

**Shareholders Representatives Council of
Societatea de Investitii Financiare Muntenia S.A.**

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REPORT

for the mandate exercised during the year 2019

Members of the Shareholders Representatives Council of Societatea de Investitii Financiare Muntenia S.A. (S.R.C.), appointed during the Shareholders General Ordinary Meeting (S.G.O.M.) dated 25 June 2018, have adopted on 17 March 2020 this Report for the mandate exercised during the year 2019.

1. Context

The year 2019 shows a positive evolution of the Gross Domestic Product of Romania, which registers an increase of 4.1% compared to the year 2018. The main contributors of this appreciation originate in the salary increases in the state and private environment, as well as the increase of the pension point. The net salary average income was 3,340 lei in December 2019, 5.1% up from November 2019 and 13% from December 2018. These salary increases generated inflationary pressures, 2019 ending with an average annual inflation rate of 3.8%, decreasing as compared to the previous year, but still outside the NBR target range of 2.5% +/- a percentage point. The increase of population income following the above-mentioned governmental measures to the detriment of investments has generated internal macroeconomic imbalances that are found in the accelerated increase of the current account deficit, especially due to the deepening of the negative balance of the trade balance and the depreciation of the national currency in relation to the main currencies. The national currency registered an evolution against the Euro in the range [4.6634, 4.7808] with an average value of 4.7453 lei / Euro, remaining in an area of continuation of the depreciation recorded also during the year 2018. The current account deficit increased by almost 17% in 2019 compared to 2018, to 10.48 billion Euros.

Regarding the level of employment, the trend for the entire year 2019 is a decreasing one, December 2019 registering a seasonally adjusted unemployment rate of 2.97%, decreasing by 0.34 points compared to the same month from 2018.

The local banking system also remains strong in 2019, with prudent and financial indicators being appropriate to the risks. The health status of the Romanian banking sector in terms of solvency, asset quality and profitability suggests a stable positioning, higher than the European average. The indicator for hedging the liquidity requirement and the rate of total equity reveals levels in accordance with the micro and macro prudential requirements. According to the NBR data, the ratio between the deposits attracted and the loans granted is superunitarian, the financing being homogeneously distributed and coming mainly from the economies of the population. In 2019, there is a 4.1% increase in loans granted to companies to the level of 43.2

billion lei, the highest level of the last 8 years. On the population segment, new loans accumulated 36.9 billion lei, with 3.1% over the level of 2018.

The profitability of the banking system remained good in 2019 as well (6.4 billion lei), however, recording a cumulative level of profit lower than the previous year, the main cause being the impact of the legislative changes introduced by GEO 114.

In 2019, the domestic capital market shows a positive evolution, especially as a basic effect of the strong depreciation registered by it in December 2018 following the ordinance no. 114. The BET index increases by 35.13%, and the BET-TR index, which includes also the yield of dividends granted by the most important listed companies has an increase of 46.9%. This positive evolution of the domestic capital market had a positive influence on the evolution of SIF Muntenia SA which closed the year 2019 with a record level of net profit of 111,913,700 lei and an increase in percentage of 390% compared to the level of net profit related to 2018.

2. SIF Muntenia S.R.C. organization and duties

S.I.F. Muntenia is a Romanian legal entity, constituted as a joint stock company with fully private capital. The operation of the company is regulated by the provisions of the ordinary Romanian laws and those of special character, applicable to financial investment companies, as well as the provisions of its Articles of Incorporation.

S.I.F. Muntenia was established as a joint stock company in November 1996, by reorganizing and transforming the Private Property IV Muntenia Fund, according to Law no. 133/1996 for the transformation of Private Property Funds into financial investment companies.

S.I.F. Muntenia S.A. is a collective investment body operating in Romania in accordance with the provisions of Law no. 31/1990, Law no. 297/2004 on the capital market, Law no. 74/2015 on the managers of alternative investment funds and Law no. 24/2017 on issuers of financial instruments and market operations.

S.I.F. Muntenia is registered in the F.S.A. Register of financial instruments and investments in the section of Alternative or closed investment companies.

The shareholders of S.I.F. Muntenia S.A. elected a new S.R.C. during the SGOM of 25 June 2018, for a period of 4 (four) years, aimed at supervising the management activity performed by S.A.I. Muntenia Invest S.A., administrator of S.I.F. Muntenia.

The S.R.C. is made up of the following members:

- Stefan Dragoş Gioga - President
- George Alin Stefan - member
- Mihai Chişu - member

During 2019, the S.R.C. exercised its duties of representing shareholders' interests and of supervising the activity and commitments of the administrator, within the limits imposed by the provisions of the Articles of Incorporation of S.I.F. Muntenia S.A., of the management contract and the resolutions of the Shareholders General Assemblies of S.I.F. Muntenia S.A. (SGA)

S.R.C. meetings have been scheduled according to SIF Muntenia SA's financial communication calendar, having met at least on the occasion of quarterly financial reports and in close correlation with the specific tasks of the S.R.C. according to SIF Muntenia's Articles of Incorporation. The representatives of the management company SAI Muntenia Invest S.A. were invited to attend the S.R.C. meetings for detailing specific items on the agenda. All S.R.C. decisions were taken with unanimous votes under quorum conditions and decision transparency.

Regarding the execution of the S.R.C. budget for 2019, we mention that it was within the budget approved by the shareholders, registering a percentage of 95% as compared to the 2019 BRE estimate.

We underline that the S.R.C. does not have among its duties administrative acts, SAI Muntenia Invest S.A. as administrator, being responsible for the management activity, for the adoption and implementation of investment policies as well as for the preparation and presentation of information and materials made available to the S.R.C. and the S.G.A. S.R.C.'s activity of supervision and verification does not exempt SAI Muntenia Invest S.A.'s responsibility for the obligations incumbent upon it according to the administration contract and the legal framework applicable to its activity.

3. Analysis of the information and reports submitted by SAI Muntenia Invest S.A.

By a proper exercise of its duties, the S.R.C. sought that the interests of SIF Muntenia SA's shareholders of be respected in accordance with the management program approved in the SGOA of 22 April 2019. To this end, the S.R.C. acknowledged the quarterly reports prepared according to the applicable legal regulations, analyzed and debated the monthly information of the administrator SAI Muntenia Invest S.A. regarding the execution of the management program, the execution of the budget of revenues and expenses, the calculation of the monthly net assets, the calculation of the management fee and the preparation of the quarterly / semi-annual / annual financial statements.

Please note that the above-mentioned elements reflect the operations that the administrator has carried out without the prior consultation of the S.R.C., which has not examined, recommended or participated in their substantiation or implementation. Subsequent receipt of this information shall not constitute an approval or ratification of such operations by the S.R.C. Additionally, the S.R.C. requested, received and analyzed:

- Synthetic detailing by comparison Q3.2019 / Q3.2018 of the profit or loss statement and other items of comprehensive income;
- Reports on the economic-financial statement as of 31.12.2018 and development prospects for the closed-type subsidiaries to which SIF Muntenia SA holds control;
- Audit reports prepared by MZ Finance Advisory and Assurance SRL, the internal auditor of SIF Muntenia S.A;
- Preliminary results reports of SIF Muntenia;
- Situation of different stages of legal proceedings in which SIF Muntenia SA is a party;

We would like to mention that SAI Muntenia Invest promptly responded to all requests of the S.R.C. so, at the date of this Report, we can conclude that all requests or recommendations of the S.R.C. that were made in 2019 were fulfilled by the administrator.

4. Corporate events


The Shareholders General Extraordinary Meeting of 22 April 2019 approved a share redemption program in order to reduce the share capital by canceling the redeemed shares. The offer document was approved by the FSA by Decision no. 1079 / 27.08.2019. The offer was started and concluded by the company in the third quarter of 2019, resulting in the purchase of 22,391,314 SIF4 shares amounting to 16,121,746 lei, representing 2.7745% of the share capital of the company.

5. Financial results of SIF Muntenia for 2019

SIF Muntenia achieved at the end of 2019 a net profit amounting to 111,913,700 lei, significantly increasing as compared to the level of 22,799,383 lei, level registered for the previous year. The value of the net assets increased from 1.257 billion lei in 2018 to 1.594 billion at the end of 2019, the net assets value per share registering at the end of the year the value of 2.0320 lei / share. The company continued the strategy of investing in companies listed on the B.S.E. based on high criteria of liquidity and dividend yield. At the same time, the divestment from non-dividend paying companies and / or unlisted companies was pursued. Thus, the participation in companies like BRD - Groupe Societe Generale and Banca Transilvania increased and the Company is no longer a shareholder of companies such as Minerva SA, Chimopar SA and others. Following the restructuring of the portfolio, the Company held 131 companies at the end of 2019, as compared to 141 at the beginning of the year.

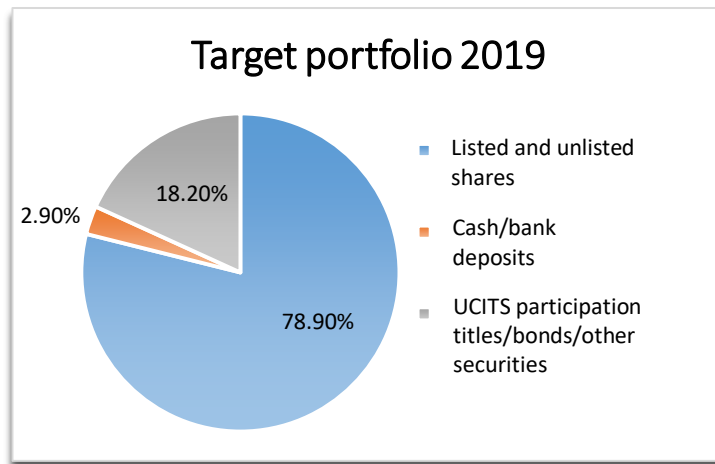
In 2019, SIF Muntenia received gross dividends amounting to 52,419,044 lei. Although the dividends paid by companies in 2019 did not have the same generous character as that of 2018, the income from dividends received by SIF Muntenia registered a level close to the one registered in the previous year. Thus, we notice a priority targeting of SIF Muntenia SA availabilities towards dividend paying companies that offer sustainability, predictability and solidity to the holding portfolio, confirming the good management and allocation of financial resources and availability according to the established objectives. The beginning of the year registered a volatile period in the dynamics of the domestic capital market, especially after the clarification of the provisions of the implementation of GEO 114. The immediate effect is felt in the local market, which quickly recovers the negative effects induced by the initial form of implementation of the ordinance. The reassessment of financial assets at fair value through profit or loss has a positive value of 95.90 million lei compared to the previous year when a loss of 22.16 million lei was recorded. At the end of 2019 we ascertain that SAI Muntenia Invest has administered SIF Muntenia in accordance with the strategic objectives established.

Thus, compared to the target portfolio established for 2019 according to the Management Program:



SHARES 70- 85%	<ul style="list-style-type: none"> Listed on regulated capital markets Listed on alternative trading systems Unlisted companies
LIQUID ASSETS 1 - 10%	<ul style="list-style-type: none"> Cash, deposits with banks
OTHER SUB-PORTFOLIOS <25%	<ul style="list-style-type: none"> UCITS/UCI/AIF titles of participation Bonds Other financial instruments

SIF Muntenia’s target portfolio for 2019 had the following composition at the end of the year:



6. Conclusions and recommendations of the S.R.C. addressed to the administrator, SAI Muntenia Invest S.A.

In relation to the activities and discussions between the S.R.C. and the Administrator SAI Muntenia Invest SA in 2019, there was a focus on the observance of the prudential rules provided by the applicable legislation in accordance with the objectives assumed by the administrator through the management program and the appropriate risk management of SIF Muntenia SA's assets.

The S.R.C. maintains the request to the administrator on the obligation to permanently take adequate care in the management of SIF Muntenia's financial assets in order to preserve the integrity of the SIF Muntenia's patrimony through:

- making financial investments in order to maximize the value of its own shares, according to the regulations in force;
- the management of the investment portfolio and the exercise of all rights related to the instruments in which it is invested;
- adequate risk monitoring and management.

The present report of the Shareholders Representatives Council of the Financial Investment Company Muntenia S.A. is addressed exclusively to the shareholders of SIF Muntenia SA and in order to be presented to the Shareholders General Ordinary Meeting of SIF Muntenia SA dated 23/24 April 2020.

The Chairman of the Shareholders Representatives Council,
Ștefan Dragoș GIOGA