strategic objectives and to ensure the quality of shareholder benefits on an ongoing basis. In this context, the strategy for managing significant risks provides the framework for identifying, evaluating, monitoring and controlling

¹⁴ Starting with January 2020, the Company has complied with the requirements of law 129/2019 for the prevention and combating of money laundering and terrorist financing, as well as for the modification and completion of some normative acts. The updated corporate governance regulation can be found on the Company's website, at the dedicated section.

these risks, in order to maintain them at acceptable levels depending on the risk appetite and the ability to cover (absorb) these risks.

The risk management system and its efficiency are monitored by the Executive Management, the Audit Committee and the Board of Directors of the Company's administrator.

The Risk Management Division is hierarchically subordinated to the Strategy Director and mainly has the following attributions and responsibilities:

- identifies and evaluates the significant risks related to S.A.I. Muntenia Invest and to each managed entity;
- monitors the significant risks related to S.A.I. Muntenia Invest and to each managed entity;
- quantifies the influence of significant risks on the agreed risk profile for the portfolio of each managed entity;
- elaborates and implements the management policies and procedures (identification, evaluation, monitoring and control) of the risk for all the managed entities.

Compliance compartment

The compliance department ensures the supervision by the administrator / company and their personnel of the legislation in force on the capital market, as well as of the internal regulations and procedures. The compliance officer shall carry out his activity in accordance with the regulations in force and with the written procedure regarding the conformity checking activity, approved by the Board of Directors.

The compliance officer is subject to the authorization of the FSA. and is registered in the FSA public register. In fulfilling the duties assigned to him by the representative of the compliance department, he reports directly to the Board of Directors of the Company's administrator and notifies the executive management of the administrator.

Internal auditor

Within the management company, persons were appointed and maintained to provide the internal audit function, both for their own activity and for the entities managed. The internal audit function is separate and independent from other functions and activities. For the Company, the internal audit function is outsourced.

The internal audit services for the Company were provided in 2019 by the company Mz Finance Advisory and Assurance S.R.L., in accordance with the internal audit contract no. 1175/65796 / 15.11.2016 and of the Additional Act no. 1 with no. 1039/88482 / 12.11.2018 to this contract.

The internal auditor has the following responsibilities:

- a) establishing, implementing and maintaining an audit plan to evaluate and examine the efficiency and adequacy of the systems, mechanisms of internal control and procedures of S.A.I. Muntenia Invest;
- b) verification of compliance with the rules and working procedures approved by the Board of Directors of S.A.I. Muntenia Invest;
- c) drawing up, according to the contractual clauses, written reports on the topics specified in the internal audit plan, addressed to the Board of Directors of S.A.I. Muntenia Invest and / or the Shareholders Representatives Committee;
- d) issuing recommendations based on the result of the activity carried out according to letter a);
- e) verification of compliance with the recommendations provided in letter c).

The internal audit activity is carried out in accordance with the applicable legal requirements, the internal rules and regulations of the company and complies with the International Auditing Standards issued by the Institute of Internal Auditors (IIA Global). International rules of internal audit are based on the (conceptual) Professional Practices Framework (IPPF), developed and published by The Institute of Internal Auditors (IIA Global).

The audit committee monitors and evaluates how the internal auditor complies with the contractual provisions. The audit committee shall inform the Board of Directors of any deficiencies found in the performance of the internal audit contract.

The internal audit activity for the Company in 2019 was carried out in compliance with the internal audit plan, established in accordance with the objectives and the specific activity of the company and approved by the Board of Directors.

The persons designated for the application of law no. 656/2002 for the prevention and sanctioning of money laundering, as well as for the introduction of measures to prevent and combat terrorist financing¹⁵

The persons designated for the prevention and combating of money laundering within the Company's administrator, in relation to the O.N.P.C.S.B., will have direct and timely access to the data and information necessary for the fulfillment of the duties established by Law no. 656/2002.

The Company's manager has the obligation to draw up and keep records regarding the new clientele, respectively to register the identity of the clients and the one of the real beneficiaries, before initiating any business relationship or carrying out transactions on behalf of the real client / beneficiary. It will not open or operate anonymous accounts, respectively accounts for which the identity of the owner or the real beneficiary is not known and properly highlighted.

The Company's administrator keeps the records (secondary or operative) and the records of all the financial operations that are the subject of Law no. 656/2002, for a period of 5 years from the conclusion of the business relationship, respectively from the occasional transaction, or even more, at the request of the Office or other authorities, regardless of whether that account was closed or the relationship with the client ceased, in an appropriate form. The records must be sufficient to allow a reconstitution of the individual transaction, including the amount and type of currency, to provide evidence in court, if necessary. In fulfilling the tasks established by Law no. 656/2002, the responsible persons have direct and permanent access to all the records drawn up by the administrator in accordance with the legal provisions.

CONFLICT OF INTERESTS AND TRANSACTIONS WITH FINANCIAL INSTRUMENTS OF RELEVANT PERSONS

S.A.I. Muntenia Invest S.A. has no holdings that conflict with interests of the Company. The members of the Board of Directors of S.A.I. Muntenia Invest can only take over their duties after obtaining the opinion of the FSA.

The documentation submitted to the FSA by each BoD member, for the purpose of obtaining the endorsement, includes statements resulting from any conflicts of interest.

The internal rules and procedures of S.A.I. Muntenia Invest SA, as well as the Corporate Governance Regulation, contain regulations for avoiding conflicts of interest in the management of the Company, the professional ethics rules that must be respected by their employees so that the decisions taken by the directors / the effective management, respectively the implementation of these decisions be made with the priority respect of the interest of the shareholders of the Company.

When a conflict of interest arises among the administrators, they inform the Board of Directors about it and abstain from the debates and vote on the respective elements, in accordance with the incidental legal provisions; these situations are recorded in the minutes of the meeting of the Board of Directors.

It is forbidden to use privileged information related to the investment policy of the Company by the members of the Board of Directors, the effective management of the company, as well as any person with whom S.A.I. Muntenia Invest S.A./The company has concluded a work / mandate / services contract, when they carry out transactions with financial instruments in their own portfolio.

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

In the case of all the personal transactions carried out by the relevant persons and the administrator of the Company, regardless of the financial instrument, all the relevant persons transmit to the administrator a report containing information about the respective transactions. These transactions will be recorded in the register of the personal transactions of the administrator, together with any authorization or prohibition, communicated to him by third parties, in connection with such transactions.

The company fulfills the institutional obligations of reporting and information, by the modalities specified by the NSC / FSA and BSE regulations, including by posting on the website and publication in the specialized press.

Delegations.

No new contracts were signed during 2019.

During 2018, the following contracts were concluded, valid in 2019:

- with CMF Consulting S.A., authorized evaluator, for SIF Muntenia S.A., Framework contract no. 84500/5429 / 02.08.2018 regarding the elaboration of evaluation works and activities related to the evaluation, for a period of 12 months from the date of signature, with the possibility of being automatically extended by a period of 12 months.

¹⁵ Starting with January 2020, the Company has complied with the requirements of law 129/2019 for the prevention and combating of money laundering and terrorist financing, as well as for the modification and completion of some normative acts. The updated corporate governance regulation can be found on the Company's website, in the dedicated section.

- with Gloss Global Storage Solution SRL the contract for archival services with no. 1109/89395 / 05.12.2018, for a period of 5 years from the date of signature.

Until 1.05.2019, the administrator of the Company had delegated the accounting activity to the company 3B Expert Audit S.R.L.

8 FINANCIAL ACCOUNTING STATEMENT

The company prepared the financial statements as at 31.12.2019 in accordance with the FSA Rule no. 39/2015 for the approval of the Accounting Regulations conforming to the International Financial Reporting Standards, applicable to the entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector, as subsequently amended and supplemented.

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

Below we will present a summary of the financial statements at 31.12.2019, for details please refer to the notes to the financial statements at 31.12.2019, annexed to this report.

FINANCIAL POSITION STATEMENT

<i>In LEI</i>	31 December 2019	31 December 2018
Assets		
Cash and current accounts	2,288,570	1,079,966
Deposits with banks	48,830,657	29,381,709
Financial assets at fair value through profit or loss	817,525,382	710,614,051
Financial assets at fair value through other comprehensive income	798,621,743	585,329,963
Financial assets measured at amortized cost	11,247,685	10,171,781
Other assets	1,702,389	9,100,213
Total assets	1,680,216,426	1,345,677,683
Liabilities		
Dividend to be paid	43,547,004	66,635,384
Deferred tax liabilities	48,821,284	19,427,363
Other liabilities	13,821,904	4,461,325
Total liabilities	106,190,192	90,524,072
Equity		
Share capital	80,703,652	80,703,652
Hyperinflation effect IAS 29	803,294,017	803,294,017
Own shares	(16,345,504)	-
Reported result	503,040,623	355,279,975
Reserves from revaluation of financial assets at fair value through other comprehensive income	203,333,446	15,875,967
Total equity	1,574,026,234	1,255,153,611
Total liabilities and equity	1,680,216,426	1,345,677,683

Table no. 8.1. *Financial position statement*

The value of the assets as at 31 December 2019 is increasing by 334.54 million lei, respectively 24.9%, compared to the value registered as at 31 December 2018.

The main elements of the asset evolved compared to the end of 2018, as follows:

- Cash and cash equivalents (including deposits placed with banks) increased as against 31.12.2018 by 20.66 million lei, due to the decision of the administrator, with the mention that the strategy regarding the liquidity of the Company's portfolio was observed (%TA 12.2019 - 3 , 0%, 12.2018 - 2.3%);
- The financial assets at fair value through profit or loss are above the level recorded on 31 December 2018, due to the market evolution of the investments registered in this asset class. As a mention, we note that fund units, subsidiaries and some bonds make up this category of assets. At the end of 2019, the equity package held at Biofarm S.A Bucharest, at fair value, represented 10.9% of total accounting assets (31.12.2018: 12.1%);

- The financial assets at fair value through other items of comprehensive income are increasing by 213.3 million lei, respectively 36.4%, an increase that is mainly due to the investments made by the company during the year 2019. At 31.12.2019 the package held at Banca Transilvania SA represented 21.0% of the total accounting assets of the Company (31.12.2018: 18.33%).

Net assets difference according to accounting regulations / net assets certified by the Depositary

Considering that the records are in accordance with the FSA Rule no. 39/2015 and the valuation procedures approved by the Company's administrator, and the monthly calculation of the net assets is based on rules established in accordance with the FSA Regulation no. 9/2014, at 31.12.2019 there are differences between the value of the net assets according to the accounting records and the net assets certified by the Depositary.

A centralizer of the differences between the net assets according to the accounting records and the net certified assets (millions of lei) is presented below.

Explanation	Amount
Net assets according to the accounting records	1,574,026,234
Net assets certified according to the FSA regulations	1,594,382,536
Differences, of which:	(20,356,302)
Fair value difference for the shares sub-portfolio and the bonds sub-portfolio	(19,601,253)
Difference in tangible assets	(2,292)
Debt difference	(752,757)

Table no. 8.2. *Differences in net certified assets / net assets according to accounting records*

STATEMENT OF PROFIT OR LOSS AND OTHER ELEMENTS OF THE GLOBAL RESULT

<i>In LEI</i>	2019	2018
Income		
Dividend income	52,419,044	56,969,732
Interest income	1,864,804	890,357
Other operating income	696,588	667,435
Investment gain		
Net gain on foreign exchange differences	241,751	16,448
Net gain / (Net Loss) on revaluation of financial assets at fair value through profit or loss	95,896,891	(22,162,265)
Expenses		
Net income from resumption adjustments for impairment of assets	127,576	13,180,505
Management expenses		
Management fee	(26,141,496)	(17,400,000)
Expenses with the remuneration of the Shareholders Representative Committee and with staff salaries	(500,152)	(891,801)
Other operating expenses	(4,158,099)	(4,121,009)
Interest expense related to the debt in the lease contract	(44,029)	-
Profit before tax	120,402,878	27,149,402
Profit tax	(8,489,178)	(4,350,019)
Net profit of the period	111,913,700	22,799,383
Other items of comprehensive income		

<i>In LEI</i>	2019	2018
Items that can not be reclassified in profit or loss		
Revaluation at fair value of financial assets at fair value through other comprehensive income, net of deferred tax	200,840,858	48,409,891
Reserve relating to financial assets at fair value through other items of comprehensive income transferred to retained earnings	(13,383,379)	(41,678,200)
Other items of comprehensive income	187,457,479	6,731,691
Total comprehensive result of the period	299,371,79	29,531,074
Earnings per share		
Bsic	0.140	0.028
Dilluted	0.140	0.028

Table no. 8.3. *Statement of profit or loss and other items of comprehensive income*

The evolution of the significant elements that make up the individual statement of profit or loss and other elements of the comprehensive income is as follows:

- *Dividend Income* decreased by 4.55 million lei (8.0%) compared to 31.12.2019¹⁶,
- The *Interest Income* category registered an increase of 0.97 million lei, generated by the increase in interest on bank deposits and current accounts and the interest on the bonds recorded at amortized cost;
- *Investment gains* are structured as follows:
 - The *net gain from the revaluation of the financial assets to the fair value through profit or loss* registers a positive value of 95.90 million lei, as compared to the previous year when a loss of 22.16 million lei was recorded.
 - The *net gain from exchange rate differences* is 0.24 million lei compared to 0.016 million lei in the previous year;

The combined effect of the elements presented above is the increase of the net result as at 31.12.2019 with 89.11 million lei as compared to the end of 2018.

CASH FLOW STATEMENT

When drawing up the cash flow statement, cash and cash equivalents were considered: cash from the petty cash, current accounts with banks, deposits with an initial maturity of less than 90 days.

<i>In LEI</i>	2019	2018
Operating activities		
Profit before tax	120,402,878	27,149,402
<i>Adjustments:</i>		
Net income from resuming adjustments for impairment of assets	(127,576)	(13,180,505)
(Net profit) / Net loss from the revaluation of financial assets at fair value through profit or loss	(95,896,891)	22,162,265
Dividend income	(52,419,044)	(56,969,732)
Interest income	(1,864,804)	(890,357)
Net gain from exchange rate differences	(241,751)	(16,448)
Interest expense related to the debt in the lease contract	44,029	-
Other adjustments	10,369,120	1,524,497

¹⁶ we mention that on 11.12.2019 the shareholders of Biofarm S.A. approved the supplementation of the gross dividend / share for the year 2018 with 0.010 lei / share, with the date of payment 25.03.2020. The company will receive, on 25.03.2020, a net dividend of 4.77 million lei.

<i>In LEI</i>	2019	2018
Changes in assets and liabilities related to the operating activity		
Changes in financial assets at fair value through profit or loss	12,114,302	(11,869,371)
Changes in financial assets at fair value through other comprehensive income	(5,506,297)	17,823,500
Changes in financial assets measured at amortized cost	(1,000,000)	(5,300,000)
Changes to other assets	1,505,747	(4,409,098)
Changes to other debts	(1,483,952)	286,626
Net investments in deposits with maturity greater than 3 months and less than one year	(15,729,500)	(6,990,000)
Dividends collected	50,375,605	55,507,818
Interest collected	2,027,991	765,149
Tax on profit paid	-	(8,438,961)
Net cash resulting from operating activities	22,569,857	17,154,785
Investment activities		
Payments for the purchase of tangible and intangible assets	(177)	(7,163)
Proceeds from the sale of tangible assets	133,725	1,200
Net cash resulting from / (used in) investment activities	133,548	(5,963)
Financing activities		
Dividends paid, including tax on dividends paid	(1,361,399)	(15,815,227)
Debt payments from the lease, including interest	(142,717)	-
Redemption of own shares	(16,345,504)	-
Net cash used in financing activities	(17,849,620)	(15,815,227)
Net increase in cash and cash equivalents	4,853,785	1,333,595
The effect of exchange rate changes on cash and cash equivalents	(5,643)	(6,058)
Cash and cash equivalents as of 1 January	20,401,928	19,074,391
Cash and cash equivalents as of 31 December	25,250,070	20,401,928

Table no. 8.4. *Cash flow statement*

During 2019, the operating activity generated cash as a result of dividend collection from the companies in the portfolio and from the sale of shares (details in the relevant chapters).

The careful monitoring of the Company's portfolio and the decisions taken in the investment activity resulted in a net variation of cash flows, at 31.12.2019, amounting to 4.85 million lei.

FINANCIAL ECONOMIC INDICATORS

Indicators	2019	2018
Current liquidity ¹	1.54	1.39
Speed of rotation of fixed assets ²	0.1507	0.1693
Net profit / Net certified assets (%)	7.02	1.81
ROA ³ (%)	6.66	1.69
ROE ⁴ (%)	7.11	1.82

Table no. 8.5. *Financial – economic indicators*

Method of calculation

¹ Current assets /Current liability

² Turnover / Fixed assets (turnover = total (current) revenues of the Company).

³ Net profit / Total accounting assets (it is one of the main profitability indicators of a company and it measures the efficiency of the use of the assets, from the point of view of the obtained profit and shows how many units bring, in the form of profit, a unit invested in assets).

⁴ Net profit / equity (it is one of the most important indicators that measure the performance of a company. The indicator is calculated as a ratio between the net profit obtained by the company and the equity, practically expressing the way and the efficiency with which the shareholders invested their money).

9 EXECUTION OF THE BUDGET OF REVENUES AND EXPENSES

The revenue and expenses budget for the financial year 2019 was approved in the SGOM from 22 April 2019, by Decision no. 4.

In LEI	BRE 2019	Achieved 2019	%
1. Total revenues	53,100,000	54,980,436	103.5
1.1. Investment income	53,000,000	54,283,848	102.4
1.1.1 Gross income from dividends	52,000,000	52,419,044	100.8
1.1.2 Interest income	1,000,000	1,864,804	186.5
1.2 Other income	100,000	696,588	696.6
2. Total expenses	22,200,000	30,929,384	139.3
2.1 Administration expenses	17,400,000	26,141,496	150.2
2.2 External expenses	2,500,000	2,691,731	107.7
2.3 Portfolio management expenses	1,500,000	1,298,468	86.6
2.4 SRC expenses	700,000	669,580	95.7
2.5 Other expenses	100,000	128,109	128.1
3. Net profit from the valuation of financial assets at fair value through profit or loss		96,351,826	0.0
4. Gross profit	30,900,000	120,402,878	389.7
5. Profit tax (current and deferred), including dividend income tax		8,489,178	
6. Net profit		111,913,700	

Table no. 9.1. BRE execution in 2019

The total revenues exceeded the forecast value of the BRE approved in the SGM from April 2019 by 3.5%, respectively by 1.9 million lei. In the Other Income category, revenues from debt recovery with various debtors were recorded, generating an increase of 0.6 million compared to the budgeted amount. (most of the amounts obtained are penalties for the debts recovered as a result of the withdrawal of the Company from companies according to Law 151/2014).

Total budgeted expenses were exceeded by 39.3% and are mainly made up of the following subcategories:

- the expenses with administration represent the monthly commission and the performance commission of the administrator calculated according to the administration contract in force
- the external expenses represent the expenses with the services provided by third parties respectively the expenses with the service providers (BRD - depositary, custodian, the Central Depository, FSA fees and charges, the financial auditor of the company, the internal auditor, expenses for the relationship with investors, expenses with mandatory advertising, payments to the trade register),
- the expenses of portfolio management include the commissions of transactions with the brokers, expenses with the banking services, the notarial expenses, with debt recovery services, the court expenses, with the valuation services performed by external evaluators, etc.

The gross profit, in the amount of 120.4 million lei, exceeds the budgeted values for the year 2019 by 289.7%, mainly as a result of the evolution of the fair value of the assets that are evaluated by profit or loss.

Proposal of the Board of Directors of S.A.I. Muntenia Invest regarding the distribution by destination of the net profit realized in the financial year 2019 is presented to the General Meeting of Shareholders, as a separate item on the agenda.

10 SUBSEQUENT EVENTS

Within the Shareholders General Extraordinary Meeting of 11 March 2020, were approved:

- Change of the registered office of the Company from the address of Bucharest, Splaiul Unirii no.16, sector 4, to the new address in Bucharest, St. Serghei Vasilievici Rahmaninov, no. 46-48, ground floor, room 2 sector 2.

- decrease of the share capital of the Company from 80,703,651.5 lei to 78,464,520.10 lei, respectively from 807,036,515 shares to 784,645,201 shares with a nominal value of 0.1 lei / share, by canceling a number of 22,391,314 treasury shares acquired by the Company as a result of the performance of the public offer for the purchase of its shares during the period 04.09.2019 - 17.09.2019, approved by the Decision of the general meeting of shareholders of 22 April 2019.

- Modification of the Company's Articles of Incorporation, in order to correlate with the provisions of Law no. 243/2019 regarding the regulation of alternative investment funds and for the modification and completion of some normative acts (details can be found in the published decisions).

The current report regarding the SGEM of March 11, 2020 is available for consultation on the company's website, www.sifmuntenia.ro, in the dedicated section.

On 10 February 2020, the Financial Supervisory Authority authorized the modification of the operating authorization of S.A.I. Muntenia Invest S.A., the administrator of the Company, following the change of the registered office of the company from the address in Bucharest, Splaiul Unirii no. 16, sector 4, at the new address in Bucharest, Str. Serghei Vasilievici Rahmaninov no. 46-48, sector 2, ground floor rooms 3, 4, 5 and floor 2.

The COVID-19 epidemic has major negative effects on the global economy. All capital markets registered large declines in the first two months of 2020. From the beginning of the year until the end of February, the German DAX index fell by 10.2%, the French market index CAC 40 fell by 11, 2%, while the FTSE 100 index depreciated by 12.7%. In the US, Dow Jones fell by 11% and the S&P 500 by 8.6%.

The Romanian capital market was not bypassed by turbulence and registered a decrease of more than 10% in the first days of March 2020. Paradoxically, this decrease comes after the BET index has reached the maximum of the last 12 years, and the BET index- TR had reached new historical highs (according to the BVB statement of March 10, 2020).

Following the analyzes carried out based on the existing data at this moment in relation to the possible evolutions of the domestic and international economic environment, SAI Muntenia Invest S.A. has concluded that the Company's performance may be affected, but the continuity of the Company's activity is not threatened. It holds shares of companies with fields of activity in various areas of the economy, some areas not being directly affected by this global situation. At the date of the completion of this report, the companies directly affected by this pandemic represent approximately 7% of the total accounting assets calculated on 31.12.2019 (holdings in the field of tourism and trade with products that are not strictly necessary).

The volatility recorded on the international markets and on the BSE could affect the Company's profit, given that over 48% of the total accounting assets (as of December 31, 2019) are financial assets valued at fair value through profit or loss. Under these conditions, one of the measures taken by the Company is to ensure a flow of liquidity that will allow all the commitments made by the Company to investors and / or business partners to be respected.

11 PROSPECTS FOR 2020

11.1 ECONOMIC ENVIRONMENT

The forecast macroeconomic indicators presented in the continuation of this chapter, in accordance with the Corporate Governance Code of the B.V.B., will be those that will be used to substantiate the Administration Program of SIF Muntenia and the construction of the Income and Expenditure Budget for 2020.

At the meeting of the Board of Directors of the National Bank of Romania on monetary policy issues, from January 8, 2020, the following were decided:

- Maintaining the monetary policy interest rate at 2.50 percent per year;
- Maintaining the interest rate for the deposit facility at 1.50 percent per year and the interest rate for the lending facility at 3.50 percent per year;

- Maintaining the current levels of minimum reserve rates applicable to liabilities in RON and foreign currency of credit institutions.

According to the baseline scenario, the annual CPI inflation rate will reach 3.1% by the end of 2020 and 3.2% at the projection horizon (III quarter 2021)¹⁷.

The advance of the consumption of the population slowed down in the second quarter of 2019, while the contribution of the gross formation of fixed capital to the economic growth was a consistent one, but expected to be only temporary - being associated, on the one hand, to fiscal incentives that have aimed the construction sector, and, on the other hand, an increase in public investment expenditures, carried out in the context of the electoral cycle, with a contribution to financing coming partly from European funds¹⁸.

Under these conditions, for 2020 the trend of deceleration of the economic activity is anticipated, given the gradual depletion of the fiscal incentives from the authorities and due to the less favorable prospects for the evolution of the economic activity of the external partners. The structure of economic growth will continue to reflect *the predominant contribution of population consumption*, while net exports of goods and services are expected to mark new negative contributions, slightly easing over the analyzed period. In the case of gross fixed capital formation, the contribution to the economic growth is expected moderately as a medium-term intensity, the values projected on this horizon (expected to gravitate near the average of the indicator recorded in the post-crisis period) reflecting the persistence of the structural deficiencies of the economy.

Starting from the latest values, the basic scenario foresees the continuation of the increase in the negative balance of the trade balance, only partially offset by the evolution of the services sector, having as a result, in the future, the widening of the current account deficit. As a consequence, the indicator is expected to exceed, as of the current year, the "benchmark" value of 4% of GDP stipulated by the European Commission as a multiannual indicator of macroeconomic imbalance for the member countries of the European Union. Given the accumulation at a faster rate of external imbalances in the case of Romania compared to the economies of the region and, implicitly, of the manifestation of difficulties in ensuring its integral financing from non-generating sources of new debt, this evolution is to amplify a series of economic vulnerabilities, with impact including on the graduality and, respectively, of the macroeconomic consequences of future adjustments necessary to correct these imbalances.

A risk whose relevance has increased in the current round refers to the future evolution of the administered prices, especially those of electricity and natural gas for final household consumers, in the context in which they were affected by the provisions of GEO no. 114/2018. Under these conditions, a restart of the process of liberalization of these price categories would be marked by inherent uncertainties regarding the sequentiality of this process and, implicitly, strike the severity of the inflation rate deviations from the trajectory from the basic scenario of the projection.

Externally, the uncertainties are associated with the rate of deceleration of global economic activity, in an international context marked by recurrent geopolitical tensions and possible escalations of trade and technological conflicts, in particular those between the US and China. Any amplification of these tensions could lead, as a direct effect, to a generalization of the protectionist measures imposed unilaterally by various countries, and as an indirect effect, a more pronounced slowdown in economic activity in China, relevant from the perspective of its role in the global chain of added value. Together or separately, these can lead to significant disruptions of economic activity, with direct and significant consequences on small and open economies, such as Romanian. The final configuration of Brexit continues to be an important source of uncertainties, its purpose and impact being marked by numerous unknowns, which makes it difficult to anticipate the outcome of this process and, implicitly, to evaluate the impact on the macroeconomic framework of the Romanian economy.

Expert projections reveal annual growth rate of real GDP of 1.1% in 2020 and 1.4% in both 2021 and 2022. Based on current oil futures, a relative increase in total inflation is likely over the next months.

Capital market

On 24 January 2020, Law no. 243/2019 regarding the regulation of alternative investment funds and for the modification and completion of some normative acts was enforced. It aims to regulate alternative investment funds (AIF) with regard to the organization, operation, and transparency obligations related to these types of entities (which are classified in contract type AIF and investment company type AIF).

Law 243/2019 is an important component of the multiannual strategy of the Financial Supervisory Authority to develop a more flexible legal framework regarding the functioning of undertakings for collective investment, other than undertakings for collective investment in transferable securities (non-UCITS).

Law 243/2019 was prepared taking into account the following objectives:

¹⁷ NBR projections, Annual CPI price inflation projection, www.bnro.ro, data collected in January 2020

¹⁸ Inflation Report, November 2019, XV Year, no. 58, National Bank of Romania

- Reclassification of the types of AIF depending on the types of eligible investors (professional or retail), the categories of assets, as well as the related investment limits;
- Correlation of the national legal framework regarding AIF with existing practice in other Member States with mature capital markets, such as France, Ireland and Luxembourg;
- Creating new mechanisms for financing the economy by setting up new types of investment funds, with specific investment strategies, harmonized with the European practice in the field;
- Protection of small investors by establishing new prudential rules regarding the investments allowed in the categories of AIF intended for them.

The company will comply with the new regulations issued by Law 243/2019 within a maximum of 6 months from the date of its entry into force.

11.2 MAIN STRATEGIC OBJECTIVES AND DIRECTIONS OF ACTION FOR 2020

The main strategic objectives and directions of action for 2020 will be presented in detail in the Management Program for 2020, together with the proposal of the Budget of Revenues and Expenses which will be subject to shareholders' approval (we present a summary in the annual report).

The Company's portfolio has well-defined characteristics of the balanced fund, which combines assets (different types of financial instruments) with potential for growth in value and dividends for shareholders.

Balanced fund strategy refers to the type of investment strategy that involves investments in various 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 investment process objectives in the individual asset classes / financial instruments that make up the portfolio.

MAIN STRATEGIC OBJECTIVES FOR 2020

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

The report of the administrator regarding the administration of the Company was approved at the meeting of the Board of Directors of S.A.I. Muntenia Invest S.A. as of 12.03.2020.

12 ANNEXES

- The financial statements as at 31 December 2019, prepared in accordance with the provisions of the FSA Rule no. 39/28 December 2015, as subsequently amended and supplemented, not audited, which include:
 - o Statement of financial position,
 - o The statement of profit or loss and other elements of the comprehensive income,
 - o Statement of changes in equity,
 - o Statement of cash flows,
 - o Notes to the financial statements.
- Statement on the responsibility for drawing up the financial statements as at 31.12.2019
- The detailed situation of the investments of SIF Muntenia on 31 December 2019, prepared in accordance with annex no.17 of Regulation no. 15/2004.
- Updated Articles of Incorporation.
- Statement on the application of the principles of corporate governance for SIF Muntenia S.A. (according to the Annex to the FSA Regulation no. 2/2016, as subsequently amended and supplemented),
- The status of compliance with the provisions of the Corporate Governance Code of the BSE as at 31 December 2019.

SIF Muntenia S.A. by its Administrator
S.A.I. Muntenia INVEST S.A.

General Director,
Marian Nicușor BUICA

SIF Muntenia S.A. by its Administrator
S.A.I. Muntenia INVEST S.A.

Chief Accountant,
Irina MIHALCEA

Professional CVs of S.A.I. Muntenia Invest S.A. management as at 31.12.2019

Name	Age	Qualifications	Professional experience	Position held	Seniority
Florica Trandafir	54	<p>Economist, graduate of Economic Cybernetics, Statistics and Informatics, Bucharest University of Economic Studies – 1989;</p> <p>training: Financial analysis, IRVM, 1997; Evaluation methods for trade companies, ANP, 1997; seminar Business negotiations, Pro Ideas, 2006; Executive Program in Business Administration, Temple University, Japan, 2007 and Boston College, USA, 2008)</p>	<p>May 2016 - present President of the Board of Directors February 2016-May 2016 – Vice-President of the Board of Directors</p> <p>November 2015 – present Director in charge with the executive management</p> <p>Nov 2012- present BoD Member of SAI Muntenia Invest</p> <p>Nov 2008- Oct 2012 Vice-President of the BoD of SAI Muntenia Invest</p> <p>2006-Oct 2008: BoD Member of SAI Muntenia Invest</p> <p>2004-2006: Director, Conselor, BoD Member of SAI Muntenia Invest</p> <p>2002-2004: Director Management System SA</p> <p>1997-2002: Expert reviewer, Management Consultant, Risk capital agent, Deputy Director SAI Muntenia Invest</p> <p>1994-1997: Expert reviewer FPP IV Muntenia</p> <p>1992-1994: Economist, Brothers Trading SRL</p> <p>1990-1991: Economist Mecanoexportimport SA</p> <p>1989-1990: Economist ICMUG Giurgiu</p>	<p>President of the Board of Directors Directors in charge with the executive management</p> <p>Corporate Management Director</p>	4 years

Name	Age	Qualifications	Professional experience	Position held	Seniority
Adrian Simionescu	48	<p>2002–2007 Law Graduate, Bioterra Bucuresti University – Law Faculty</p> <p>1996–2002 Doctor in Economy (PhD) Academy of Economic Studies – Faculty of International Economic Relations</p> <p>1995–1996 Masters - Quality Management and Crisis Management Academy of Economic Studies</p> <p>1990–1995 Economist - Academy of Economic Studies</p>	<p>2017–Present Member of the Board of Directors of SAI MUNTENIA INVEST SA</p> <p>1998– Present President & General Director VIENNA INVESTMENT TRUST S.A. (former Finans Securities)</p> <p>2013– Present Member of the Board of Directors of DEPOZITARUL CENTRAL S.A.</p> <p>2013– Present President, FSA Authorised Lecturer at CENTRUL DE PREGATIRE FINANCIARA MILLENIUM</p> <p>1995–2001 University Lecturer Academy of Economic Studies</p> <p>1994–1998 Executive Director Institutul Roman De Investitii</p>	Member of the Board of Directors	2 years

Name	Age	Qualifications	Professional experience	Position held	Seniority
Dorina Teodora Mihăilescu	60	<p>1996 - National School of Political and Administrative Studies - Faculty of Political Science</p> <p>1995 - National Defense College</p> <p>1984 - Academy of Economic Studies - Faculty of Commerce</p>	<p>December 2017-present, Non executive member of the Board of Directors of S.A.I. Muntenia Invest S.A.;</p> <p>Dec. 2013 - Aug. 2014 Financial Supervisory Authority - first vice-president cabinet - counselor</p> <p>Apr. 2013 - Oct. 2013 Financial Supervisory Authority - non-executive member</p> <p>Nov. 2007 - Apr. 2013 National Securities Commission - Commissioner</p> <p>2011 - 2013 European Systemic Risk Board - representative of the National Securities Commission (participation in Advisory Technical Committee and General Board)</p> <p>April 2008 - US SEC - International Institute for Securities Market Development - Washington D.C.</p> <p>June 2005 - Nov. 2007 National Securities Commission – Vice-President</p> <p>Dec. 2004 - May 2005 Parliament of Romania - Chamber of Deputies - Committee on Budget, Finance and Banks - deputy</p> <p>2001 - 2004 Government of Romania - Department for Institutional and Social Analysis - State Secretary</p> <p>1998 - 2000 Parliament of Romania - Chamber of Deputies - Counselor to the Cabinet of the Vice-President of the Chamber of Deputies</p> <p>Apr. 1997 - Sept. 2001 SIF 4 Muntenia - censor</p> <p>1993 - 1996 Government of Romania - General Secretariat of the Government - European Integration Directorate - Government Expert</p> <p>Septem. 1990 - 1992 Parliament of Romania - Chamber of Deputies - Deputy, member Economic Commission</p> <p>June - Sept. 1990 President of Romania - Director of the Head of the Department of Political Analysis</p> <p>1984 - 1990 ICSM Huedin, Cluj County – Economist</p>	Member of the Board of Directors	2 years

Name	Age	Qualifications	Professional experience	Position held	Seniority
Nicușor Marian Buică	45	<p>Subengineer, in 1997 graduated Mechanics, Specialty Materials and Destructive Polytechnic University of Bucharest.</p> <p>Economist, graduated in 2003 University of Craiova, Faculty of Economics</p> <p>MBA, graduated from City University in 2005, State of Washington, USA</p>	<p>Dec 2017 - General Director of SAI Muntenia Invest</p> <p>Dec 2016 – Dec 2017 Member of the Board of Directors of SAI Muntenia Invest</p> <p>Jun 2016 – 07 Dec 2016 Member of the Board of Directors of Swiss Capital S.A.</p> <p>May 2016 – Oct 2016 Director Romenergo</p> <p>Oct 2015 - Apr 2016 – State Secretary, European Funds Ministry</p> <p>Aug 2014- Dec 2014 – Councilor to the Delegated Ministry for Budget, Ministry of Public Finance</p> <p>March 2013 – March 2014 - State Secretary, Transportation Ministry</p> <p>June 2012 – November 2012 – Councilor to the State Secretary, Environment and Climate Ministry</p> <p>July 2010 – June 2012, President of the BoD of Dunapref S.A.</p> <p>January 2008 – May 2009, Commercial Director of Apolodor Com Impex</p> <p>February 2004 - July 2009 Compliance Officer SSIF Active International S.A.,</p> <p>Oct 2001- dec 2005 – Elpreco SA Craiova – development manager, executive manager, member of the BoD</p> <p>Jan 1998 – sept 2001- investment broker SSIF Active International</p>	<p>General Director</p> <p>Member of the Board of Directors</p>	2 years

Name	Age	Qualifications	Professional experience	Position held	Seniority
Mircea Constantin	59	Engineer, graduated in 1987 Polytechnic Institute of Bucharest, Faculty of Automatic Control, Automation and Computers	<p>December 2016 – present - Director (Strategy Director) providing executive management, S.A.I. Muntenia Invest S.A.;</p> <p>October 2012 - December 2016 - SAI Muntenia Invest SA Director of Strategy and Net Asset Calculation Direction</p> <p>2007- 2012 Member of the Board of Directors of SAI Muntenia Invest SA</p> <p>2005 - 2007 SAI Muntenia Invest SA Advisor</p> <p>1997 - 2007 SAI Muntenia INVEST SA. Strategy Direction. Director, Deputy Director, Head Office.</p> <p>1993 - 1997 FPP IV Muntenia respectively SIF Muntenia SA (since 1995) Strategy Directorate. Head office. Expert reviewer.</p> <p>1993 - 1994 FPP IV Muntenia Privatization Directorate. Reviewer</p> <p>1992 - 1993 National Privatisatoon Agency for Small and Medium Enterprises Development Department; Expert reviewer</p> <p>1987 - 1992 Research Centre for Automation Bucharest (CCAB) respectively SIAT SA (1990) Computing Center; System engineer</p>	<p>Director empowered with the executive management</p> <p>Strategy Director</p>	3 years